



**The Actuarial Profession**  
making financial sense of the future



# IAA

## The Presidents' Forum

### Morris Review

### Monday 13 June 2005

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Harvie Brown  
President  
Faculty of Actuaries



# Introduction (1)

## **In the Past:**

**Professional said “trust me”  
Trust was given**

## **Now:**

**Public no longer willing to  
take for granted. Want clear  
explanation and justification**

**Concept of self regulation - less convincing**

**Openness, Transparency and Accountability**



# Introduction (2)

Work started before Morris



- ❖ **Actuarial Standards Board**
- ❖ **Peer Review**
- ❖ **Monitoring of Compliance**
- ❖ **Continuing Professional Development**
- ❖ **Conflicts of Interest**
- ❖ **New Disciplinary Scheme (completed)**
- ❖ **New Education Syllabus (completed)**



# Morris Review Final Recommendations

**The Profession and Regulation**

**Chapter 3**

**Actuarial Roles**

**Chapter 5**

**Standard Setting**

**Chapter 6**

**Public Interest and Accountability**

**Chapter 7**

**Scrutiny and Discipline**

**Chapter 8**

**Education and Continuing  
Professional Development**

**Chapter 4**

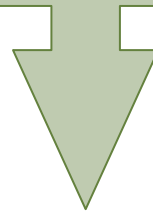
**The Market for Actuarial Services**

**Chapter 2**



# The Profession and Regulation

**Actuarial Profession should be subject to independent oversight by the Financial Reporting Council (FRC)**



**Board for Actuarial Standards (BAS)**

**Professional Oversight Board for Accountancy and Actuaries (POBAA)**



# Actuarial Roles

**Reserved roles in life assurance and pensions to continue**

**Government and regulators to keep these roles under review**

**General insurers to take advice on risk assessment and valuation of liabilities from an actuary or approved person**

**Conflicts of interest in pension schemes**

- **3 parties to agree no material conflict**
- **If material conflict, trustees have option to retain actuary**
- **Guidance for actuaries to be developed in this area**



# Standard Setting

## Board for Actuarial Standards (BAS)



- ❖ **FRC to establish BAS, consultation with FOA and IOA**
- ❖ **Remit to set technical standards (GNs)**
- ❖ **Actuarial Profession to set ethical standards (PCS)**
- ❖ **POBAA to oversee ethical standards**
- ❖ **BAS reserve power to set ethical standards if POBAA or BAS think it is appropriate**



# Public Interest and Accountability

**To protect the public interest, actuaries have duties**

- **To whistleblow and report to regulators in specific circumstances**
- **To comply with professional standards: both ethical and technical**

**FSA, TPR and Profession to issue clear guidance on whistleblowing**

- **Circumstances**
- **Permitted**
- **Required**
- **Matters which regulators regards as significant**
- **Safeguards**
- **Sanctions**





# Scrutiny and Discipline

- ❖ **Need for independent scrutiny of actuarial advice**
- ❖ **Supports work done by Profession so far**
- ❖ **Within 2-3 years, appropriate monitoring through either -**
  - **Direct supervision by regulator**
  - **Audit**
  - **External peer review**
- ❖ **POBAA to oversee disciplinary scheme**
- ❖ **AIDB to investigate public interest cases**



# Views of UK Profession (1)

**Does not agree with all the criticisms**

**Supports central recommendation**

**Accepts need for change - had already started on many of the changes recommended**

**Assists Profession where it did not have power to take changes forward**

**In favour of independent Board for Actuarial Standards**

**In favour of continuation of self regulation but with oversight by FRC**



# Views of UK Profession (2)

**Appropriate funding for new structures required**

**Actuarial representation in new structures essential if to work**

**Supports continuation of reserved roles and the real value they have to play in protecting the public interest**

**Noted that Morris found no evidence that the vast majority of actuaries were anything other than skilled and dedicated professionals**

**Need to work hard with FRC and others to implement in 12 months**



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