



The Actuarial Profession
making financial sense of the future



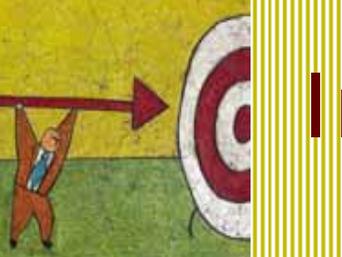
IAA

The Presidents' Forum

Morris Review

Monday 13 June 2005

Harvie Brown
President
Faculty of Actuaries



Introduction (1)

In the Past:

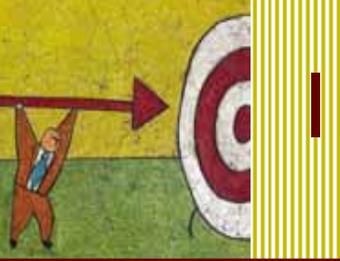
**Professional said “trust me”
Trust was given**

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

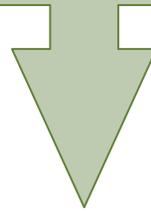
The Market for Actuarial Services

Chapter 2



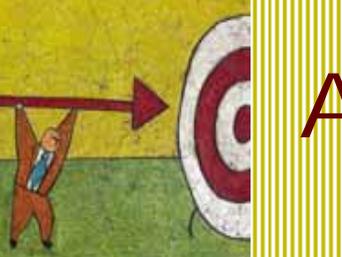
The Profession and Regulation

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**



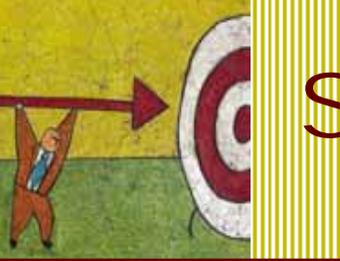
Public Interest and Accountability

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**

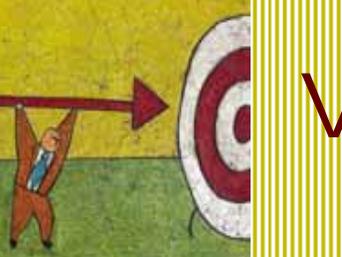
FSA, TPR and Profession to issue clear guidance on whistleblowing

- **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

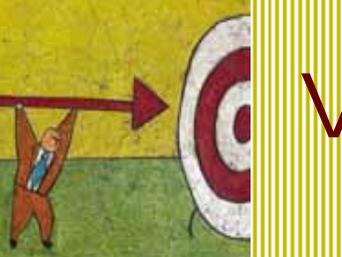
Supports central recommendation

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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