

#### (P47) Options for increasing competition

The cost of PI cover is determined by market forces and the level of PI cover required is determined by the recipients of actuarial advice (i.e. market forces). It does not seem appropriate to interfere with market-driven costs and levels of PI cover.

#### (P69) Reserved role in general insurance

Options 1 or 4 seem the most appropriate.

As an observation, the company environment is profoundly different from the Lloyd's environment, so it's not necessarily inconsistent to have a reserved role inside Lloyd's but not outside.

Option 2 would invariably result in an actuary certifying reserves which would be a de facto reserved role.

Option 4 represents the status quo: I'm pretty sure every auditor takes actuarial advice, usually from their in-house actuarial team, when auditing a general insurer.

#### (P146) Options for scrutiny of actuaries in general insurance for the Company Market

Option 1 seems most appropriate, particularly if there remains no statutory, or reserved, role for general insurance actuaries in companies. It would probably be helpful to formalise what is expected of the actuarial element of an audit, lest this part of any review be skimmed on as part of an overall audit process.

Can I use my own company to illustrate the heavy heart with which I consider the prospect of a new type of peer review (Option 2). Norwich Union Insurance has a formal quarterly review and challenge process, involving personnel from all relevant functions (for example Claims, Pricing and Underwriting). We have a continuous internal peer review process between actuarial teams. Our work is reviewed quarterly by a separate Aviva Group Actuarial team and is also reviewed quarterly by the actuarial team of our auditors. Our processes/documentation are also reviewed periodically by our Group Business Risk team. We occasionally commission other, specific, external reviews of particular elements of our Balance Sheet. Against this background, it is hard to see what value an additional formal review might add!! Any peer review should reflect the existing level of review and scrutiny, rather than be a blanket addition irrespective of any existing review and challenge processes.

It seems to me that the most valuable type of review is by non-actuaries - a non-peer review. The new FSA regime requires actuaries to spell out the main assumptions, risks and uncertainties in their work (largely to non-actuaries), along with every other professional with a significant role within the company. Going forwards this will lead to insurers having a very transparent review of actuarial work by non-peers; this will also be very visible to the FSA who can intervene (or simply require higher capital) should they see inadequate levels of actuarial review and governance. My perception, certainly in the company market, is that the new FSA regime is already leading to formalisation of a healthy degree of challenge and scrutiny.

I suspect that to the extent there are ever any problems with the translation of actuarial advice within companies into decisions/actions, it's quite often a problem of communication, rather than the technical quality of the work per se. If the root of a problem is communication/translation, a "peer review", largely of the technical content of the work, by another actuary, isn't necessarily going to address this. A robust overall governance and control framework, its effectiveness monitored and enforced by the FSA, seems a better way of ensuring that communication of actuarial advice works well.

(P147) Options for scrutiny of actuaries in general insurance for Lloyd's

Option 3 seems most appropriate.

Option 1 seems iniquitous between external actuaries and in-house actuaries and might undermine the use of in-house actuaries. Should peer review be deemed necessary, the internal "peer review" by, say, one consultant of a colleague's work in the same consultancy, seems no more worthy of exemption from the requirement of external peer review than an internal "peer review" between two in-house actuaries. In fact the adoption of "house" assumptions, or methodologies, may render an in-house "peer review" by consultancies of limited value.

General observation

As noted in my original submission to your Consultation, there are a wide range of areas that general insurance actuaries work in. The boundary between different subject matters is quite blurred; this may make it hard to neatly define particular requirements for scrutiny of general insurance actuaries (which is of course not a reason to try and do so!).

There are some odd conundrums in relation to the role of actuaries versus non-actuaries. Some non-actuaries do perform actuarial-ish roles in companies. It does not seem fair or appropriate to reserve roles exclusively for actuaries. If roles were not reserved but peer review introduced, a non-actuary would not need any sort of review, an actuary would. Yet some would say the non-actuary might be more in need of some external scrutiny/challenge. This observation means I'd prefer to clarify the role of the auditor, and the expectations of the FSA, who would provide scrutiny and challenge whatever the profession of the person involved in performing "actuarial" work.

It seems a good thing, per the thrust of some of your overall observations, for actuaries to work more closely with non-actuaries. This would be harder to do if an actuary had to have a series of additional hoops to jump through compared to a non-actuary doing the same role. The answer is to make sure both actuaries and non-actuaries who perform significant functions for general insurers have an appropriate level of challenge and scrutiny: which is the intention of the new FSA governance framework and should be capable of being reinforced through the audit process.