

14th September 2004

The Morris Review
Room GC/08
1 Horse Guards Road
London
SW1A 2HQ

Dear Sir/Madam

Morris Review of the Actuarial Profession

In light of recent scandals within the insurance industry, it is not surprising that the government launched a review of the actuarial profession. We welcome the opportunity to provide our input to the current review on the role of the actuary.

The International Underwriting Association (IUA) is a trade association and market body representing the interests of its membership. The IUA's membership consists of commercial insurers and reinsurers underwriting non-life business in the London Market. Our member companies are International companies that could be regulated outside of the UK. Please see attached briefing note for further information about the IUA.

With the ever increasing capital requirement and risk management regulation being placed on our member companies there will be an increasing need to retain actuaries to assist in meeting the regulatory burden. Therefore we are keen to respond to your consultation.

We have felt it inappropriate to respond to all of the questions raised in the document, but would like the following comments to be considered.

As the IUA represents non-life insurers and reinsurers in the London Market we have focused on how the issues raised in this initial consultation paper will impact the actuaries operating (both employed and consultants) within our member companies. Our member companies already extensively use actuaries, which does not appear to have been adequately considered in the review. We believe that the importance of non-life actuaries needs to be emphasised, especially with the onset of FSA capital requirements and impending conclusions of Solvency II review.

Training is becoming increasingly important for actuaries as the demand for their skills intensifies within the non-life insurance sector. In the non-life sector, actuaries were traditionally involved in reserving; however they are increasingly being used for pricing, investment and catastrophe modelling. We believe that any further regulation of actuaries should not limit the scope of use and development of actuarial techniques in the market.

Reading the consultation paper it is apparent that there is much concern about who the actuary is responsible to, its employer or client? In our opinion whilst the actuary must act ethically in its conduct its ultimate responsibility is to its employer. The actuary does not deal directly with the client therefore can not be responsible to them. The actuary provides data and information upon which clients are advised, and therefore have a

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responsibility to produce the information ethically, beyond that they are ultimately responsible to the employer.

The Institute of Actuaries has continued to provide actuaries with relevant training and up to date seminars covering pertinent issues. It is our belief that the Institute promotes the profession and encourages interaction between all professions, for instance the implications of the International Accounting Standards (IAS), relevance of Solvency II review and importance of capital assessments have all been presented at recent Institute of Actuaries' seminars.

Whilst an actuary needs to be aware of the changing regulatory environment and its impact and requirement of actuarial techniques, we do support the notion that actuaries should not be encouraged to act outside of their own professions. Specification for the role needs to be clearly defined when actuaries are employed.

The IUA believe that it is essential for one organisation like the Institute of Actuaries to provide the actuarial examinations and maintain professionalism. It will be important for the examinations to be QCA qualified to maintain quality. To ensure that the examinations are appropriate, employers need to be consulted in reviews of syllabuses. We also feel that the curriculum needs to be driven by employers since they are in the market and understand the needs of the market.

We believe that the role of the actuary needs to be transparent. We are aware that the Institute of Actuaries issue guidelines to promote ethical behaviour and minimum standards; it may be that these should be developed with other interested stakeholders.

A final point that we would like to make is that an actuarial profession requires adequate whistle blowing process in place that promotes reporting and protects the actuary.

If you would like to further discuss any of the points raised, please do not hesitate to contact me on pj.byrnes@iua.co.uk or telephone 020 7617 4452.

Yours faithfully



Pam Byrnes
Director Knowledge Management

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THE INTERNATIONAL UNDERWRITING ASSOCIATION

The International Underwriting Association of London (IUA) is the world's largest representative organisation for international and wholesale insurance and reinsurance companies. It came into existence on 31 December 1998, following the merger of the London International Insurance and Reinsurance Market Association (LIRMA) and the Institute of London Underwriters (ILU).

The ILU's history in the marine, aviation and transport insurance markets dates back to 1884. LIRMA was formed in 1991 from the merger of previous insurance associations formed in the 1960's and 1970's to support non-marine insurance business and reinsurance.

The IUA has 42 Ordinary members. They are mainly based in London or in the rest of the European Economic Area (EEA) and regulated accordingly. There are also 31 associate members from over 20 countries. IUA members wrote around £11 billion premium in 2002. In 2003 premiums processed by the Ins-sure market bureau for all classes of business were £5557m while claims were £2893m. This produced a positive cash flow of £2.5bn; an increase of more than £0.5bn on the previous year and nearly ten times greater than the 2001 result. Several of the IUA's larger members now provide the major part of the corporate capital of Lloyd's.

The IUA is both a trade association, representing its member's interests internationally, and a market association supporting the business environment in London.

The IUA as a trade association represents its members' interests to governments, regulators and

intergovernmental institutions worldwide. The IUA liaises, as appropriate, with UK regulatory

institutions whilst considering the diverse regulatory issues of its members. It regularly attends meetings of the International Association of Insurance Supervisors and the quarterly meetings of the US National Association of Insurance Commissioners, also lobbying at the federal level as necessary.

In Europe, the IUA liaises with the Commission, the federation of insurance associations (CEA) and other relevant bodies, and promotes the completion of the single market. It introduced the euro as a settlement currency into the London company market in October 1998 through its then wholly owned subsidiary, the London Processing Centre, and it participates in the Bank of England's preparations for the National Changeover. It also supports the work of International Financial Services London (formerly British Invisibles) LOTIS (Liberalisation of Trade in Services) Committee and the US / EU Financial Leaders Group, which itself supports the work of US / EU trade negotiators in the context of WTO / GATS. It made a submission to academics working for the Financial Stability Forum (G8 Finance Ministers) on its first study of global systemic risk in reinsurance and is preparing to contribute to a second study.

The IUA is also monitoring and participating in current discussions on insurance law reform initiated variously by DTI, the legal profession and academics, in the UK and across Europe. It also works with the International Accounting Standards Board.

Through its Education and Training Committee, the IUA promotes and develops education and training in the London Market. The IUA also organises confer-

ences and seminars for its members. Regular market briefings cover a wide range of technical, commercial or educational topics. Its last international seminar "The Limits of Liability", was held jointly with the Lloyd's Market Association in London in May 2003.

The IUA sponsors research and publishes the results. Of its publications, reinsurance statistics, marine loss statistics and earthquake hazard atlases are produced regularly. Other projects are commissioned in response to perceived need, such as the UK Bodily Injury Awards Study, which has prompted the adoption of a new rehabilitation code by the UK industry and has also been supported by the ABI and the TUC. Other projects include a summary of European Premium Taxes and research into digital risk.

The market association function embraces technical support for underwriting practice, the provision of collective back office processing services and an ambitious programme, with Lloyd's, for reform of procedures within the London Market.

The IUA's various committees encourage good practices in technical support, underwriting and training. Clauses committees continue to work on the standardisation of clauses across the London market, many of which are adopted internationally.

In 1999 the IUA and Lloyd's set up the IUA/Lloyd's Forum to launch reform projects in the London Market. This has since joined with the London Market Brokers' Committee to form the Market Reform Group.

The LMP 2001 programme seeks to simplify and speed up London Market placing and claims agreement procedures, harnessing new technology, to improve customer satisfaction, and to make the market a more attractive place to do business. A parallel project is working on improving the London Market's accounting and settlement procedures, which is chaired by IUA's Chief Executive.

In May 2001 the IUA and Lloyd's announced that they would be merging the London Processing Centre (LPC) and the Lloyd's Policy Signing Office (LPSO), to form Ins-sure Services, which currently processes £20 bn premium and claims pa. A third joint venture partner Xchanging BV is providing additional expertise and capital. (IUA owns 25% of Ins-sure Services.)

A company limited by guarantee, a Board of up to 20 governs the IUA, comprising: the Chief Executive and representatives elected annually by rotation by full members. Those so elected tend to be Chairmen and/or Chief Executives of insurance and reinsurance companies or otherwise senior market figures. The IUA's full members themselves can be classified as: the UK authorised subsidiaries or branches of the major US and European insurers and reinsurers (e.g. AIG, GE Frankona, Generali, Munich Re, AXA, SCOR, AGF, Swiss Re); EEA licensed insurers and EEA reinsurers (some, but not all, having London branches); and foreign-owned smaller reinsurance companies based in London.

If you would like further information on the IUA, contact Scott Farley, Press and PR Manager, on +44 207 617 4449 or email scott.farley@iua.co.uk

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