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28 January 2005

Sir Derek Morris  
The Morris Review  
Room G/37  
1 Horse Guards Road  
LONDON  
SW1A 2HQ

Dear Sir Derek

#### **Review of the Actuarial Profession: Interim Assessment**

In paragraph 3.8 of your Interim Assessment you refer to the fact that the UK actuarial profession has two independent professional bodies and suggest that consideration be given to the continued usefulness of this position.

I think that there are a number of reasons why the profession gains from the separate existence of the Faculty and the Institute. In this letter, however, I wish to restrict my comments to one particular aspect of the present position, which I feel is of considerable benefit to the UK profession.

First, however, I should provide some background to my remarks.

As an academic I have always been aware of the importance of innovation and of the value of research in relation to the work of our profession. In my view, for the reasons described below, the independent existence of the Faculty has been a significant factor in the development of the profession's research activity.

Many years ago the Council of the Faculty set up its first 'Research Group'. Since then Council has established a number of such groups, each group being asked to investigate a specific actuarial topic of practical importance. The groups have been encouraged to present their findings to Sessional Meetings of the Faculty. Whilst, inevitably, some Research Groups have produced more significant work than others, I think it is fair to say that frequently the work of these groups has been of real value and has taken the profession forward in a positive manner, very often dealing with and suggesting solutions to complex practical problems.

Over the years one of the strengths of the Faculty has been the way in which so many of its members have contributed to the voluntary work of the profession. This remains the case today, despite the fact that the pressures of business have increased greatly in recent times. Fellows of the Faculty recognise that they belong to a relatively small professional body, of which they are proud and to which they owe considerable loyalty. A high proportion of Fellows of the Faculty are keen to 'give back' to the profession as much as they reasonably can. In my view this attitude has been an important factor in the success of the Faculty's Research Groups. It is also relevant to the high standing in which the Faculty is held within the international actuarial community.

As a member of Faculty Council for many years I was always very conscious of the willingness of a relatively large number of Fellows of the Faculty to become involved with a wide range of voluntary work. I feel certain that, if the Faculty did not exist as a separate body with which its Fellows could clearly identify, it would be difficult to persuade many actuaries working in Scotland to participate in voluntary work for the profession to anything like the extent they now do. In particular, I think it highly likely that, if the Faculty did not exist, there would be a significant drop in the profession's overall research activity.

Given the increasing complexity of the financial and demographic problems confronting our society today, I think that the value of carefully planned and properly structured actuarial research is becoming ever more important in the business world. Any reduction in research activity would be highly detrimental to the UK profession. Accordingly, in the light of my remarks above, I think the independent existence of the Faculty is highly desirable and a very real benefit to the profession.

I think that there are other important reasons why the UK profession benefits from the existence of two separate bodies. I will be pleased to discuss these or any of the points which I have raised above with you, if you felt that this would be helpful.

Yours sincerely,

Professor J J McCutcheon, CBE