

The scope of the actuarial role

Question	Response
<p>Q1.1 What do you see as the main value provided by actuaries and, conversely, what are their weaknesses? In general, are actuaries properly equipped for the roles that they perform?</p>	<p>Actuaries have an excellent understanding of the long term financial impact of decisions taking account of a number of different factors – i.e. impact on solvency, tax impact etc. They can be and there have been instances when they have focused on the long term too much or have failed to accurately predict future outcomes. It must also be said that business managers do not always give due weight to actuarial input.</p> <p>The training they receive from the actuarial profession is very academic and gives them a good grounding in business but does not develop them as managers.</p> <p>With the right personal development they can become strong senior managers.</p>
<p>Q1.3 Do you think that there is still a need for particular roles for actuaries to be reserved by statute and, if so, which roles and for what reasons? If not, why not?</p>	<p>There are a number of areas where a significant level of actuarial knowledge is required and because of this actuaries are the proper candidates.</p> <p>Roles including the current role of the Appointed Actuary and the new roles of the With Profits Actuary and the Head of Actuarial Function are roles I believe should be filled by actuaries. These roles require knowledge and understanding of mortality risk, investment risk etc to ensure that policyholders reasonable expectations are met and also to ensure that the company is managed properly. It is not clear any other professions have the full skill set to carry out these roles.</p>
<p>Q1.5 If roles reserved exclusively to actuaries are maintained, do you think that there is a need to introduce greater peer review and scrutiny of such work?</p>	<p>There is currently some peer review and the area that this covers is expanding. In the next few months there will also be a lot more review of these roles by both internal and external auditors primarily due to changes in corporate governance because of IPSB, Sarbanes Oxley etc.</p> <p>There will also be more scrutiny from Directors as they will have even greater accountability for the decisions that are made in these roles.</p>
<p>Q1.6 Could other professions work more closely with actuaries or in related functions to help maintain and improve actuarial effectiveness?</p>	<p>Actuaries do and should work closely with many other professionals do ensure that they provide best possible advice to their clients. Perhaps the area of professional risk management is one where wider business risk assessment could be made stronger.</p>

Accountability of actuaries

Question	Response
<p>Q1.8 Are actuaries sufficiently accountable for their actions? To whom should actuaries be primarily accountable – to their clients or employers, to</p>	<p>Within our company there is the normal managerial responsibility to senior management, board etc also actuaries have a professional accountability to their</p>

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<p>pension fund trustees or sponsors, or to a broader public interest, which encompasses the strength and stability of the insurance and pension sectors and the interests of those consumers involved?</p>	<p>professional body.</p> <p>Who they are accountable to depends on where they work – they should be primarily accountable to their company but ensure fair treatment for policyholders/clients.</p> <p>Actuaries do roles that the majority of policyholders/clients do not understand and it is therefore their responsibility to ensure these people are treated fairly.</p>

Entry into the Profession

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<p>Q1.15 How important an influence on the Profession are the companies that recruit and train student actuaries? To what extent is the curriculum shaped by the needs of employers? Is this good or bad?</p>	<p>Companies recruit actuaries and actuarial students to perform specific roles – the syllabus is continually under review to ensure that the requirements of actuarial employers are met.</p> <p>This is good as it shapes the employees to fill the roles that they are suited for and that are available. As employers are also commercial organizations they need to ensure the right people and skills are available to need business needs.</p>
<p>Q1.16 What is your view of the appropriateness of the current actuarial qualification syllabus (set in 1999) in preparing actuaries for their actuarial and broader business and management roles?</p>	<p>The current qualification syllabus ensures that actuaries have exactly the academic skills they need to fill actuarial roles. It also gives them some broader business knowledge. Where it doesn't prepare them is for managerial roles and it doesn't teach them business acumen. This is left to the employer and the individual themselves.</p>
<p>Q1.17 In particular, do you think that it should take on average 5 or 6 years for an actuary to qualify? Is there the right balance between academic and practical experience, sufficient breadth of subjects studied or not studied and the appropriate degree of specialisation at the right time?</p>	<p>I think that the current average time is acceptable as there is a significant amount of knowledge that actuaries have to know to enable them to perform the roles that they currently have. Any reduction in the time to qualification would reduce the value of the actuaries once they qualify, they then wouldn't fill the roles that they currently fill.</p> <p>The exams cover the academic requirements and the employers ensure sufficient practical experience for their employees. There are many subjects covered with the allowance for some tailoring by the individuals. We try to influence this to ensure they are more suited to roles within our organisation.</p>

The market for actuarial services

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<p>Q1.23 Do the consumers of actuarial services have access to a wide range of providers or is choice in this market in any way constrained? If so, in what way and why is consumer choice limited?</p>	<p>We make use of actuarial consultants and there is a sufficient number of alternatives– in fact most large accountancy firms also have an actuarial practice.</p>

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Q1.24 Is it easy for consumers to switch between actuarial service provider? If not, what do you think could be done to encourage switching?	We can easily switch between consultants.
Q1.27 What determines whether actuarial advice is provided by in-house employees or external advisers or consultants? Does it reflect a clear difference in the actuarial role and function? Do firms employing in-house actuaries ever experience recruitment difficulties?	<p>This depends on the level of internal experience and the importance of the decision. If the decision is likely to be contentious and come under external review we are likely to use external advisers.</p> <p>We level our actuarial resource against the work we expect to do. We often use consultants to help through peaks of work and also to help with unfamiliar work.</p> <p>In the actuarial market at the moment there are a number of vacancies currently unfilled.</p>

International comparisons

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Q1.31 How easy is it for actuaries to work across international boundaries?	<p>The UK actuarial qualification is an internationally recognized standard that enables UK actuaries to work in most countries with some local experience standard required.</p> <p>The ease with which actuaries from outwith the UK can work in the UK depends on the country of qualification. Countries like Australia, USA and Canada have a similar standard to our own but many European countries do not.</p>

Other professions

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Q1.35 Are there any forthcoming EU directives or international accounting standards that are likely to impact on the actuarial role?	There are a number of things that are coming up that will influence the actuarial roles. The main one is the changes to the Life Office reporting that removes the ability to value some products using embedded values – this will reduce the need for actuarial reporting for these products.

The role of the Appointed Actuary

Question	Response
Q2.6 Do you have any other concerns about the role of actuaries working in life assurance?	Provided there is a good management structure which is able to challenge the actuarial decisions then actuaries can help strengthen the management of a company.
Q2.7 Do non-executive directors in life insurers have sufficient expertise and information available to them to enable them to challenge the actuarial calculations of the value of the insurer's assets and liabilities or whether	The actuarial information that is typically presented to the board of a company requires a significant level of understanding. It is the responsibility of the company to ensure that they have significant understanding at this level as this

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policyholders are being treated fairly?	is where the accountability lies.

Openness, peer review and audit of actuarial work

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Q2.35 Given the Profession's recent proposals on peer review, and the FSA's proposals for the reviewing actuary function in life assurance, will there be an appropriate level of peer review and scrutiny in the actuarial profession to protect consumers' or policyholders' interests in the future?	Yes. The level of peer review, director compliance, expanded role of internal and external auditors should all help to ensure policyholders and clients are treated fairly.
Q2.36 When should actuarial opinions be directly addressed or otherwise communicated to members of the public, such as policyholders or scheme members?	Any decision that significantly impacts or changes the current or future benefits of the policyholders/clients should be communicated to them. Care has to be taken that they are getting the information at a level that avoids further confusion and is both useful and informative to enable them to make informed decisions.

Monitoring, complaints and disciplinary schemes

Question	Response
Q2.43 Do regulators make appropriate use of actuarial expertise to supervise the work of actuaries?	The structure for doing this is already present. The regulator needs to have actuaries carrying out these roles with similar levels of expertise and background as those they are supervising.