

Sir Derek Morris  
The Morris Review  
Room G/37  
1 Horse Guards Road  
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3 February 2005

Dear Sir Derek

### **Morris Review of the Actuarial Profession - Interim Assessment**

I am writing on behalf of Standard Life in response to your interim assessment report. As we said in our response to your initial consultation document, we consider the contribution of actuaries to be critical to the running of long-term financial businesses like Standard Life. We were pleased to see that your interim report indicates that you hold a similar view.

We do not intend to offer responses to all the points you raise and options you present. However, there are two topics which we particularly wish to highlight and comment upon:

- the governance of the UK actuarial profession, and
- actuarial reserved roles.

#### Governance of the UK Actuarial Profession

While, to a large extent, self-regulation has worked well in the past, we accept that, in the current climate, some change is desirable. However, we would not be in favour of Model C (full statutory regulation). In our view, this would be disproportionate and potentially damaging if it resulted in a reduction of volunteer, practitioner involvement in the running of the profession. Thus, we favour some version of Model B (independent oversight).

It is important that whatever governance structure is adopted be cost effective since the costs are, in the case of life insurance, ultimately borne by policyholders. The Financial Reporting Council (FRC) model proposed has a number of attractive features. However, given that the FRC is itself relatively new it will be important to analyse all the issues carefully before assuming that its remit can be extended without negative consequences.

#### Reserved roles for actuaries

We are strongly in favour of maintaining actuarial reserved roles in life assurance (and can see many potential benefits in extending the concept into other areas where the interests of policyholders/scheme members could benefit from such representation). In general, the responsibility of actuaries must primarily be to their clients. It does not seem practical to us that

every actuary should have some higher responsibility to something as difficult to define as “the public interest”.

However, given the importance, yet complexity, of actuarial advice, we believe it is extremely important that certain actuaries are given a responsibility to consider the public interest as it overlaps with specific, defined, roles within financial services (in its broadest sense). The importance of having a skilled professional with a regulatory duty to highlight the effect on policyholders of certain courses of action should not be underestimated.

Yours sincerely

John Hylands