

I am an FIA and UK citizen who has spent the last 13 years working outside the UK. This, I believe, gives me a somewhat different perspective on some issues raised in the review. I would like to make comments on the following two questions. My comments are made in an individual capacity and are not related in any way to the opinions of my employer.

Q 1.30 : The skills and professionalism of UK actuaries and the UK actuarial profession are regarded in the best possible light internationally. In Europe, most actuarial organisations and the actuarial professions benchmark themselves against the UK profession and UK actuaries and aspire to the same quality, depth and professional standards. Most continental European actuarial professions, as a result of their actuarial education syllabuses, would consider themselves as much more "academic" rather than "practical" - that difference is what they view as the strength of the UK system. Generally, their markets are more tightly-regulated and, as a result, less developed than the UK, and this is partly due to the lack of development of an actuarial profession with training in practical problem solving rather than just in financial mathematics. Market regulation is something of a chicken and egg situation - regulators do not feel able to delegate to or rely on a profession that they don't feel capable of trusting because of its inadequate training, nor does the profession develop without the trust of regulators and the importance with which the profession is viewed.

In the US, the UK profession and actuaries are viewed as on a par with their US counterparts. Some US actuaries view the UK training as providing better quality, more rounded, less US-legislation-specific and more practical actuaries than the US profession. Many view the UK system as advantageous as it does not push general insurance into a different sub-profession (viz SOA and CAS).

In my experience within Latin America, the UK profession is held in the highest esteem in all countries in the region. Many students choose the US route for reasons of geography and access, but not for holding lesser opinions of the UK profession.

Q 2.2 In terms of overall view, I think we have to recognise that no regulatory system is perfect and that the interests of consumers will never be able to be completely protected; unscrupulous firms, or the pressures of competition, will always exist and tend to work against their best interests. Trying to satisfy the stakeholders in the "financial services triangle of interests" - i.e. splitting the pie and sharing the burden between shareholders, policyholders and distribution channel - leaves the interests of policyholders exposed if one or other of the stakeholders in the triangle exercises unreasonable power. The best that can be hoped of a

regulatory framework and approach is that it is better than the others on offer. In that sense, I am convinced that the current self-regulatory approach is the approach which works best compared with other models found around the world, and is the approach which best protects the interests of consumers overall. I stress the overall aspect as this is important - it is, in my opinion, in the overall interests of consumers for there to be competition, dynamism and choice in the insurance market, and self-regulation is the only model which is sufficiently flexible and dynamic to accompany such a market and allow it to flourish. The main alternative to self-regulation is increased imposed regulation, or compliance and certification by "required standards", those standards often being designed by people or politicians who are not competent or expert in the field, and the resulting standard often being the result of political compromise rather than technical solidity. If minimum regulations or standards are imposed, then regulators tend to cover themselves by applying them as the norm rather than as a minimum standard. The use of discretion or practical application of actuarial theory withers as it becomes impossible to get anything other than "the norm" approved by the regulator. The regulator's judgement becomes the only acceptable opinion, the actuarial profession is not empowered to dissent, and a tariff market results. This leaves no choice in the market and goes against consumers' best interests. In such situations it is usual for the regulator to become so moribund that it does not review the minimum standard frequently enough, companies and the public rely on an increasingly out-of-date and inadequate standard, and large scale insolvency occurs. This leads to wholesale lack of confidence in the regulator itself and consumers start to search for other proxy and more reliable indicators of financial strength, such as rating agencies, or just go offshore to avoid the constrictions of the market altogether. It is fair to say that whatever might be said against the UK actuarial profession, it will never be as slow, inflexible and moribund as a regulator or government department. I have seen the situation I mention above exist in all of the major Latin American economies and it is the prime reason for their current sorry state.

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