

Q1.3/1.4/1.5

Yes there is a continuing need for reserved roles for actuaries broadly those that are around now. This is because actuaries, as a result of their professional training, are the best people to carry out such roles. There are problems however. Such reserved roles can lead to arrogance on the part of the actuaries and can also lead to an unquestioning acceptance of their pronouncements on the part of those receiving the advice or opinions. Peer review has always been appropriate and most sensible actuaries make full use of it.

Q1.7

Undoubtedly actuaries should accept some responsibility for products found not to be 'fit for purpose' although there are not as many such products as is popularly believed. Individual actuaries can hardly be blamed for the methods of many sales forces in selling some products nor for the role of government in the late 1980s in its over simplistic promotion of personal pensions.

I think that those at the top of the profession (our council) could have shown much greater leadership over the last decade or two in pinpointing weaknesses in the way some financial services products were being promoted.

Q1.25

I think that many, if not most, people receiving actuarial advice do not sufficiently understand what they are being told and how the advice is produced. The recipients have not had an actuarial training but the information shortfall is caused by a combination of two things. The first is that some actuaries seem unable to express complex messages in a simple manner. Precisely the same criticism can, of course, be directed at other professionals like lawyers, doctors, IT specialists and university lecturers. The second reason for the information shortfall is that when the message is unclear to them, the recipients do not say that this is the case. Far too many directors and trustees would think that saying something was unclear was a reflection on their ability to understand and so do not say anything. Unfortunately, even if they did say something was unclear, the supplier of the information would probably see it as a weakness on the part of the recipient instead of realising that the message had not been communicated adequately.

Q2.5

It seems to be agreed that there should be adequate peer review of technical actuarial advice and decisions and so the FSA would seem to have gone a long way to address the Penrose concerns. However, the position of the reviewing actuary is not very clear to me. The relationships with the audit partner, the board of directors, the head of actuarial and the accountability seem confused at the moment? Should the appointment be by the auditor (and therefore be expected to be a member of the same firm) or by the board who after all appoint the auditors?

Q2.7

Some non-executive directors do not have sufficient expertise (and particularly confidence) to challenge actuarial input. It is to be hoped that the experience of Equitable will make them more assertive in calling for clearer presentations and second opinions.

Q2.27/2.29

It seems that the profession's technical guidance has not always provided the answers to problems of which the regulator is aware or just becoming aware. Perhaps the regulator and the profession should work more closely together. The guidance should be coming from an agreed position between the profession and the regulator. The suggestion of the government being involved is presumably a joke.

Q2.33/2.34

I am not aware of any deliberate lack of openness and transparency on the part of actuaries. However, there has always been an edgy relationship between actuaries and accountants. For example, the auditor sending an audit trainee to review the actuarial valuation carried out by a senior appointed actuary as has often happened in the past doesn't lead to comfortable relationships. In future such discussions will take place behind closed doors if the reviewing actuary is to be a member of the auditing firm. This does nothing, it could be suggested, to improve the understanding of the board of directors.

Q2.43

Historically no. With some exceptions the GAD has never had the best actuaries probably because the salary scales were inadequate. Rumour has it that the FSA is now trying to obtain actuaries on secondment from the consultancies at fees determined by the FSA not at the cost of those actuaries to the firms. Good regulation cannot be obtained on the cheap. With actuaries now working within the FSA the fundamental flaw in the regulator (DTI)/GAD relationship which has been obvious for decades has at last been corrected. Any meeting with the DTI/GAD showed that the DTI were ostensibly in charge with a superficial knowledge of the issue while the GAD had knowledge and expertise but a merely advisory role. In the fall out from Penrose it seems that the GAD has picked up most of the criticism where it could be argued that the disconnect between the DTI and GAD was the major problem.

Q3.5

I have no knowledge of how helpful the GAD is to the government. Clearly the government needs all the help it can get in the field of state, public service and private pension arrangements. I have not previously been aware of the ten reasons for having a GAD quoted in 3.20. Points 3, 5, 8, and 9 seem not unreasonable. The other six could be construed as a thinly veiled attack on the integrity of consulting actuaries. I hope some of the consultants will be responding vigorously.