

The Actuarial Profession Strategy Review

GIRO Convention
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20 October 2005



Agenda

- Background
- Research findings and strategy development
- Strategic scenarios
- Consultation questions discussion

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Reasons for change

- FRC to set up a Board for Actuarial Standards (BAS)
- Oversight of remaining regulatory functions
- Public interest discipline cases to be investigated by FRC body

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FRC regulation

- FRC now have pages on their website (www.frc.org.uk) about their role in regulation of the Actuarial Profession
- Gearing up for 1 April 2006 start
- Advertising for Chairman and Technical Director of BAS and a Head of Actuarial Oversight at POBA
- FRC consulting about funding

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Reasons for change

- Morris's crossroads
 - Retrenchment into narrow reserved roles, leading to decline and our eventual demise as a separate profession
 - Expanding the use of our skills into "a wider remit", bringing us into increasing competition with others

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Reasons for change

- World is changing
- Move from paternalism and solidarity to individualism
- Globalisation of markets and firms
- Society expects something different from Professions
- Growth in risk management
- Growth in computing and internet

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The strategic objectives

- Restoring confidence
- Increasing market share of talent leaving University
- Increasing value added by actuaries and thereby their influence
- Leveraging global capabilities

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How

- Consulting and collecting evidence from
 - Customers
 - Employers
 - Universities and
 - Recruiters
- Now your opportunity to contribute
- Start of member consultations

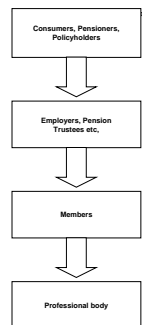
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The Actuarial Profession Strategy Review

Research Findings
and
Strategy Development



Supply Chain



- A strategy for the Professional body must provide benefits to each link in the chain if it is to be effective
- We need to understand
 - the demand for and supply of actuarial services and influences on this
 - competition between actuaries and other disciplines
 - customer needs

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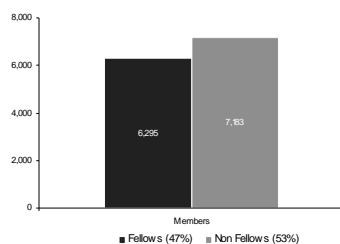
Key findings

- Growth in membership is healthy
- Decline in pensions and life assurance not yet happened
- Slow spread into “wider fields” but lost ground in investment area
- Reserved roles, held by only 25% of active membership, are not valued by younger members
- Actuaries valued by employers and customers but need to understand the broader business context

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Students out number Fellows

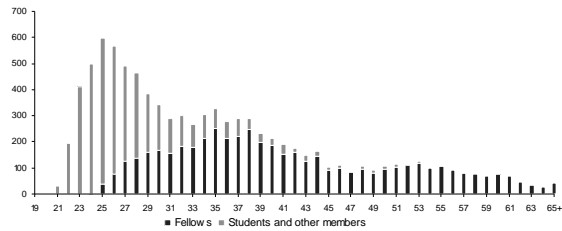
Membership split by qualification



Note: Excludes retired and unemployed actuaries
Source: Membership database as at June 2005

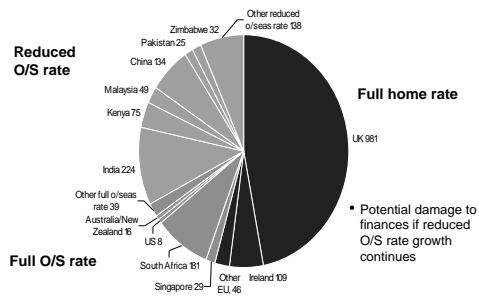
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73% membership is under 40



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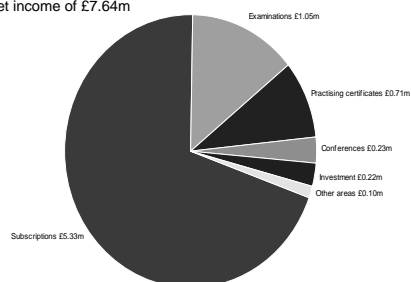
More students from overseas



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Net income – mainly subscriptions

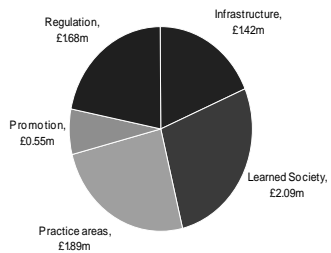
Planned 2005/2006
Split of net income of £7.64m



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Net expenditure – compliance subsi

Planned 2005/2006
Split of expenditure of £7.63m



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Demand

Confidence in actuaries from customers but criticisms around:

- insufficient real world understanding
- lack of business judgement
- patchy and sometimes inadequate communication skills, and
- a tendency to act as judge and jury

Healthy demand from employers, but they want:


- much more business understanding
- far stronger communication skills
- better ability to work in multi-disciplinary teams

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Supply

- Profession not known to other than maths graduates
- Employers control recruitment
- Employers want non-mathematicians and better interpersonal skills
- Loyalty to firm taken over from Profession
- Younger members feel disenfranchised by Professional body

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<h2>The Actuarial Profession Strategy Review</h2>	
<h3>Strategy Scenarios</h3>	

<h2>Three strategic scenarios</h2>		
<p>Co-Regulator Strategy</p> <p>Builds on the reserved roles and compliance activities of the Profession to ensure competence and integrity of actuaries in the UK financial sector</p>	<p>UK Careers Strategy</p> <p>Builds on developing members with a range of skills and knowledge focused on quantitative risk to meet the evolving needs of the UK financial sector</p>	<p>Global Player Strategy</p> <p>Builds on our current global presence to develop a world-wide community of UK trained actuaries</p>
<small>The Actuarial Profession Working together to protect and promote the interests of the public</small>		

<h2>Separate strategies are debating tool</h2>
<p>In practice we will continue with elements of all three to at least a minimum extent</p> <ul style="list-style-type: none"> • Reserved roles exist and we will be expected by Government and FRC to support them • We must continue to provide initial qualifications and continuous professional development support to members • We must continue to support existing overseas members <p>We need to focus our energies on priority activities. A clear sense of purpose will enhance stakeholder relationships and organisational effectiveness</p> <p style="text-align: right;"><small>The Actuarial Profession Working together to protect and promote the interests of the public</small></p>

Co-regulator strategy

- Lobbying for more reserved roles
- Fellowship remains “gold standard”
- Active monitoring of compliance with standards (technical and ethical)
- Primary stakeholders considered to be regulators and Government
- Strong revalidation measures for practice certificate (PC) holders
- Stepping stone PCs developed
- Practice board centred structure

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UK careers strategy

- Develop real knowledge of membership
- Primary stakeholders will be members; firms and Universities
- Activities will centre on knowledge transfer
- PC holders will pay for regulatory activity
- Associate qualification provides broad generic qualification in statistics and quantitative finance
- CPD as important as initial qualification

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Global player strategy

- Actively market qualification abroad
- Associateship - foundation
- Primary stakeholders will be international firms; standard setters
- Physical presence outside UK
- Market led (but economic) subscription pricing – PAYG services

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