

The Actuarial Profession
making financial sense of the future

Professional Issues Working Party


31st Annual GIRO Convention

12-15 October 2004
Hotel Europe
Killarney, Ireland

Professional Issues Working Party


Agenda

- Presentation
 - What the world thinks of us
 - What the profession is doing about it
 - What we're doing today
- Breakout session



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What the world thinks of us



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“Whenever a large insurer runs into trouble, it is natural to blame the regulators, the auditors and the actuaries – in that order – for failing to spot the problem and nip it in the bud”

Financial Times (Lex) 16 June 2001, on the demise of Independent Insurance

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“As famous financial institutions and insurance companies have teetered or collapsed, there is inevitable speculation as to whether there is not some poor actuary in the background who inadvertently certified its health”

Robert Lloyd, “Professional Negligence – Actuary maybe”
- The Lawyer June 2003

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“Regulation was based on an over-reliance on the appointed actuary, who in the case of the Society was also the chief executive over the critical period from 1991 to 1997, despite a recognition of the potential for conflict of interest inherent in this position”

Penrose report (Equitable Life) March 2004

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"It is sadly the case that a reputation established over centuries can be lost in days. Even though the slur may, in some cases be wholly or largely unjustified, it is extremely difficult to undo the damage once done. Actuaries, as a whole, have lost out on trust...

Once lost, can trust ever be restored?"

Chris Daykin, BAJ, 2003

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"Whether by naivety or knavery, the property/casualty industry's parade of reserving additions has undermined confidence in the estimates given by insurance actuaries"

Standard and Poor's: A crisis of credibility, Nov 2003

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"How long will it be before some stressed-out actuary finally cracks and blows the whistle on their overbearing boss who forced them to amend their figures to suit the needs of investors?"

Adrian Larbury, Insurance Day 30 July 2004

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The motto of the Institute and Faculty is
“Making Financial Sense of the Future”...

..actuaries may need a new slogan.
Perhaps “Making a financial mess of the
future” would work

Norma Cohen, FT, 13 March 2004

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“Actuaries are in business too, and are as
willing as any other profession to dance to
the tune of the client that pays them”

Norma Cohen, FT, 13 March 2004

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“Trust me, I’m an actuary” doesn’t have any
more resonance with me than having Dr
Harold Shipman saying “trust me, I’m a
doctor”

Dame Sheila McKechnie,
Director of Consumers Association, 2001

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The Morris Review

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Why, when, how?

- In response to the Penrose report
- Responses to Morris by 10 Sept 2004
 - Autumn 2004: interim assessment paper
 - Winter 2004: reconsultation
 - Spring 2005: final report
- So far:
 - Initial consultation document
 - Response from actuarial profession and others

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Terms of reference

Consider what professional and/or other regulatory framework would best promote recognised, high-quality and continuously developing actuarial standards, openness in the application of actuarial skills, transparency in the professional conduct of actuaries, accountability for their actions and an open and competitive market for actuarial advice in the UK

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How does Morris affect us?

- All actuaries are tarred by the same brush
 - Independent
 - Equitable
 - Pensions mis-selling and under-funding
- Consultation addresses
 - The question of reserved roles for GI actuaries
 - Implications of FSA's move to realistic reporting regime for GI
 - Any other issues

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Overall

- The results of the Morris review will inevitably affect the whole of the actuarial profession
 - Professional standards
 - Education
 - Governance of the profession
 - Potential competition from other professions

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What the profession is doing

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Profession on the move

- First: PAB
- Then: GIB
- Now: GIRO
- Next: PCTF

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Professional Competence Task Force

Set up autumn 2002 to review membership and education pre- and post-qualification.

- Need to command public confidence
- Learning = workplace + study + courses
- International: mutual recognition & core syllabus
- Level playing field at qualification level
- 2005 changes to the education system

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Professional Competence Task Force

“We believe that if we do not take the initiative ourselves, it will be done for us by someone else.”

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Professional Competence Task Force

- Revised annual CPD requirements
 - including 2 hours of professionalism / management
- Attend a professionalism course every 10 years
- Still subject to consultation
 - public meetings in November



Agenda

- Breakout sessions now**
- Facilitated discussion of Case Studies
 - Your joining pack will direct you to your room
 - or see noticeboards outside

- Plenary session on Friday**
- Review of participants' issues
 - Open forum