



Institute
and Faculty
of Actuaries

Practice Executive Committees end of session report

2012/2013



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Welcome



Alan Phillips,
Chair, Management Board 2011-2013

Welcome to the first report specifically designed to showcase the valuable output our Practice Executive Committees (PECs) and Sub committees contribute to the work of the Institute and Faculty of Actuaries (IFoA). We hope it demonstrates just how much work the volunteers produce in representing their different communities.

The PECs and their Sub committees have had a very busy session, with a real increase in formal consultation responses. Many of the PECs have participated in various informal approaches from governing bodies and regulatory authorities. Much of this input involves working in partnership with other practice colleagues and also with the public affairs team.

All PECs and Sub committees have taken advantage of the volunteering recruitment process and have benefitted from the increased number of applicants, allowing a more diverse range of volunteers to be appointed. The recruitment process has also contributed to the introduction of succession planning across the various committees. This provides and builds professional development for volunteers by creating opportunities for current and newly appointed volunteers to expand their expertise across various volunteer tasks and spreads the workload amongst our active volunteer community.

All of the PECs contributed to the review of the terms of reference (tor) as part of the second phase of the governance review and we now have tor which are more reflective of the broad remit and contribution of the PECs and their Sub committees. Most importantly, the tor are now aligned with the objectives set by Council in the Corporate Plan.

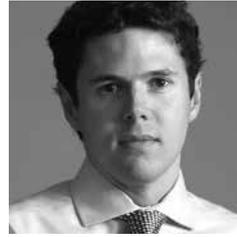
The PECs are the engine room of the IFoA, contributing and leading major outputs such as consultations, member led research, interactions with regulators, contributing to public debate and advising policy makers, shaping CPD events and reviewing educational matters.

Set out in the rest of this report are just some of the key outputs and contributions the PECs have made to the work of the IFoA during the last session.

A handwritten signature in black ink, appearing to read 'A Phillips', with a horizontal line underneath the name.

Finance and Investment





Chris Watts,
Chair



Stuart Jarvis,
Deputy Chair

The Finance and Investment (F and I) PEC is a small but specialist community who work in a range of areas, including institutional investment, retail investment and other non traditional areas of actuarial involvement. Many actuaries are involved in day to day activity in the stock, bond, currency, property and derivatives markets, while others advise on the longer-term characteristics and implications of different investment or financing strategies. In addition, there are a number of actuaries who primarily work within another practice area who spend a significant proportion of their time looking at F and I matters. As a result it is important for the PEC to maintain strong links, in particular, the pensions and life insurance practice areas.

Not unlike some of the other practice areas, the F and I community has had its own share of regulatory change. The PEC is keen to ensure its expertise reflects both the challenges that these changes present as well as the community which it represents. As a result the PEC has (and is) taking on some new members and has also developed an ad hoc experts list. These experts will supplement the expertise already on the PEC and will help to input into various projects, including consultation responses, research and Member Interest Groups. This input has included contributions to cross practice consultations, member participation on Department of Health (DoH) working groups on Housing and Finance, and generation of ideas for and participation in new Member Interest Groups initiated by the PEC on banking, Liability Driven Investments (LDI) and Hedge Funds and Alternative Investments.

The PEC has a number of active member led research working parties including:

- pros and cons of Solvency II being applied to UK pension schemes
- a risk based approach for the dynamic management of pension scheme investment policy
- alternative sources of inflation linked assets by pension schemes

- economics/financial repression
- actuaries' role in Defined Contribution (DC) for ten years' time (in the pensions arena, this is from an F and I stance)
- liquidity.

The PEC also jointly set up a working party with the Life and Longevity Market Association (LLMA) to develop an industry benchmark for understanding Longevity Basis Risk. The working party comprises IFoA members from a number of the PECs as well as members of the LLMA. The Working Party has commissioned a third party to carry out research into Longevity Basis Risk to enable the capital markets and other stakeholders to understand this risk better.

Four of these working parties presented at the profession's residential conferences in June 2013, with others planning outputs for later in 2013/2014. Recent significant outputs have been the sessional paper produced by the Retirement Products Working Party 'Is there a Place for Guarantees in a DC Market?' and a paper on 'Efficient Portfolio Construction Using Cash-based and Derivative Instruments'. The PEC also oversaw planning of several well received events during 2012/2013 including Neil Record, a finalist in the 2012 Wolfson Economics Prize speaking on 'Currencies and the Eurozone', and several open forums and networking events on model risk, RPI and CPI, dysfunctional markets, Basel III and infrastructure investment.

The PEC is also continuing to enhance its support and communications with members working in the retail banking sector, and its engagement on regulatory matters, through the recruitment of additional volunteers with expertise in these areas.

General Insurance





Duncan Anderson,
Chair



Colum D'Auria,
Deputy Chair

This year, the General Insurance (GI) community will be celebrating its 40th GIRO Conference at the EICC in Edinburgh, from 8 – 11 October. In preparation for the annual Conference, the GIRO Committee has been busy ‘shadowing’ 21 GI member-led working parties, 15 of which will be presenting at the Conference.

There have been other notable deliverables: the Third Party Working Party (TPWP) has conducted three industry analyses to date based on aggregated data from the largest motor insurance companies writing business in the UK. A fourth study is currently being carried out, updating the analysis for more recent data. The Working Party has reported to the Transport Select Committee during its inquiries into the price of motor insurance in 2010 and whiplash claims in April 2013. The TPWP and members of the GI PEC have also reported to a number of other inquiries and spoken on BBC Radio 4's You and Yours, the Today programme and Radio 5 Live.

In addition to this annual Conference, the GI ECPD Committee has been busy with the rewrite of educational material and review of relevant actuarial papers, and as well as arranging CPD events, including the Current Issues in General Insurance (CIGI), Pricing and Reserving seminars.

The Discrimination or Differentiation – What's Fair? Working Party has produced a paper to inform public debate on this issue, and is working with the profession's public affairs team to disseminate the key messages from this work.

The GI PEC has also been active responding to a number of consultations. These include consultations on the Discount Rate for Lump Sum Damages Awards; the Joint Forum Mortgage Insurance; Market Structure, Underwriting Cycle and Policy Implications; HM Treasury Financial Sector Resolution and Broadening the Regime. As part of this process, the GI community has also been increasing contact with government.

The Professional Standards Committee is undertaking 'horizon scanning' on what might be the next GI major issue; currently it is considering the risks arising from Periodical Payment Orders (PPOs) in the UK. In addition to its day to day work supporting Professional Regulation Executive Committee (PREC), the Committee has also contributed to the forthcoming cross-practice standards on peer review and overseas work.

The GI community continues its key contribution to the Solvency II debate. This includes both major dialogue alongside other practice area colleagues in front of the regulator and with policy makers, as well as holding a number of key CPD events designed specifically to help actuaries in the GI community who may not be fully conversant with the effects of the legislation.

The GI PEC has focussed some of its resource on establishing contact with overseas GI members. This should help the GI PEC fine tune its CPD output to serve the needs of international members and also identify what members not based in the UK need from the IFoA GI community.

Health and Care





Sue Elliott,
Chair



Bill Baker,
Deputy Chair

While a small community, the Health and Care (H and C) PEC continues to be a large contributor to the work of the IFoA. This year, the PEC has made a material impact on a number of policy debates with the Department of Health (DoH), notably building on the consultation response to the Dilnot Commission in 2011 and further meetings of PEC members and public affairs with key stakeholders at the DoH.

A number of working parties have been active in 2012/2013 and continue to produce impactful research outputs. The Critical Illness Working Party is gathering information to produce a paper by the end of 2013. The Cancer Modelling Working Party has made good progress in investigating how to model the medical impact of different cancer treatment routes, and by organising a series of meetings with healthcare experts. The Income Protection, Genetics and Life and Healthcare Reporting Working Parties are all in stages of reformation, looking to appoint new chairs and proceed with their objectives.

The Long Term Care Working Party has produced a number of valued outputs. The group tied up its first phase of research in late 2012 with a successful sessional paper presented to the profession and a working copy of the paper planned for a mid-2013 edition of the British Actuarial Journal, as well as a presentation at the Health and Care Conference. It started its second phase in early 2013 to finalise this paper, and the group has now added new members and, as part of the DoH work stream, has been approached by the DoH to provide a high-level validation of their long term care model. The Working Party is also considering a similar look-through of the PSSRU's micro simulation long-term care model to understand the differences in approach and add value. A long term care event organised through the H and C community to consider the Recommendation in April, with a presentation by Professor Les Mayhew from CASS, gave rise to further potential areas of research. The Working Party is planning to move ahead with research on the Dilnot Recommendations, possibly through the creation of a new dedicated working party.

In addition, in March, a volunteer vacancy for a new cross-practice public affairs-led Pensions and Long Term Care Working Party resulted in the IFoA receiving over 30 applications from a wide variety of expert candidates. All candidates interested have been involved through the Steering Group and the different research groups, developed following an initial meeting, where the group broke into three different research areas. The DoH has established a Review of Care Products Steering Group in order to inform their rapid review of the financial services sector input into their consultation in summer 2013, regarding the implementation of a capped cost regime for social (long term) care in England. The IFoA has representatives on each of the Steering Groups, and these representatives have been drawn not only from the H and C community but also from Finance and Investment and Risk Management.

Life Insurance





Alastair Clarkson,
Chair



James Crispin,
Deputy Chair

The Life community continues to face the brunt of the regulatory changes and is working within the IFoA and engaging UK and European regulators, policymakers and stakeholders at a high level.

Members of the Life PEC met regularly with the Financial Services Authority (FSA). In late 2012, Alastair Clarkson and David Hare met Paul Sharma (Director, Policy Division, FSA) and colleagues to highlight areas where the IFoA could assist the FSA in developing and implementing policy. The Life PEC, the Solvency II Steering Group and the Life Solvency II Current Issues Committee provided important input to the Financial Conduct Authority (FCA)/Prudential Regulation Authority (PRA) on the use of early warning indicators, the with-profits memorandum of understanding, the inclusion of GI firms in the Long Term Guarantees impact assessment and the effective implementation of the ICA+ Regime.

The PEC submitted responses to EIOPA consultations on systems of governance, forward looking capital assessments, internal model applications and reporting (via the Solvency II Steering Group). A subgroup is assisting the PRA on recovery and resolution plans for insurers and to ensure the PEC engages with the regulator regularly so that the plans are introduced effectively.

The Life PEC continues to support IFoA international members and is working with the Life Education and CPD (LECPD) Committee on how to develop and disseminate CPD content tailored to them. The PEC is also supporting Life members working in ERM and is mindful of the crossover between ERM and Life research topics and the technical skills required. Both PECs will consider new ideas for cross practice research and CPD.

The four Life Sub committees are active and meet regularly. The Life Standards and Consultations Committee (LSCC) has reviewed Guidance Notes 43, 44 and 45 and proposed new Information and Assistance Notes for review and approval in 2013. The Committee has also recently contributed to consultations on Mutuality and With Profits Funds and the GCASP2 Exposure Draft Actuarial Function Report.

The LRC actively delivered and developed future research ideas, with 16 active working parties, six more than last year, plus connections with longstanding working parties in cross practice topic areas such as policyholder behaviour, the Gender Directive and risk appetite. In 2012/13, the Extreme Events Working Party presented at an ERM co-sponsored sessional event, contributed an article to *The Actuary* and presented at three conferences in England and France. The How to Practically Hedge the Risk Free Rate Working Party presented at Highlights of Life regional conferences, and the Consumer Information in Financial Planning Working Party held a seminar, delivered a plenary session at Highlights of Life, received an IFoA award for its paper and worked with the Department for Working Pensions (DWP).

New working parties were formed including the new Working Party on Management and Run-off of With Profits Funds, which attracted 27 volunteer applications, one of the highest ever. The Working Party on the Role of Actuaries in Life Offices had its first meeting in April and plans to produce research in 2013/2014. Volunteer vacancies for four additional working parties with 2013 start dates were advertised, covering: Takaful Life Insurance, Trends in Young Age Mortality, Tomorrow's Consumer Needs and Defined Ambition (with the Pensions community). In March, the LRC appointed a new Deputy Chair.

Six working parties will present at the Life Conference in November and a number presented at the Highlights of Life regional conferences and CILA. In March, the Life PEC sponsored sessional research meetings in Edinburgh and London with a co authored IMF working paper on Unintended Consequences Basel II and Solvency II.

The LECPD and Life Conference Programme Committees ran a successful Conference in Brussels in 2012 with 892 delegates and plenaries filmed and posted on our website. Successful CPD events over the past 12 months, included CILA II (October 2012) and CILA I (May 2013), four regional Highlights of Life, and workshops on Life Taxation, With Profits Business and ORSA.

Pensions





Jim Boyle,
Chair



Martin Lowes,
Deputy Chair

As the pensions market continues to move from Defined Benefit (DB) to Defined Contribution (DC) pensions and the introduction of automatic enrolment, the Pensions PEC has been seeking to reflect this in the work it is doing for the wider Pensions community, and has recruited a number of new members to help keep their skills relevant.

This includes an addition to the PEC of a member with significant DC experience, as well as a pensions legal expert and non member who brings a different perspective to the discussion. The PEC is also drawing on the experience of a wider pool of volunteers with a breadth of experience in various areas, to help contribute to specific tasks and projects (including consultations and research working groups) on an ad hoc basis.

The PEC has continued to provide substantial input to responses to consultations on pensions matters, via its Pensions Consultations Sub committee. Some of the responses were of a technical nature, but there have been some very high profile consultations. In particular, the DWP called for evidence into the option of including smoothing for funding valuations and a new statutory objective for the Pensions Regulator (tPR) attracted a lot of media attention. The PEC has also contributed to responses to the changes to the State Pension and the consequential changes for contracted-out pension schemes. PEC members are also involved in increasing engagement with key stakeholders such as DWP, tPR and the Pensions Protection Fund (PPF), to provide relevant technical input and work with the public affairs team to influence policy development in the interests of the profession.

In addition to this, a number of members through various working parties gave their time to work on in particular issues like the EIOPA consultation in January 2012 and options for assessing employer covenant and the holistic balance sheet. The various sessional events and papers that emanated from these were well received by their respective recipients and the press.

The Pensions PEC has overseen a busy programme of CPD events, organised by its CPD Sub committee. This Committee has worked hard to provide a full programme of events which meet the varied needs of all its members, whether newly qualified or experienced, on professionalism, technical subjects, and hot topics. This included events on Current Issues in Pensions, Investment Strategy for Pensions, and Pensions and the Law.

Pensions CPD planning has this year involved increased focus on looking at different approaches and employing new technology, in response to member feedback and research from events. Pensions CPD has particularly embraced the challenge of maximising opportunities for online CPD provision (such as making Current Issues in Pensions events available via pay for view) and more flexible event formats, to ensure that relevant CPD is accessible to all members wherever they are based. The Conference at Celtic Manor attracted 220 delegates. Steve Webb, Pensions Minister, joined the event for a plenary session.

Risk Management





Jules Constantinou,
Chair



Andrew Hitchcock,
Deputy Chair

The Enterprise Risk Management (ERM) PEC will, from September 2013, be known as the Risk Management PEC. This recognises the much wider context of the work being undertaken by the PEC and is a more recognisable industry reference.

In November 2011, Council agreed a number of recommendations for developing the profession's role and influence in wider risk management, with a long term (20 year) vision of establishing actuaries as outstanding risk experts across a wide range of business and the public sector, enhancing ERM practice for the benefit of business and society. This ERM strategy is now in the implementation stage and the focus over the next two years will be to build more momentum around helping actuaries to become risk managers, with continued strengthening of cross-PEC collaboration. The Risk Management PEC will be facilitating this strategy on behalf of the profession.

The Actuarial Chief Risk Officer (CRO) Group has been re-established and its influence and profile will help promote member interest in risk management. To support the risk strategy it is working to highlight some of the key skills senior risk officers require, for example, ability to work in multi-disciplinary teams, appropriate management skills and clarity of communication.

The Research and Thought Leadership Committee has now broadened its membership to include all practice areas and academia, which is helping to drive some exciting new research initiatives including: risk culture; resilience, model risk; design of the risk function; incentives for good risk management and emerging risk.

The Education, CPD, Career Support and Development Committee has been busy and since September 2012, providing CPD content for five events, including a successful joint venture with PRMIA (Professional Risk Managers International Association) and an inaugural one day seminar devoted to ERM which included a talk on how ERM contributed to the successful delivery of the Olympics by David Law, Chief Risk Officer, Olympic Delivery Authority.

In September 2012, the profession awarded ten actuaries the Chartered Enterprise Risk Actuary (CERA) in recognition of their exceptional role as thought leaders in the field of Enterprise Risk Management. This included four current members of the ERM PEC.

There is a one-off application opportunity for experienced practitioners to apply for the CERA qualification. Details of the Verifiable Experienced Practitioner (VEP) application process can be found at: www.actuaries.org.uk/becoming-actuary/pages/cera-verifiable-experienced-practitioner-vep-applications

Member Interest Groups



In addition to the accomplishments of the PECs, some of the existing Member Interest Groups (MIGs) have continued to support members and deliver output worth sharing.

Resource and Environment MIG

The MIG conducts work on the global stage to raise awareness of the implications of resource depletion and climate change, in particular to promote opportunities for actuaries. The MIG is actively working to push environmental issues as a priority for the profession with on-going discussions on how the IFoA can formally engage with and raise the public profile of actuaries on these issues.

The Chair of the MIG was last year appointed as chair of the International Actuarial Association Environment Working Group (IAA EWG), a sub-group of the IAA responsible for facilitating engagement of actuaries with global environmental issues. The MIG has also organised a number of events including:

- a well attended networking event in November 2012, providing a platform for members to discuss and find out more about the opportunities arising as the UK economy responds to resource constraints and climate change.
- a presentation of research findings (commissioned by the IFoA) on the Effects of 'Limits to Growth' on Financial Markets and Consequential Impacts on Actuarial Advice.

Micro-insurance MIG

The MIG (established by the Micro-insurance Working Party) recently launched new actuarial training modules (including agricultural crop insurance and credit life insurance) for micro-insurance businesses in developing countries at the 8th International Micro-insurance Conference in Dar Es Salaam, Tanzania. The training modules will help raise standards of micro-insurance products by providing actuarial principles to businesses without access to trained actuaries. In particular, it will help improve life for low income people in developing countries by allowing them access to well designed and priced insurance products. A third module covering health insurance will be launched in 2013.

Non Executive Directors MIG

This MIG is a focus group for members who are experienced Non Executive Directors (NED) or those with aspirations to move into the non-executive arena, emphasising and promoting the added value actuaries can bring to the boardroom. The MIG has organised a number of open forums including an event on Solvency II in the Boardroom on the challenges faced by insurance company boards, together with an event entitled Actuaries and the Board – the Position of the Supposed Expert NED on how to overcome challenges faced by actuaries who work in a complex business. In 2013, the MIG has so far delivered two successful networking events: Getting your first NED role and Diversity in the Boardroom on the value of having a diverse board. A third networking event to be held in autumn 2013 will focus on risk.

Ageing Population MIG

The MIG keeps abreast of issues affecting demography and the financial implications for the UK population. It keeps members informed about associated research, events and news. In the last year members of the MIG contributed to responses to several government consultations, to sessional papers and research work across the profession, including sessional papers on 'Transforming Consumer Information and Long Term Care'; a paper on 'Pensions and Health Care for an Ageing Population'; the PPI project; and work on 'Sleepwalking into Retirement' and 'Population Issues'.

Banking and Mergers and Acquisitions MIGs

The Banking MIG aims to promote the value of actuarial skills in banking and to learn from developments in the banking sector. The Mergers and Acquisitions (M and A) MIG was established to provide networking for actuaries involved in the various aspects of M and A activity. Both MIGs have recently been re-activated and currently have around 1000 members each, demonstrating continued interest in these two areas.

Tackling key challenges

The PECs and their Sub committees continue to shape and drive the output of the IFoA. We have increased the volunteer opportunities for members: the open and transparent process has provided our current committees a wider resource from which to gather expertise and experience within the membership but it has also allowed the membership to be aware of, and apply for, an increasing number of volunteer roles and experiences.

Key challenges for the PECs will be to maintain a watching brief on international member needs, remaining up to date and proactive to regulatory change, and keeping future events, conferences and research up to date and relevant for members. The PECs will continue to work alongside public affairs to ensure continued informal liaison with various policy and influential stakeholders to help to deliver the IFoA's key objectives and to keep the public interest at the forefront of the IFoA's output.

If you are interested in becoming a volunteer, visit the volunteering for the IFoA section of our website at www.actuaries.org.uk/members/volunteers. All current volunteering opportunities are advertised on the volunteer vacancies web page where members can sign up for the RSS feed and receive automatic updates. The Directory of Volunteering Opportunities on the website illustrates the wide range of ways our members currently provide support. It helps members identify volunteer roles/tasks which best suit their circumstances and match their skills and experience. Members can also contact Head of Volunteer Engagement Manager, Debbie Atkins, to discuss this on a one-to-one basis. Debbie can be reached at debbie.atkins@actuaries.org.uk



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