



Institute and Faculty of Actuaries

Actuarial Monitoring Scheme Consultation Meeting

Staple Inn Hall, High Holborn, London

17:30-19:00, 24 July 2018

The Chair (Desmond Hudson, Chair of the IFoA Regulation Board): Well, ladies and gentleman, good evening and welcome to this, the first of our consultation meetings on the proposals from the IFoA's Regulation Board for a structure in relation to a possible enhanced monitoring scheme. My name is Desmond Hudson and I'm Chair of the [IFoA] Regulation Board, and I'm going to Chair tonight's event.

Without further ado let me start by introducing, first of all, my colleague Ben Kemp, here on my right. Ben is the General Counsel for the IFoA's Executive. He's a dual-qualified solicitor in Scotland and, in England and Wales. He's a solicitor Member of the Scottish Solicitors' Disciplinary Tribunal; a Member of the Professional Standards and Ethics Committee of the Law Society of England and Wales; and has led the Executive Team responsible for the preparation of this consultation proposal. Can I ask Ben to begin tonight's event with a short presentation?

Ben Kemp (IFoA Director and General Counsel): Good evening everybody - lovely to see you all here on this balmy evening. I'm going to give you 15 minutes, hopefully no more than that, by way of an introduction/overview of the proposals upon which we are consulting before passing to Jerome Kirk, who's going to give you a practitioner's perspective. And then we're going to move onto the most important part of the evening which is the conversation, questions, and contributions from you.

Headline point - why we're here at all: the IFoA has a Royal Charter responsibility, amongst other things, to regulate its Members (the actuarial profession) and we do so in the public interest, as it says in the Royal Charter. That differentiates us from a pure Member, or trade, body and our aim in fulfilling that Royal Charter responsibility is to uphold and demonstrate – “demonstrate” is what significant I think - demonstrate high standards of technical competence and ethical behaviour as a profession, (as reflected in the very standards that we publish, and, indeed, our oversight body the Financial Reporting Council publishes). The reference to demonstrating standards: our aim of course is to command public confidence in the profession, and thereby to uphold the reputation of the profession.

Turning rapidly to the subject matter of the current consultation: we do not currently, as a regulatory body/as a professional body monitor, as such, the quality of our Members' work. That means that we do not have direct empirical evidence as to whether: the work that Members are doing is complying with standards; the work that Members are doing is meeting reasonable expectations of the quality of that work; whether Members are having difficulty in applying standards; or whether our own standards, (or indeed the FRC's [Financial Reporting Council's] standards, or any other parts of the relevant regulatory framework) are being effective or not. We lack that information, and therefore, there is arguably a gap in the information available to us which hinders our ability to regulate effectively.

It is worth emphasising at this point that, these proposals have not stemmed from any perceived specific problem with the work of our Members, or any issue of that sort: any crisis or burning platform. However, we lack information, and that really is the focus of where we're coming from. In addition, we're operating in a climate in which there is growing public scrutiny of the professions and particularly the financial services professions. There is therefore an increasing element of risk for the profession, both in terms of what we do or do not know about the work that our Members are doing and the role(s) that our Members are performing, and in terms of the reputation of the profession (the profession as a whole) if we are not seen to be fulfilling and discharging our regulatory responsibility in a suitably/appropriately rigorous way. That's the challenge. That's the sort of 'exam question,' if you will.

What we've proposed for consultation is an enhanced system, as we've referred to it, to gather information about the work being carried out by our Members, to provide evidence of the quality of work being undertaken and, in doing so, to try to fulfil our function as a profession to promote best practice and to provide, we hope, meaningful feedback. And thereby do/undertake that promoting role and to help us, at the same time, in light of that information, to develop and adapt training/standards/guidance that we publish and to make sure that those are as relevant/as targeted/as effective as they can be.

Turning then to the proposed approach itself: we've tried to come up with a proposal for consultation which is specific to the actuarial profession, which is specific to the way in which our Members work. We've tried to come up with a proposal which is satisfying the need for appropriate rigour/for objectivity/for independence, but also is targeted and proportionate. We are not taking a one size fits all approach and we are not - whilst acknowledging that there is a number of other models, and types and examples of monitoring out there, if you look around at different professions within financial services and other professions in the UK - we are not simply adopting any of those. We've tried to borrow best practice where we've observed it, but we've tried to come up with something that might be workable, sensibly, for the actuarial profession and we've proposed three 'Categories' of monitoring, so not one size fits all, but three categories.

Category A: this is, if you will, the most direct form of monitoring - the actual Direct Review of actuarial work on a regular basis, which would be (as proposed/subject to the consultation) applicable to people who hold Practising Certificates and be relevant to the work that they are undertaking/relevant to their PC/their reserve role.

Category B, Thematic Reviews: from time to time undertaking review of work to inform thematic studies of particular topics, of particular issues that we identify on a risk-based approach. Category C: a broader sweep, and some of this we are doing already. We already do surveys, that sort of thing, but this would be a little bit more of a systematic and structured approach to our broader information-gathering activities. Categories B and C having the potential in scope to extend to all types of issue and work; Category A, focussed on Practising Certificate reserved work; that's the headline summary, if you will. I've said it tends to be risk-based.

Looking at Category A, the justification in terms of all the arguments that we've been persuaded by in terms of the proposed approach is that, Practising Certificate roles are those roles which are given prominence, given recognition through legislation/regulation, in one way or another have to that extent been seen to have, by government/regulators, a degree of particular public interest importance. So we focus on those roles in terms of Category A. They have a significance from a public interest point of view.

We are, however, even in relation to Category A, seeking to take a balanced/proportionate approach. We

recognise that there are a range of other regulatory steps and regimes to which Members will be subject according to their role and we aim to set our approach to actuarial monitoring according to the extent to which Members are, for example, already subject to a degree of monitoring by other regulators, (including in particular in insurance context the PRA [Prudential Regulation Authority] and potentially by Lloyd's [Lloyd's of London]) and in terms of the IFoA's own regime to the extent that the Members are within a firm which is part of the QAS [Quality Assurance Scheme]. Those are all sources of potential information for us that allow us to prioritise and deprioritise (assess on a risk-based approach) the extent of the intrusiveness of Category A monitoring.

Category B: the idea here is broader in scope - a sweep of Thematic Reviews on a regular basis - evidence-based studies focussed on a particular theme, issue or question, as identified from our wider work and information we gather from other regulators/from the Members/from our Practice Boards all informing our analysis of what might be an appropriate issue to focus on from time-to-time - not just looking at Practising Certificate roles - much broader in scope, but potentially including other aspects of reserved work/areas of work with some significance in terms of the public interest are likely to be obvious focal points. These are reviews that will be carried out by agreement. Category A monitoring - I've just referred to - Members who hold a Practising Certificate would be, as proposed, required to be subject to Category A monitoring. Category B monitoring, on the other hand, we are proposing will be undertaken by agreement: with the cooperation of Members and their employers. We will seek to undertake Category B monitoring in a way which is anonymised as far as possible. The important point that we are emphasising is that we're seeking to improve our understanding/improve the information available to us/improve the way in which we can provide meaningful feedback to Members and inform the work that we are doing as a professional body.

Category C is the broader range of information-gathering activities. This may include questionnaires/surveys/analysis of insights shared by other regulatory and professional bodies. This may be scheduled or *ad hoc*, maybe thematic, but a range of, hopefully, not too burdensome information-gathering initiatives – undertaken, however, in a more structured and systematic way than we perhaps do currently and as a complement to Category A and Category B, so that each of the Categories of monitoring is potentially capable of informing the others. So, if for example, through Category C monitoring, we uncover a common theme or issue that merits a little bit more analysis that might form a the basis for a Thematic Review in Category B monitoring.

Our aim through this, and I hope whatever your reaction to these proposals, you will understand the intent of what we're trying to do here: our aim is to come up with something that is both pragmatic, in terms of the actuarial profession/appropriately rigorous, allowing us to just discharge our collective responsibility, but also proportionate/tailored/targeted/robust, but appropriately targeted and proportionate, so that the scope of the proposals is broad, but the specific and most intrusive requirements are quite narrowly focussed around reserved work. That is the aim. We very much welcome your thoughts as to whether we are getting the balance right in that respect. We think there is a number of benefits to the proposed approach.

We think that, as I've alluded to, this is a basis from which we might continue to improve the way in which we operate as a regulatory body in a more informed way, enhancing the relevance of our standards, guidance, and educational material. We think that this proposal will help us to continue to reinforce a collective public reputation, and the credibility of the Practising Certificate Scheme in particular, recognising the important roles that people who hold PCs undertake - providing assurance of the actuarial quality of the work undertaken in relation to those roles. This is a proposal – I emphasise this - which is

being designed by the profession for the profession. We want your input on this. We believe very strongly in the model of accountable profession-led regulation, accountable subject to oversight, subject to checks and balances, but believe that we collectively have the opportunity and ability to get this right in a way that works for both the public and for Members. We hope that it will actually serve to provide meaningful feedback ultimately, and to thereby actually raise/continue to raise standards of work and to drive improvements. Not because we're saying that there are specific problems, a specific crisis, but because that is something which can only benefit the profession and Jerome, I think, is going to talk about evidence of that elsewhere: ongoing reinforcement and continuous improvement, in a way we hope which is not unduly burdensome.

There will, however, naturally be an impact. There'll be an impact, perhaps most obviously, in terms of time. We aim to minimise that so far as we can, the time impact in terms of the time which will be involved in being subject to review, particularly for Category A. We aim to minimise the extent to which we need to do those reviews regularly or not by being targeted and risk-based in the way in which those reviews are undertaken, the frequency of those visits and, as I've briefly alluded to, by taking account of other considerations including the fact that people are already subject to a degree of regulatory monitoring/are already part of the QAS.

Through to funding: this is addressed in the Consultation Paper. We do not currently anticipate that we will need to increase subs [subscriptions], the Practising Certificate revenues, as matters stand we review those things on an annual basis anyway. We publish our financial statements, and in a way that allows you to see those, but we're not currently proposing to increase those as a result of these proposals. The Financial Reporting Council has been supportive of this initiative and has said publicly that it will contribute to the funding of this initiative, also.

Without further ado: Jerome. Thank you.

The Chair: Let me just introduce Jerome Kirk ladies and gentlemen. Jerome is a member, a practitioner member, of the IFoA's Regulation Board. He's also a partner at PwC and runs PwC's Non-Life Actuarial Team and that team covers a wide variety of non-Life clients including large General Insurers, as well as many London market entities. Prior to joining PwC Jerome was Head of Actuarial Services at Lloyd's for some ten years and he sits on both the IFoA's Regulation Board, as I said, and also on the Practising Certificates Committee. What I'm planning to do is to take questions both on the consultation and any questions for Jerome or Ben in a moment, when we get to that part of the evening, so: Jerome?

Jerome Kirk (Member of the IFoA Regulation Board): Thanks Des - evening everyone and thanks for turning up for this consultation, which is obviously a very important topic. I want to take a look from a practitioner's angle more than anything else. Starting at the 'Journey so far': how have we got to where we are? As you can see there are a number of bodies and people involved (whether it's the Practice Boards, regulators, the FRC, the Project Board, and also focus groups) and the key thing here is: it's been quite a journey to get to where we are already, so, this hasn't been just pulled together but it's something that's taken quite a length of time to get to and it's been as considered as we can. But, as Des said, now is the time for consultation and feedback and questions on where we've landed with the proposal as it stands.

As Des alluded to, I used to work at Lloyd's and I've got to thank Lloyd's for letting me use this slide. Something we introduced in 2005 was the review of formal actuarial opinion reports. Lloyd's receives actuarial opinion reports every year and we reviewed them (at the time it was against GN12), but then we

also fed back to the producers of those reports on where we thought they'd done well, where they thought they'd done less well, and also on what was good market practice. The idea was to actually help the producers rather than anything else. There's a lot of synergy with what we're talking about here. Being good actuaries, obviously, we gave it a score and I think the key takeaway was that the starting scores were good, very good, as you would expect (it was around 60%) and over a period of - what's that - eight years they increased to around the mid '70s. So it just shows the review and feedback (and it's really for the producers, and I think anyone who's in the room who's actually been through that process, found it very useful) did actually raise standards. I was going to use it as an approach of something where it does work, and as we were saying it's not there to catch people out. It wasn't used for that. It was simply as feedback. Obviously, since then it's changed. It's met its goals and has gone into a simpler process now, when you see the maintaining of standards. And so, just use that as a synergy to think "this isn't something that we haven't seen before," and the idea of review and feedback does actually have positive benefits and also, it's mainly for those producing the work.

So then I was thinking about the questions that would apply to me, and should I be worried, and we came up with (I mean, you can all come up with your own questions), but these are the ones that sprung to mind: "have I got anything to hide," "have I got the time," "what about the confidentiality, is it covered, we deal with a lot of client data," "how am I going to explain this to the wider firm, does it make sense"? So those are, I think, questions that most people or a lot of people will be toying with. And I think the answers are, for me (I'm happy to share mine): firstly, no, obviously "I don't have anything to hide". Well, not in relation to my actuarial work anyhow. We won't talk about wider things! But "have you got the time?". Well, all our time is valuable, we've all got time pressure, and so "have I got the time"? Of course, but it's not just easy, but it's something I think you should make time for. Confidentiality? Again, that's something that needs its careful consideration and it will have implications, but the answer is probably that it needs something I'd be interested where we land on that and it's careful consideration. Explaining to the firm? You've got to explain this carefully, there aren't lots of benefits, but it's not just sufficient to say that "we have to do this" because sometimes actuaries are small parts in a large organisation, so actually explain this - you can do - but it's got to be carefully and so that it makes sense: "yes, I do, and that I'm here explaining that, and I do think it makes sense".

And then I was thinking, well, is this idea of proportionate? That's a key question that I'd want to answer, and starting by is applying it to Practising Certificate holders (I mean - I am a Practising Certificate holder). Well, you've got the numbers there. It's only 7% of UK Members, who are PC holders. Most of those are actually pensions [Scheme Actuaries]. Obviously we've got the insurance slant tonight. There might be a different slant on this slide tomorrow night, but 30% of those are insurance, (non-Life and Life Insurance), so it's a relatively small number who have very defined and very significant roles. And, if we go back to the idea of being public interest, then again, it makes sense where you're tying it down to a small amount. Ben's obviously mentioned that you take into account the regulation by other regulators, and again, most are already subject to regulators/supervision by other regulators, and that will be taken into account in the process.

Then there's the: how is it actually going to work? That's the issue that probably will, maybe, concern or worry people the most. As we said, it's going to be mandatory for the UK Practising Certificate holders, and again, I think that makes sense, and you get the idea that it's an on-site visit. So, you're not providing information, in a way. The information will be your information on your location. There's an interaction with the review team, and obviously the constituents of the review team are important. They're not going to be volunteers. That's something that we've contemplated: that they'll be people employed by the profession to come in and do this work. They should be only looking at the key pieces of actuarial work relating to the

PC that you're holding. That's an important part of the scheme. And then, looking at professional standards, as opposed to judgment. I think that this last point is really key, certainly it is for me: the idea they're not there to second-guess your actuarial judgement. Come on, there is obviously a case of "if they think you've made glaring mistakes or something" which is a different matter, but that is not the intention. The idea is to look at it against professional standards and make sure that your work adheres to them. That's one of the key goals. Linking it back to the Lloyd's example, the original goal of the Lloyd's work was to look at adherence. So, it was a good test against professional standards, and that's the idea here. And, I think, again, that makes sense: that you can actually have this direct review for PC holders.

The next thing is: how often is the right amount? Every year? I'd have thought about, it doesn't make sense. That seems over the top. I know there are some instances where it can be coming up to two years, but you should take into account the factors there: what's the type of PC; how many appointments are there; what's the complexity of the work. There's also the QAS, as we've mentioned, and whether there's another layer of review that's already happening, whether there's internal audit or external audit and whether you work subject to that. Then also there can be previous findings so, I don't think we should hide that, if there have been some concerns raised, or something, before then that might have an influence on your frequency of review. But taking that all into account then what it comes down to is your work. This is for the Category As, obviously, for the PC holders, but the review would be every few years, depending on the particular circumstances. Again, to me, that makes sense. It doesn't seem disproportionate when it comes down to "every few years you're going to get your work looked at by this review team". Also, remember again: you get feedback on the work that you're doing.

So then, moving onto the wider (and I'm just going to focus, just briefly, on the) Thematic Reviews. Is this again - it makes sense - at any point in time, for the profession, there's normally some issue or particular area of concern there, that - they're listed in the document from a non-Life perspective as - either it can be reserving, which is probably covered by the PCs, but then also pricing being there, so, that's something that's under scrutiny at the moment. So, there's themes out there, and they will differ, but it's not limited to the UK. It's - this is where it's wide out to be geographically - you know - worldwide - and the idea being that you can undertake a Thematic Review - something that's a key risk for the profession - and especially potentially linked to public interest. This is where it'll be anonymised. It's with the agreement of firms, and the idea that then the Thematic Review can collate the risk, and also feed it back, again, makes absolute sense to me. Because, I think, as practitioners we've seen where there are thematic projects where the - there's the work on Ogden or PPOs at the moment. When you actually get that anonymised, and it's actually fed back to you, it's really quite, actually, valuable, and so it makes sense, and it can highlight points. It can also highlight where you're in or out of line and it will help you from a practitioner's point of view, but it will also help the profession, just to understand that our current risks are being managed properly. And then - so, it's a two-way thing, and you also get the insights and the input from the wider regulators as well - what they're seeing in the market as risks, so the choice of those will be important. But, I think having getting the frequency and focus of those will tell - but as you can see from the list: it's a short list. I mean - I would actually - I'm not asking for answers but it would be interesting if you have to select them. I think the question for you is: what would you choose today, if it was if you had the choice of a Thematic Review? What would be your choice in that? We're not going to necessarily get into that, but I'd be interested in anyone's views on that.

So, the key thing is, on all of this, and I've already touched on it slightly, is: what's in it for us as Members? You can understand the monitoring from a professional point of view: from the profession's point of view. I think it makes quite a lot of sense, but what do we get? Actually, individually, if you're the PC holder and you get an individual report to you it's actually quite personal, and it's also quite useful, I think, because

most people, whether you - or I, I certainly do - whether you admit it or not - it's actually very useful getting feedback on what you're doing, and to make sure it gives you comfort that you're where you are is good and if you've missed something - I'd rather want to know. We've seen it from the Lloyds' example, it's actually really quite an effective way of doing it. From a Regulation Board perspective it will actually help us monitor - make sure that - whether it's education or anything linked to that - that we're not missing something - that there's not a gap in the profession. So, that absolutely makes sense from a professional point of view.

Then the thematic, when it's high-level and generic and anonymised: those again are really useful things just from an industry practice perspective. And, the thing, as I say – they, normally, whenever they've been put out historically, I think, most people would agree they're useful. Being absolutely honest, most people would rather someone else did it, and you didn't have to do the work yourself, and then benefit from it. But, I think, if we as a collective buy into that, then that's the best way of looking at it, and, as I say, the key thing is to make sure there's this value for those of us, the participants and the profession to get out of this. It's not just wasted in that sense, and that was the idea we took. It was done by Lloyd's and I think it was very successful.

So, really, the final thing for me - before just talking about the timelines - is it's a great opportunity for us. We've mentioned it's something by the profession for the profession, so please really we welcome ideas and suggestions. As we said, there's been a lot of thought and effort gone into the proposals. Hopefully you can see that, but it's also not a done deal in the sense it's not - we're not guaranteeing that this is the best way, so: ideas and suggestions. I always like a plea - please be constructive where possible it really does help if you can be as constructive as possible. As I say, we recognise there can be alternative approaches, so it's really important to take part so we can hear your views and to make sure that we get, maximise this opportunity right now.

With that in mind just - here we go - it's all on the website. It's in the documents [Consultation Paper]. You'll have seen it in the invites. I think the responses are by 28 September, I - there're many ways of submitting the responses, so please do take part and don't leave it to others. We're really looking forward to the variety of feedback. And then, finally, just in terms of timelines, just to remind people where we're anticipating this will go, so, we've got the feedback at the end of September, take the rest of the year to collate and analyse and digest, so let's say early 2019 will be finalisation of proposals following the consultation, and actually aim to start in May 2019. So, it's a relatively short time period to start with a phased introduction, and then all monitoring by the end of 2020. So, that's a relatively short time period for this, but as you can see there're many stages on the way. So, that's what I was going to say, and now I'll hand back to Des to open up to questions.

The Chair: Jerome, thank you. So, let me just remind you of a couple of small points before we move into the open session. The event is being filmed. If you're going to make a contribution - and I hope you are, and you're working on your question even as I speak - wait for the microphone to arrive. Make sure you speak into the microphone. It would help us if you could give your name. If you don't want to appear in the final film version that's going up on our website speak to me or a member of the IFoA team. Finally, just to remind you that if you need a glass of water then there are still refreshments outside. Do feel free to get a glass of water. So, before we go to your comments, questions, and contributions, let me just finally introduce my remaining colleagues here on the panel.

On my extreme right is Emma Gilpin. Emma is Head of Regulatory Policy for the IFoA. She's a Scottish qualified solicitor with a background in public law and regulatory work. She joined the IFoA back in the

spring of 2013 after spending a year working for the (then newly established, 'pan-Scotland') Scottish Police Authority. Prior to that she was with a very prominent Scottish law firm, Brodies LLP, for about eight years or so, as a specialist member of the public law and regulation team, and again, she's played a very significant part in the drafting of these proposals.

And finally, but by no means least, and he's adjacent to me, my colleague John Jenkins. John has been a Life Actuarial Partner with KPMG since 2001. He holds Chief Actuary (Life) and With Profits Actuary Practising Certificates and has a number of roles which utilise those Certificates, and his work with KPMG involves acting as an independent expert and skilled person for the PRA and FCA [Financial Conduct Authority], and he's assisted a wide range of clients in relation to Solvency II. He's currently assisting a client with a large scale With Profits acquisition. He's also Chair of the IFoA's Practising Certificates Committee, and also a Member of the Project Board that has overseen this proposed Actuarial Monitoring Scheme.

So, those are the members of the panel. Let me hand over to you. Who has the first question or contribution to make? We need a volunteer to get the ball rolling. Thank you, sir. Let's just wait for the microphone to arrive.

Kamran Foroughi: Thank you very much panel. My name is Kamran Foroughi. I work in the Life industry as an actuary and I just wanted to thank everyone involved with this consultation which, to me anyway, made very interesting reading. I would start by asking a question for the IFoA, and that is: what would our forefathers say if they had the ability to read these proposals? What would Sprague, Adler, Bidge, Bunyon, and Hardy say - the actuaries named in the Royal Charter 150 years ago? Of course, at that time regulation was a much lighter touch, much softer, and much more principles based, and, at that time, governance was also much lighter, both within firms and within the profession. They might ask themselves questions like: are these proposals proportionate? There were some words around that in Appendix 3, but I think, on the question of proportionality, a lot more detail would be needed to satisfy that question.

Do these proposals complement well existing regulation, both within the PRA for the insurance sector and also the FCA? I'm afraid, from the proposals, it is far from clear exactly how they would complement – there are all sorts of proposals in there where things are already happening within either one or both of the PRA and the FCA.

How exactly would commercial sensitivities be addressed? You know, actuaries touch on very commercial aspects, and firms would be reluctant to let actuaries, - you know, force actuaries - to share those commercialities with any external organisation beyond what firms are already showing with particular regulators.

Finally, do the benefits exceed the potential costs?

Under all these question my personal answer at the moment is "I'm not so sure," because the consultation already acknowledges the point that Ben Kemp made earlier, that there is no evidence, currently, of a problem. So, what is this trying to solve? So those are some core questions, and I'll just leave you with what I think is an ironic anecdote. This is the very summer that the government set out a Brexit White Paper, designed to streamline regulation, disconnect us from the EU 27, and allow the financial services sector in the UK to become more competitive. And, at the same time, the IFoA is proposing to introduce this new regulation, which from an early read admittedly to me seems like it's a step in the opposite

direction.

Thank you.

The Chair: Well, I'm glad you asked the first question. Right, Ben, perhaps I could ask you to deal with how our forefathers might look at this, particularly I think, with a focus around proportionality/the interplay between these proposals the PRA and the FCA. And, I was thinking, Jerome, of turning to you in relation to that point about commercial sensitivity, and then maybe if I could go to you, Emma, around this question of benefits greater than costs and so on, and those latter points. So, Ben, let's start with you.

Ben Kemp: What would our forefathers have thought? I'd like to think they would be reassured that the IFoA had - was endeavouring to keep up with the times. To answer less flippantly, let me turn to the sort of - some of the principle issues, Kamran, you make - you had all very good questions, and they're questions which have been at the forefront of our minds as we've been developing these proposals. So, let me firstly acknowledge the relevance/the importance of the questions that you ask. I think, Des, you wanted me to focus on the complementary nature of these proposals with the PRA and FCA *etc.*?

The Chair: Yes

Ben Kemp: We have been, in developing these proposals, and as we say in the consultation paper, in close dialogue with all of the other UK bodies which have relevant regulatory responsibility, as well as with the UK Government, not just with the FRC (as our oversight body) but with the PRA and the FCA, and in the pensions context with TPR, also. There is clearly a range of regulation/regulatory activity undertaken by those other statutory bodies, and some of you and our Members will be subject, to different extents, to those regulatory regimes. We, on the other hand, have a specific responsibility in relation to that actuarial work of our Members as actuaries, and nobody else actually monitors that work - the actuarial quality of actuarial work. There is other monitoring undertaken, the PRA would undertake monitoring, as do the other regulators, as does Lloyd's, but not looking specifically at the actuarial quality of the work. What we've attempted to do, and what we're aiming to do, is to come up with something which complements what they are doing, to actually - to continue to build our already strong relationship with each of those bodies - to try to ensure that we are continuing to share insight and information, and understanding between us, and we - it's worth referring in that context - to the Joint Forum on Actuarial Regulation, which the FRC set up and Chairs and of which we are a Member, which is specifically set up to allow us to coordinate in the way that you're talking about, and that's what we seemed to do. More specifically, let's make one more point on this, if I may. As Jerome and I have alluded to briefly, we are aiming, as proposed, to take account of the extent to which Members - thinking of PC holders in particular - the extent to which PC holders are already subject to scrutiny by other regulators in assessing the overall information available to us and, therefore, the extent to which, and frequency with which, we will ourselves have to undertake, or ought appropriately to undertake, monitoring. We will be taking those considerations into account. They have been very much part of our thinking. Maybe my colleagues wish to add to that?

The Chair: Well, maybe we can come back to that but I was thinking of, Jerome, your previous experience with Lloyd's may have some relevance to the point Kamran raised about how we are thinking about handling commercial sensitivity, because clearly some of the information, Category A individuals affected by this proposal, if it were to go forward, it is going to involve potentially commercially sensitive matters.

Jerome Kirk: Yes, absolutely. So, I think there's a couple of points I'd raise on that, so-, I'd actually firstly answer by - well, as is John as well - employed by an audit firm - and so we do actually have external regulators come in and inspect our work from an audit perspective and, obviously, that will include confidential information, and therefore it's something that does work, and it is practical, and you can actually undertake that with no real issues. To be honest it is an important issue though, so that's something that we've raised, and I think it's something that we're all very cognisant of - that it's an important issue. In most cases as well, the very sensitive information that we may come across is possibly not necessarily linked to the Category A work. So, there's, I've-, I'm less worried from that sense, but I'm not just dismissing your point. And thirdly, there is - as it says in the scheme - there's the possibility that the redaction, for example, and limited information - because it's very important that the, I think, the review teams - or from my perspective only get to see really what they need to see. It's not just a free-for-all: "you can come in and look at all the information". So, it's a very important point. I think it has been considered, and the final proposals of (inaudible) are an important aspect, but I see it as practical, and, as Des said at Lloyd's we get to see the SAO reports and a lot more information and it, it doesn't really create any necessary issues, but it needs to be handled appropriately.

The Chair: And Emma, can I turn to you next, in terms of that aspect of Kamran's question around potentially the benefits are greater than the costs?

Emma Gilpin (IFoA Head of Regulatory Policy): Yes, course. I mean, it's-, I think, as Ben touched upon, we've covered this in the consultation document. We're very aware that there will be costs of this, and particularly around the amount of time that people are going to have to put into this. We recognise that is potentially going to be a bit of burden for some people. We get that. However, there is a lot of benefit in this, and it's not actually just about making this a better, more efficient, more streamlined, more effective regulatory framework, which I think is a benefit of it, but actually, there should be benefits for individual actuaries as well. So, for example, in relation to the Category A monitoring, you're getting individual feedback on work which should actually help you in doing your job, but also, for the wider profession we should have more information available, which should allow us to share that with the rest of the profession, which I think will be a benefit that doesn't currently exist that will come from this monitoring proposal. So, I suppose what I would say is that we have specifically asked for feedback on this point and I would encourage people to - kind of - provide some answers to some of the questions that relate to cost-benefit analysis, so that we can take that into account when we're finalising our decision on the proposals.

The Chair: John, can I turn to you next? Comments you might want to make around -

John Jenkins (Member of the Actuarial Monitoring Scheme Project Board): I just wanted to emphasise what Ben said. The fundamental reason, I think, why this proposal is on the table is to monitor the quality of actuarial work. So, if we take an example of a Chief Actuary working for a Life or a non-Life company: if the PRA, for example, does not like the internal model calibration, or the best estimate assumptions, that the company is using, it will challenge the company, but it will not necessarily challenge the quality of the actuarial advice given to the company by the Chief Actuary, and I think that is the gap. And we've said that the monitoring regime will take into account all these other things that go on from the regulators, or from audit, or from whatever. But, I think it's that central point which everybody should be clear on - it is the quality of the actuarial work itself, which is not generally monitored at the moment - I'm not saying the PRA doesn't do things from time-to-time and, I think there was a, sort of - some focus study they might have been doing on the non-Life-side, but generally speaking - the regulators do not monitor the quality of the actuarial work. And, I, working for an audit firm, do not review the quality of the actuarial

work. We review what the outcome is: not the quality of the input.

The Chair: John, thank you for that. Kamran, I think that there was a final link to your question about whether this is a solution in search of a problem, and I'm going to come back to that in a moment if I may. Who wants to go next? We'll go to you sir, on my right of the aisle, and then over here, to the left.

Tim Bateman: Okay. Hello, it's Tim Bateman and I work at Mazars. I'm a Life Insurance actuary, similar to Kamran. I guess, I've got - I empathise a lot with Kamran's points. I've got one big question in mind, having listened to you this afternoon. Are we confusing quality, the monitoring of quality, which I understand, and improved quality I see as a good thing, but this is all about monitoring professional standards, and I'm not convinced the two things are the same? You can meet-, I'm hypothesising - you can meet professional standards and produce poor quality work. That would be my hypothesis for you to demolish. And finally, I think at the start, Ben was saying we don't really get any feedback on the standards, and as a throwaway thought, how about asking PC holders when they fill in their application forms/renewal forms, for feedback on what they're finding difficult with the standards - what is causing them nightmares or difficulties?

The Chair: Thank you. Ben?

Ben Kemp: Thank you. Thanks Tim. On the first of your two points, the sort of quality versus standards, or as I might put it, perhaps, quality versus compliance point, if that works. This is also something that we've- it's again a good point - something we've thought very hard about. I think you know, without indulging in the conversation about the quality of the standards, in a sense that's what we're trying to find out: how effective the standards are. I think that would be - that point would resonate certainly for me - more if we were dealing with very detailed rule-based/tick-box type standards, where you could tick all the boxes, but still not exercise sufficient professional judgement to ensure the quality of your overall piece of work. Actually, I think the two do come together relatively closely in my view, because, if you look at the Actuary's Code - that's our headline standard if you will, that's our overarching standard - if you look at the principles that we've got in place there, they're very, very principles based. They require, on any view, the exercise of appropriate judgement driving the quality of the work. If you look at the standards that we've produced and the standards that the FRC produces: very principles based. So, actually I think that in assessing the - in my view - assessing the compliance with standards, you're inevitably looking at the overall quality of the work too, because those are high-level principles which demand appropriate quality of work. That would be my view. That, I think it's a very good challenge. The second one.

The Chair: Well, I think John is going to comment on that feedback one.

Ben Kemp: I'm sorry, I beg your pardon.

John Jenkins: I do find that very interesting Tim, and I will have a think about that. I'm not sure that collecting it through the Practising Certificate application and renewal forms is necessarily the right way to do it, but I will have a think about that and see if there's any way we can collect feedback - in some other way - on what people think of the standards. If I can answer the first bit of your question from my perspective as well: I think this is about quality. I might be quite controversial here, but I don't think the Standards say very much. Maybe that's the same thing as saying they're very 'high-level' and 'principles based'. In the olden days, when we had GNs, and GN this-that-and-the-other, and there were some particular actuarial things to be careful of, it was different. But now we have: the PRA and FRC rules; the Actuarial Profession Standards (APS L1 - I think there's an equivalent GI, G11 - there's APS X2, X1);

there's the Technical Actuarial Standards, (which I think are very sensible as far as they go, but they don't actually go very far); and, I think you're right that it is possible to comply with these standards and still do a poor job, and what we are trying to do here is to monitor the standards, and veer them, seek to improve them, if they need to be improved. The other thing I would add is that the review, the people actually doing the review, or the monitoring, as Jerome has explained, will be experienced people and will be able to know what 'good' looks like.

The Chair: And I think it's fair to say that, the intent anyway, in terms of the design of the proposition, is to try and make an assessment about quality.

John Jenkins: Yes.

The Chair: So, whether or not you're going to have poor-quality work that 'ticks', as it were, all the boxes, in terms of professional standards - put that to one side for a second - the intent, (I mean, it may well be that we fall short in this current proposition), the intent is to try and find some way of looking at, and assessing, and measuring, and sharing - for the benefit of increasing adherence to high standards - trying to make that assessment about the quality of actuarial work.

Unless you want to come back on that, I'm going to move to the next questioner. Over here on the left hand side of the aisle. Just wait for the microphone.

John Charles: Hello, my name's John Charles. I'm a General Insurance practitioner. I have prepared a response here and I'm going to try to go through that, as some points, I think, are relevant, as well, to the discussion we've already had. I wanted to comment on the benefits claim in SECTION 5 of the paper, on page 10. You know, or in summary, reinforce public-, the public reputation of actuaries. I think the proposal suggests an inherent lack of confidence by the Regulation Board and others in the quality of actuarial work.

The Chair: Sorry I didn't get that - an inherent lack of?

John Charles: Confidence, in the quality of actuarial work. I mean - the actuarial qualification is quite a demanding one. We set high standards. The actuarial profession has set high standards for its members for a number of years and I think that has been found to be adequate -enhance the credibility of the PCC scheme. It certainly increases the power of the Practising Certificate's Committee, or committees, but I think this is also a manifestation of an erosion of confidence in the work of actuaries. It's a scheme designed by the profession for the profession, in the spirit of maintaining the benefits of, and, I paraphrase, with self-regulation. Unfortunately, I think maintaining self-regulation seems to be the overriding objective.

These proposals are partially intended to be funded by the FRC, and I'm sure that hasn't come for free. The [Royal] Charter gives the IFoA a responsibility to promote actuarial science in the public interest as well. I think there is a broader objective for actuarial science that the IFoA has as a responsibility, and then, I think for me personally, I think, it means I would like to see an attractive profession in which members can practice without undue encumbrance. Improving the effectiveness of actuarial regulation and providing feedback to Members: these are quite useful and laudable objectives. But I do think, for many years, we've had IFoA working parties, we've had GIRO working parties, we've had working group papers (that provide necessary input), and there's a need for dialogue, clearly, between the IFoA and the Regulation Board, and those that it regulates, because if there's (inaudible) - we're saying that we have no evidence of quality, but we're not - we're not having much dialogue (inaudible) - we really think we

don't know - we may not have been able to provide the evidence that was specifically requested by regulators - and the challenge - but I think there should be a lot of comfort gleaned from the fact that actuaries aren't generally in the firing line when these things go wrong.

Solutions, I think the proposals - if we were to start with the information-gathering as described in Category C, perhaps, and then start reviewing, in light of evidence - and more, sort of - a lighter approach to getting this implemented: I think that I would have to have more sympathy with that, but I would like to say, as a concept though, I do object, in strong terms to the proposed scale when you look at Practising Certificate holders and a centralised basis for the review. I think this potentially has the risk of stifling innovation and is anti-competitive. I think history is showing its central – centralised systems tend to fail. Markets solutions are preferable in my opinion and the PRA and FCA already have mechanisms in place to demand independent skilled persons reviews where they have concerns. This proposal, I think, has no precedent elsewhere in the world, and looking at actuarial bodies, and would set an unfortunate burden on the UK actuarial profession. Now my fear is that this consultation is not an open one, as you said. You travelled down this road for some time, and a decision has already been made. If this is the case, and as I've said before, I would prefer to see this implemented on a much smaller scale basis: sample based for initial implementation.

The current proposal, I think, feels unwieldy. I think it's disproportionate, in that it does not respond to a specific problem, and it would present, I think, for the IFoA, significant logistical challenges to effectively implement it. I made a statement without prejudice and it's not intended to support the proposal, but it's a recognition of the reality that might exist. There appears to be an underlying assumption that the IFoA Members have a monopoly of presumed actuarial services. This proposal, as stated in the document, may indeed be a defining moment. You know, my fear is that it could lead to a significant exodus of Members from the formation of alternative professional - an alternative professional body. Competitors who are not Members of the IFoA are not subject to the monitoring constraints. Normally, they're subject to Practising Certificates, and we know that the PRA and FCA are not agreed with a requirement for Practising Certificates for certain appointments. So, in other words, there could be significant and unintended consequences for this.

In conclusion, I would like to suggest: please think again. Look for market solutions and avoid centralised command and control if you can. Keep sight of the needs of the profession to be attractive to new entrants. I'd like to see more dialogue in this, and a supportive profession. I think the IFoA needs to bear that in mind, I think: it does exist primarily for its Members. This proposal introduces an extra layer of monitoring, which to me at least, seems unnecessary and I think it disadvantages UK actuaries. Thematic Reviews are good, but they happen now under the PRA and FCA. Think about being complimentary, as we've mentioned - as has been mentioned - to current regulation, and avoid doubling up on existing regulation where it's strong, and focus on gaps: areas where actuaries may not necessarily have supporting mechanisms and the like. Although the public interest, in those circumstances may not be as obvious, it can be, nonetheless, quite painful for individuals, when (inaudible) unnecessarily. Again, and I'll end with that. I mean - I could go on all night, but I have so...

The Chair: Well, look, thank you. That's a very, very comprehensive response, and lots of items to pick through there. Ben, may I start with you? Goodness knows where you're going to start.

Ben Kemp: I - let me offer- look - I think - first thing: thank you, and we will obviously -we've noted all your comments. We've got your comments. I'm not going to try and address them all, and Des will tell me to stop talking if I try and do that anyway, but we will reflect very carefully on all the points you make. I

think, perhaps, I take one of them, which is that you're - sort of, a theme from the first set of comments you made, which was that there was an inherent lack of confidence on the part of IFoA, or Regulation Board, here. I don't think this is about - I don't think this is about a lack of confidence in our Members. Actually, we do not believe - we do not believe - we proceed upon the working assumption that the vast majority of our Members are doing the right thing in the right way to the best of their ability. We don't have very many disciplinary cases. Where we do get them, we treat them seriously on behalf of the public, but also on behalf of the profession, because we've got to - we want to - uphold that reputation of profession. We, on the other hand, however: we do not have evidence, really, to support that thesis, to - if you - how do I know that the vast majority of Members are doing the right thing in the right way, and are doing so with the utmost integrity, and are not cutting corners and compromising public interest? I think that's probably the case. I have faith that that's the case. The Regulation Board, I believe, has faith that that's the case. How do I actually know that? Because people are not reporting them to the disciplinary scheme? I'm not - I - that feels a little weak, actually. This is about actually having the confidence, on the other hand, to put in place a regime which is, which speaks to a profession which is proud of its reputation and what it stands for, and is prepared to demonstrate that in the public domain. That's how I would see it, and that's probably my comment on that point.

The Chair: Colleagues, anybody want to respond further to Ben's comments? Emma, Jerome, John?

John Jenkins: Well, I think, as, you know, coming onto this monitoring Board afresh: I can absolutely say there was no sort of a hidden agenda that it's "because we think the quality is low" - quite the opposite, as Ben has said, but, I think we do accept that in the day and age in which we now live one has to prove it or demonstrate it. I just wonder, Jerome, whether, your very interesting graph as to what happened with the Lloyds' experience what were the Lloyd's actuaries' initial reactions to everyone being monitored by Lloyd's, and how was that journey?

Jerome Kirk: Oh - genuinely thinking- I mean - I'm obviously biased in the answer to it was received fantastically well! That's not - yeah - that's not my complete answer. No - well, it- I think there was a little bit of scepticism at the start, and then through the process I think there was confidence in it, so that the benefits, which were reaped from it, were quite tangible. And, it quite quickly - it probably took its two iterations, and the scepticism, or the fear, that what it was - what it was designed for - was outweighed by the benefits, and so I do understand. Well, I'm sure that John actually himself has - would have - been part of it, but I do think that it actually - so, it was quite quickly seen as beneficial, and the benefits outweighed - you know - the idea that someone's going to be reviewing your work to that kind of detail.

The Chair: And at the risk of overstepping the values of what a Chair should and shouldn't do, there was one point, if I may, John, that I wanted just to come back on, because I was very interested in the point. I think one of the second or third points you made in your summary of your possible response, which was: you made the point that this is a further erosion in the confidence that should be held in the actuarial profession - where there are exacting standards in terms of qualification, CPD obligations, so on and so forth - and, I just wanted to put an alternative interpretation of that. I should start by echoing absolutely the point that John made a second ago, that I can say to you from my own personal knowledge of the work of the [Regulation] Board. It is absolutely not, because the [Regulation] Board is taking the view that it doesn't have - that it has lost or it is expressing an inherent lack of - confidence in the profession that's definitely not the position. But, just think about the point you, you went onto make. Well, this is a further manifestation of this erosion in the confidence held in the profession, and the proposition I'd ask you all to think about is, here we are post-BHS, post-Carillion. All of those issues that we've seen from the Rachel Reeves, the Frank Field committees, and the concerns swirling around that financial services sector.

What of the position of a confident, open, learned profession that chooses, not in response to some mere crisis or recent problem, but from the point of view of being open and thinking about what the public expectation of the profession is. That it says, 'We want to be yet more open. We want to respond to-', I think, Ben, you made this point, 'The changes that are, are happening in terms of civic society,' but it's not enough to say, 'Don't worry. We know what we're doing,' but that there's almost a public demand that we demonstrate in some way or another there. What other profession who has the confidence to voluntarily make such a change, to try and be contemporary, to try and be ahead of that public expectation. Who have been saying, 'Here's what we're planning to do, not because we're-, we've got our back in a corner, our backs to the wall because we've had a problem, but because we think we are a confident learned, open, contemporary profession, that is constantly seeking to adopt and amend its position in the light of change in public expectations. And being able to demonstrate that all is well, or that there may be some issues or problems, and here are the ways that we're dealing with that.' I wonder whether that might indeed be interpreted as actually, a vote of confidence in a modern, outgoing profession. Now, I can see that your colleague next to you might be, sceptical about that point, but interested in anyone else's thoughts. So, over here if we can move there. Do you want to wait for the microphone? Here we go.

Alex Marcuson: Good afternoon: Alex Marcuson. I had - thank you for the consultation and proposal. I'm having-, it's, it's been one of my bug bears that, the actuarial profession, the only bit that seemed to be monitored was the work that was done by SAO actuaries. So, I'm glad that a very-, that at long last, the profession is giving some thought, to the challenge more widely. But I don't-, I, I've not actually made my mind up about, the consultation and proposals, and here's my dilemma, and it's this. What's worrying me is whether the intellectual basis that you've adopted for thinking about how you address the issues of quality, is the wrong way round...and that what you're at risk of doing is something that's, incredibly unscientific, in the way you're thinking about it, because one way of looking at it is that what you're going to find is lots of reviews that will tell you that lots of work passes. And it shouldn't be surprising to us that Jerome's chart showing compliance with the Lloyds' checklist showed improving quality. Now, I'm not, dismissing that out of hand, but I'm saying it's an intellectual challenge, and the challenge is, what you want to be identifying is the signatures for when things go wrong, and I'm not sure that this framework is going to tease that out because as highly skilled, highly intelligent professionals, what the research shows is that there's this this level of cognitive dissonance. Where professionals will find out as all the reasons why a particular scenario or particular situation played out and was justifiable under the circumstances. And, what you're not drawing out and what you're not encouraging through this proposal-, set of proposals, where this-, I don't feel that you've made the case, is to get people to help you identify the near misses, the situations where things went wrong so that then you can start to gather the data and look at this at a macro-level to say, what are the signatures where a Lloyds syndicate has a major reserve deterioration? What are the syndicate-, the signatures of a Carillon or a BHS? and that, what, what is worrying me is the proposals seem to be more of the same, more checking the stuff that passes, rather than trying to say, 'Okay, we know what good work is. Let's try to actually find out the situations where, where we should be worried.', that I think is the thing where you need to put a lot of effort, and really be brave and, and potentially quite radical in actually trying to unpick that, and this is my concern. I don't want to dismiss this, because I've, I have a lot of sympathy with what you're trying to do with the proposals but my, my concern is, I'm not sure that you're really going to get the result that you're seeking.

The Chair: This may be an unfair question. I was wondering if we've-, you've had chance to think about, well, how might we go about trying to identify, let's say, those near misses?

Ben Kemp: Not yet. I mean, I'm still thinking about it.

The Chair: Okay.

Ben Kemp: I think the analogy that's often quoted in the literature, maybe it's the pop science books that address it rather than the deep-thinking, about these issues is the comparison between the airline industry and the health professional industry. I think there probably are a lot of analogies that we can draw on, but I think it's a brave profession that actually tries to copy the airline industry and encourages self-reporting rather than one that tries to say "look how much review that we've done," and actually is taking a somewhat unscientific approach.

The Chair: It's a good point you make and certainly, I think, Jerome I was going to turn to you if you've got any thoughts on this, but it's certainly an issue that we've given some consideration during the work so far, in the sense that if we don't ask, if we don't go out, as it were, looking actively to gather that information, trying to rely upon self-reporting could be, as it were, inhibited, given that need for significant cultural change. But, Jerome, anything you wanted to add, or John?

Jerome Kirk: Well, not a massive amount to that. It really is an interesting concept, and I think I was going to try and put the analogy, if we're talking from a Practising Certificate perspective, to one thing we try as a test is, we use the phrase 'backbone,' but it's very hard to actually then test that, and so it is a challenge and using the self-reporting, or 'near misses': it's certainly one way. It's how to put a framework around that and demonstrably show that that works, as well, is difficult too, and so sometimes it's the thing that you - absolutely, if you really had to name one characteristic - that you want to test is actually the one that's normally absolutely the hardest, and so, you try and put a framework round it that does it's best to try and capture that, either, say, through proxy or whatever. So, that's what I think it is, so I'm not disagreeing, but it's a - it's quite intangible sometimes, to try and test that, and if we were to try in here and get confidence in the quality of the work, then it - it's, you know - it's difficult to do.

John Jenkins: Thank you for the comment, and I will think very hard about it. I'm not sure whether I agree with you or not. I think in terms of spotting near misses, for Category B -you know - Thematic Reviews - is probably, in my view, for spotting issues that are bubbling up, which actuaries collectively in insurance – because we're discussing insurance this evening - should be aware of and make sure they monitor carefully, so I would see that as coming through Category B, Thematic Reviews. In terms of the Category A monitoring, I don't see it as trying to spot near misses before they happen, or spot any sort of 'great nasties'. There is provision in here, if the review finds something which is absolutely horrendous, but that's more of a backstop. We're not expecting that to be the case. The main objective for the Category A monitoring is to gradually, well, pull up the standards if they need to be pulled up, so either to demonstrate that the standards are perfectly high as they are - we don't really have anything to worry about - or, if we do find areas where they can be pulled up, in the way that Jerome's graph showed earlier, then I think that will be useful to have. I know that when I do reviews of other actuaries' work, and when people do reviews of my work, they find comments to make and suggestions to make, and those are normally very well-received, both when they - when they get made in respect of my work - and, I say, "yes, I could think more about that. I could have presented that better in my report," and I make comments constructively when I do that work for other actuaries. I think this is a way of formalising that in the way that gives the profession the evidence that it currently lacks. So, I think you can comment on whether this is whether all this is being done in other ways, and there is a lot of overlap, and I think we've taken that into account in the risk assessment. We do come back to the point, I don't think anybody is formally, in a way that the profession can see monitoring the quality of actuarial work. So, I'm not - I'm very grateful for your intellectual challenge - I'm not sure I agree with it in relation to the Category A monitoring, but I think you've made a good point as to what a useful function of the category monitoring

would be.

The Chair: Okay. Let's go to the next question. Right at the back there.

Dan Sykes: Hi, I'm Dan Sykes. I am a non-Life actuary. I'll start by saying I completely agree with John Charles' comments, and I want to pick up on one of his comments and turn it into a question, and then I'll make an observation. So, the question is: what power does the Membership have to reshape these proposals? And, John was saying is this a sort of *fait accompli*? Is it something that's already been decided and it's just going to be nudged around? What power do we really have Memberships or comment on criticising and challenging these proposals? And an observation: so I've - I'm not a function holder myself - but I've worked with function holders and I'm afraid I'm coming from this as - we are sort of validated - we're audited internally/externally by probably three or four organisations, and it feels, on the face of it, like a fifth line of defence, or a sixth, or seventh - I don't know - the company I worked for until recently, employed a lot of actuaries, and they saw actuaries as being "compliance". Actuaries were increasingly being seen as a compliance role.

The Chair: Sorry, "increasingly seen to be"?

Dan Sykes: A compliance role, and others - possibly data scientists - other people were seen as being the 'value add,' and it just feels to me on, conceptually, as though these proposals push us further into the compliance box, probably where we don't want to be, and less into the 'value add' box where we should all want to be.

The Chair: Okay. Emma, can I ask you to deal with that first question about what part Membership has to reshape and perfect this proposal?

Emma Gilpin: Yes, of course. I mean, I think the thing to be quite clear about is that this is a genuine consultation, so we have this challenge that we need to think about - so this kind of 'gap' in our regulatory framework, where we don't have this kind of, information. We've come up with a proposal for how we might go about addressing that, but if people have other alternative, better ways of us doing so then we want to hear about that, so it is definitely a genuine consultation, and it is a proposal which is, I think, as Ben said -it's a proposal by the profession for the profession. So, we want to have our Members help to shape what it looks like, so - what I would say is - that we do have the power to shape this and make it something that works for the profession in the best way, and I suppose, just on that point about, perhaps, feeling like there's lots of different kinds of monitoring activity, which applies to lots of individuals that would be affected by this, we have tried, to take that into account in the shape of the proposals, so we've tried to take into account other types of reviews that happen, where those are subject to industry regulators. We've tried to think about internal and external audit that might apply. We are conscious, I think as Ben explained, that those types of reviews are looking at a slightly different thing, so we are trying to carry out a different type of review, but we're conscious that we don't want to make this unduly burdensome, and we need to try and make this as streamlined - and work with those other reviews as far as possible - so, we've tried to do that. If there are ways in which we can improve that aspect of the proposals, again, we would be very welcoming of any alternative suggestions.

The Chair: John, I know you wanted to make a comment on this.

John Jenkins: Yes. I mean, I think one point which hasn't come out in the discussion yet is - and I'm/you're bound to the lawyers over there as to the strict position here, but - you know, the Institute of Actuaries is regulated by the FRC, and I believe we are under some pressure from the FRC to do

something of this nature and that has been, to be totally frank with you, one of the reasons, not the only one by any means, but that is one of the things that the actuarial profession has had to take into account in deciding to promulgate a proposal such as this.

The Chair: And, could I add, if I may, as well, a comment on the point you make about: does this proposal make actuaries less competitive in the marketplace? I understand absolutely that - that point you made - it is a point that the Board has thought about at growing length. It's something that we've debated in the project board, and it's something we're very, very alive to, because clearly, if that concern were to be born out in practice, there are implications for the profession. There are implications for the IFoA, but there are also implications for the public interest. So, this is a matter that, as I say, we have sought to give very careful regard to. It would be very helpful indeed to Regulation Board, if in the responses to the consultation, we hear from you, we, we get your comments, and we get information from you about that matter. Something we're alive to, something we're aware of. As I say, it's something that potentially, were it to be born out in practice, has implications, not just as it were for our self-interest, but for the wider public interest, as well, something we're alive to. Now, time is, again, as I'm anxious to get as many other comments, as I can in, or any questions, anyone else want to come in? Right, right at the front, and then we'll go to the gentleman on the left, and then about half way down, just here.

Catherine Scullion: Hi, I'm Catherine Scullion and I work in General Insurance at Lloyd's. So, I have two questions, but I think they're both relatively short. First, picking up on Des' point and a few others: at the minute the benefits of the scheme are quite focussed on the Members that it's regulating. I think one way of getting round the piece of what-, we'll make ourselves dinosaurs, non-commercial, is to focus on the benefits for users, and just try and target the outputs of the schemes so that it's, it's hitting those users. So, for example, regulators may take comfort in the fact that actuaries are being regulated in this way, board Members. Something at Lloyds that we see that NEDs take a lot of comfort in the signing actuary scheme. They have an expectation of what's there and the standards that are maintained, and that allows them to place reliance, kind of, preserves the, the reputation of the profession in that sense. And, I guess, the second point is around the tools that are being used. So, I think, for reasons that are very understandable, the consultation is trying to make the best use of the tools that the profession has available, and I think it asks the question of whether those are the right tools on both ends of the spectrum. So, on the, the more negative end of the spectrum I think a lot of the intervention is a wide range of feedback, and then suddenly you're in disciplinary, and if the profession is looking at this on more of a spectrum should there be a wider range of tools? I think, then, at the other end of the scale, so speaking as someone who's picked up the SAO reporting when the scores have been higher, defining best practice is challenging, time-consuming. And, I think, a question of whether that's the purpose of regulatory monitoring to define best practice or define required standards.

The Chair: Okay. I'm going to, if you don't mind, go to get the next comments as well, so, I think sir - if you're there.

Thomas Pickup: Hi, Thomas Pickup. General Insurance as well. Hopefully, three fairly quick ones. The first one just to reiterate the competitive side. I've talked to a lot of people, particularly on the pricing side, and they see this as a huge competitive disadvantage for people. We are seeing people saying, "why should I be an actuary," "why should I hire actuaries when I can hire data scientists," but again, further at the top, I think this is something where, if you were to hire people who would then expose your organisation to external review, which they don't currently have, versus somebody who doesn't, I think it's a fairly clear-cut choice - which it would be. The second one is - we actually go to the point about Lloyd's which Jerome brought up - which I hadn't thought of, but I actually think makes quite a strong argument

against the Institute [IFoA] being the regulator. The difference between Lloyd's and the Institute [IFoA] is that Lloyd's was receiving the SAO reports anyway. This was- they were a central repository for these things and so it's a natural step for them to take responsibility to give feedback. The Institute [IFoA] isn't in that role, actually. The PRA is probably the closest to that, and it would feel more natural for this kind of feedback to sit with somebody who is getting it anyway. And, again, thus, you don't have to give internal, potentially sensitive, information to another party who then gets exposed to quite substantial liability, if something does slip. You know, there is no limitation of liability in the clause that I could see at the end and the Institute [IFoA] could be sued for whatever assets it has unfolded. Finally, we talked about- you talked about - what other professions have done/what you've looked at. I think it would be really helpful for Members if you could - if you could disseminate that more widely, just to show what the other options are, because this is presented without context at this point, and maybe this is an amazing opportunity, or maybe it's the worst. I have no way of knowing, because I don't know how other professions are regulated. I mean, in particular, I'd put it to the lawyers on the board, how does this compare to the solicitor's regulation, for example?

The Chair: Okay, and I think there was a further question, yes, down on the right-hand side of the aisle. There you go.

Unknown: Hi, thank you for the consultation. It is indeed a bit odd that the FRC issues the TAS standards, and then there's no monitoring (inaudible) here.

The Chair: Would you mind speaking into the microphone, because we can't quite pick you up? Sorry.

Unknown: Oh, sorry. It's unusual that - well, thank you for the consultation - it's unusual that the FRC issues TAS standards and then there's no monitoring in place, so an effort to put monitoring in place is welcome, but I do wonder if the Institute [IFoA] is the right set of people to do that. If, heaven forbid, something goes wrong, are the Institute [IFoA] really going to be seen as independent, and is this something that you really ought to pass back to the FRC, to put the monitoring in place themselves, in the same way as, say, they monitor auditors. So, they're not - they're not at - they're not unfamiliar with auditors - with monitoring other professions, and really, isn't this just something that's a responsibility of the FRC, and why is the Institute [IFoA] picking this up?

The Chair: Okay. So, to make sure I understand your point, your point is not that this, potentially, isn't in the public interest, but the public is better served by somebody else other than the IFoA doing it?

Unknown: Agreed. It's that, that the FRC will be seen as more independent. And, if something goes wrong with the proposals you have at the moment, it's just going to be seen as the, [IFoA] monitoring its own Members, and self-regulating-, self-regulation hasn't really worked, and that's been criticised after the event. This institute just getting into a position where it's going to be criticised.

The Chair: Okay. Right. I'm not sure if there's anybody on the panel there who has a burning desire to make any comments in response to those very thoughtful points in the last trio of speakers.

Ben Kemp: I'll make one. I mean - note them all - thank you. Again, just to clarify our role, so, the IFoA as matters stand - the IFoA does have the primary regulatory responsibility in relation to its Members, as set down in our Royal Charter, but it's not pure self-regulation. It's what we might - what I even - refer to as accountable self-regulation, subject to oversight - and that's - the FRC has two or three roles, but one of its key roles is to oversee what we do as a regulator. That's not - there are a variety of models out there across different professional sectors - there are other models - very closely equivalent to the one I've just

described, that we follow. I'm not sure - so, as matters stand - that is our role. It is our role to regulate. It would be our role to do the monitoring.

Unknown: (inaudible).

The Chair: Yes, absolutely, that's a possibility, yes. Ben, thank you for that.

Colleagues, time is against us. First of all, thank you all very much for being here. Thank you for the really insightful and thoughtful comments that we've received from you.

Can I just reiterate a point that Jerome made? The consultation is open until 28 September. We are very conscious of the significance of these proposals, the issues we talked about, about making our Members less competitive, the nature of the practical challenge that IFoA is taking on were it to proceed with this. Those are all significant issues, so we're really, really, very, very anxious indeed to be helped and informed by your response to this consultation. We're particularly interested in whether you think there are alternatives, if there are better ways of dealing with the public interest aspirations that we've spoken of as a factor behind these proposal. So, whilst I'm springing that question on Alex, which is a bit naughty of me, by 28th September, if you do have alternatives about how we could, say, for example, identify those 'near misses' in a more effective way, there are different ways of handling this altogether, comparisons to be drawn with other professions: we are very, very keen to hear from you. There are full explanations on the website about how to make a response to the consultation. We are not interested in the formality. Sorry, Sir?

Unknown: Sorry. Surely it is the role of the IFoA to put these options in front of us (inaudible).

The Chair: Well, we have indeed put forward an option that we have thought about long and hard. I was trying to stress the point that we are conscious that there are inevitably challenges in what we propose to do, because it is a significant undertaking, were this proposal to go forward, and we would be interested if there are other thoughts and alternatives. We're not asking you to deliver us, as it were, a blueprint for how that might be done, but ideas, challenges, and suggestions, and naturally we would go away and think about those. Maybe I'll come back to you in a second if I may, because I'm conscious that time is against us. I understand your point. Maybe I could pick that up offline.

So, if you do have concerns about this/if you have thoughts/if you have questions/further points to make, as I say, please, please make sure that you respond to the consultation. If there are points you want to clarify and discuss with the IFoA, any of us here tonight: we'll be around for a little a while afterwards. Beyond that, as I say, thank you for being here. Thank you for taking part in the consultation, which I hope you'll fill through to formal responses, and perhaps I could ask you, finally, just to join me in thanking all of our speakers on the panel in the usual way for their representations and comments tonight.