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# Personal Risk Management for Non Executive Directors

Seamus Creedon– Chair of the NED  
Guidance Working Party

Staple Inn, London  
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# Introduction

- Overview
  - Non Executive Director Guidance Working Party: membership and terms of reference
- Context
  - Member growth in NED roles; IFoA commitment to innovation
- Tangible output
  - Your views sought!
  - Regulatory non-mandatory guidance to complement NED Member Interest Group, Professional Skills Training and lifelong learning support.



# Overview: NED Guidance Working Party

- Seamus Creedon, Chair;
- Marcia Cantor-Grable;
- Mike Evans;
- Suzie Lyons;
- Martin Pike;
- Steve Sarjant; and
- Kalpana Shah.



# Overview: Terms of Reference

*“useful advice”*

- A WP of the Regulation Board
- To develop supportive non-mandatory guidance on the IFoA regulatory responsibilities bespoke to members occupying Non Executive Director (NED) roles.
- To cross reference pre-existing guidance on IFoA regulatory standards.
- No new regulatory requirements.

*“a practical, living, resource document.”*



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# The corporate governance 'world'

## Far from actuarial practice

- Collective (mostly) vs individual
- Rapidly evolving under political/other influences
- Stakeholder trade-offs
- Few 'right' answers (many wrong ones!)
- Information incomplete
- Diversity (lots of accountants!)
- Risk – perceived and real



# The NED 'world'

- Stakeholder constituencies
  - Shareholder(s)
  - Creditors
  - Executive directors
  - Senior management
  - Employees
  - Customers
  - Media
  - Auditors
  - Advisers
  - Regulators
  - Fellow NEDs
  - Etc.
- Challenging situations
  - Initial due diligence
  - Business performance below par
  - Management information inadequate
  - Executive performance issues
  - Executive conflict
  - Chairing committees
  - Voluntary resignation
  - Boardroom disputes
  - Etc. etc.



# Professionalism in governance

## Effective directors:

- Probabilistic mindset
- Aid collective understanding
- Personal integrity
- Impartial evaluation
- What if?
- Judgements are rarely actuarial, but actuaries can help make better!





# Risks of governance – Actuary NEDS

## Diverse ‘threats’

- Litigation (e.g. Equitable Life) – **all directors**
- Reputational (many e.g. HBOS, RBS, Equitable, Co-op etc.) – **‘public interest’ contexts**
- Regulatory enforcement (PRA, FCA, FRC, ?) – **UK financial services**
- Professional discipline (rare historically) – **actuaries** and other professionals



*There is always some risk of being struck by lightning,  
but still better not to stand under trees in a storm*



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# Regulating with the grain of good governance

## Avoid

- Ambiguity such that work as a director may be deemed ‘actuarial’ (shared responsibility of member and profession)

## Reinforce

- Application of Actuaries Code as embodying effective governance behaviours



# IFoA support: Tangible Outputs

- What does a “useful resource” look like to you?

Our proposal:

- Regulatory non mandatory guidance document

To complement:

- Relevant professional skills training and lifelong learning opportunities
- Support, community and a “living resource” in the Member Interest Group





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**What does “useful” look like to you?**

**Non Executive Director Guidance  
IFoA Working Party of the  
Regulation Board**

**Suzie Lyons – Head of Legal Services  
14 November 2017**

# NED Guidance Working Party aims

- To explore:
  - What challenges (actual or perceived) are faced by NED members.
  - How comparable professions address the challenge of layered regulation.
  - **What relevant existing professional and regulatory guidance is available.**
  - **Whether practical guidance is sufficient to manage any identified risk.**
  - What stakeholders should be considered in the development of any guidance.
  - Whether the guidance appropriately reflects the international nature of the IFoA's membership and/ or any other diversity issues.
- To make recommendations to Regulation Board.
- To deliver the roll-out of any guidance and/ or a “living resource” for NED member use.



# Key IFoA Regulatory Considerations 1 of 2: The Principles of the Actuaries' Code\*



# Key IFoA Regulatory Considerations 2 of 2: Disciplinary Consequence

## Investigation

- All complaints investigated
- Team: Case Manager, Investigation Actuary and Legal Adviser
- Draft Case Report

## Adjudication Panel

- Meet in private
- Three members (two Actuary and one Lay)
- Can make a *prima facie* finding of misconduct: filter applied.
- Limited powers of sanction to £7,500
- Effective only if accepted.

## Disciplinary Tribunal Panel

- Public hearing
- Legal representation
- Significant powers of sanction



# Professional Codes of Conduct as a form of risk management?

- Information gathering and benchmarking
- Other professions globally
  - Actuaries in International Actuarial Association organisations
  - Accountants
  - Lawyers
  - Doctors
- Supports the conclusion that our regulatory requirements are reasonable, relevant and proportionate when compared to co-professionals





# How Can Practical Guidance Help to Manage Risk?



- Question; challenge; enquire
  - Professionalism and the essence of the NED role
- Clear terms of engagement
  - Common understanding from the outset
- Managing expectations –you and your audience
  - The perspective/expectations around the boardroom table and managing different levels of knowledge, skills and expertise



# How Can Practical Guidance Help to Manage Risk?



- What “hat” are you wearing?
  - Make clear the real difference between expressing opinion informed by all of your experience including your profession and offering professional actuarial advice
- Managing relationships with the executive: treading the fine line
  - The challenge of transitioning to a NED role



# How Can Practical Guidance Help to Manage Risk: Resources and Relevant Support

- Professional skills team: call for online “NED focused” content 2018/9
- “P” badged events - today’s event
- IFoA NED Member Interest Group resource bank
- Networking across professional sectors
- Induction, training and personal development
- What else?





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# Regulation Board Perspective

**Desmond Hudson, Chair of Regulation  
Board**

**14 November 2017**



# Regulation Board Approach

- Proportionate
- Clear
- Support innovation
- Act in the Public Interest
- Post Implementation Review & Accountable Transparency
- IFoA Regulation Board seeks feedback



# Be aware: to what do Regulations attach?

- The Actuaries' Code applies to all members
- Applies at all times to Members conduct in their work as actuaries BUT also taken into consideration where their conduct in other contexts reasonably reflects on the profession



# APS X2: Work Review

- Members must consider application of work review to Actuarial Work
- Actuarial Work “Work undertaken by a member in their capacity as a person with Actuarial skills on which the work recipient is entitled to rely”



# FRC Technical Actuarial Standards

- FRC TASs apply to work which involves use of actuarial principles and / or techniques and judgement
- Mandatory application of TAS “technical actuarial work” involves use of principles and/or techniques of actuarial science is CENTRAL to the work or which the user may REASONABLY regard as technical actuarial work





# Questions

# Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenters.

