

Annex B – Regulation of actuaries

1. Membership of the Actuarial Profession

There is no legal restriction on who may be called an actuary in the UK, although in practice all actuaries are either Fellows or Associates of the Faculty or the Institute of Actuaries.

Although formally separate, the Faculty and the Institute have since 1996 combined their representation and regulation of their members under the banner of the UK Actuarial Profession (referred to in this paper as the Profession). They share a common website, staff, governance and regulatory requirements, as well as a common motto “making financial sense of the future”. Their disciplinary schemes are separate but identical and overseen by a common externally-chaired Disciplinary Board. Apart from their separate charters, bye-laws and disciplinary schemes, the Profession has common regulatory materials including:

- common requirements for membership and qualifications (although technically Institute students are members while Faculty students are not), including common examinations;
- a common ethical code, the Professional Conduct Standards, and supporting guidance notes;
- common requirements for practising certificates and continuing professional development.

Individuals may be admitted as students, affiliates or honorary fellows of either body, but are not permitted to call themselves actuaries in these circumstances unless they are also qualified as actuaries through membership of an overseas actuarial association. Students of the Faculty (unlike students of the Institute) are not members, but are subject to many of the requirements applicable to members. Admission as a student is subject to minimum educational requirements (Mathematics A level and English GCSE at grade B, or equivalent), and evidence of good character.

2. Qualification as an actuary

To qualify as an Associate, students must pass or be exempted from nine core technical and three core applications examinations and attend a one-day professionalism course. If they joined after 1 July 2004, they must have one year's worth of relevant work-based skills experience covering the four key dimensions of practical application of actuarial skills, professional and ethical, communication and commercial.

To qualify as a Fellow, students or Associates must pass two further specialist technical and one specialist applications examination. They must complete three years of practical training, and a two-day professionalism course.

Students with relevant degrees are eligible for exemption from certain of the Profession's examinations and, in response to the Morris Review, the Profession has introduced a new accreditation scheme which gives awarding bodies greater flexibility in the structure and content of actuarial courses.

3. Continuing professional development (CPD)

Actuaries are required to ensure they are competent for the work they undertake. In addition, there is a mandatory CPD scheme, with five categories of member:

Category 1 – practising certificate holders

Category 2 – members undertaking mainstream actuarial work

Category 3 – members not undertaking mainstream actuarial work

Category 4 – non-working members

Category 5 – working members (typically overseas) who are covered by another scheme.

Actuaries within Categories 1 to 3 are required to record their CPD using a link on the Profession's website. For actuaries within Categories 1 to 2, this includes at least 15 hours a year of relevant verifiable CPD; and the Profession has introduced requirements for experienced actuaries to attend a professionalism event every ten years.

4. Statutory recognition and regulation of actuaries

A number of statutory and regulatory roles relating to long-term insurers, non-directive friendly societies, Lloyd's and Lloyd's syndicates, pension schemes and certain exempt pre-paid funeral plans may only be undertaken by a Fellow of the Institute or Faculty (or, for syndicate actuaries, a Fellow of the Casualty Actuarial Society in the US who is also a member of the Institute or Faculty). In addition, the Profession requires any such individual to hold a practising certificate applicable to that role.

The Institute of Actuaries is a Designated Professional Body (DPB) under the Financial Services and Markets Act 2000 (FSMA), which permits the firms it licenses to undertake exempt regulated activities without being authorised. The Institute has separate rules and monitors the incidental activities of these firms and authorised actuarial firms. Some of this work is undertaken under contract on behalf of the Profession by the Quality Assurance Directorate of the ICAEW. The Institute's functions as a DPB are overseen by the FSA.

5. Practising certificates

To be eligible for a practising certificate, individuals must as well as paying the relevant fee:

- be Fellows (or affiliates who are Fellows of the Casualty Actuarial Society);
- have three years of recent relevant experience;
- meet relevant CPD requirements including 15 hours a year of relevant verifiable training;
- attend the relevant annual current issues seminar (except in general insurance); and
- have passed the relevant practice module of the Profession's examinations (if qualified after 2004).

Actuaries are also subject to assessment by the Profession when they first apply for a practising certificate.

6. Professional standards

Following its establishment in April 2006 to set technical actuarial standards, the Board for Actuarial Standards (BAS) adopted most of the Profession's guidance notes that existed in May 2006. A full list of these adopted standards may found on the BAS's website: www.frc.org.uk/bas

The Profession remains responsible, subject to independent oversight by the Oversight Board, for its ethical and conduct standards, including currently:

PCS Professional Conduct Standards

GN24 The actuary as expert witness

GN29 Occupational pension schemes – advisers to the trustees or a participating employer

GN30 Compensation for professional shortcomings

GN37 The Financial Services and Markets Act 2000 (Communications by Actuaries) Regulations 2003

GN48 Compliance review: pensions

The Profession is consulting on a new principles-based Actuaries' Code, which will be supported by a new set of general and role-specific standards. The Profession has also issued Guidance Notes for actuaries working overseas and for firms undertaking exempt regulated activities under FSMA, which are not subject to independent oversight by the Oversight Board.

In line with the recommendations of the Morris Review, the BAS has a reserve power to set ethical standards if this is recommended by the Oversight Board, or if this is otherwise considered appropriate.

Indeed some of the Profession's Guidance Notes adopted by the BAS contain ethical and conduct material, although the BAS does not currently propose to include ethical or conduct material in any new standards.

The International Actuarial Association and the Groupe Consultatif Actuariel Européen have agreed minimum ethical codes for member associations, which the Institute and Faculty must adopt as a condition of membership of those bodies.

7. Discipline

Any member or former member of the Profession (including a student or former student of the Faculty) is subject to the provisions of the relevant disciplinary scheme. Available sanctions include expulsion, suspension, financial penalties, re-education, and a reprimand, with a liability for costs.

The Accountancy and Actuarial Discipline Board (AADB) operates an investigation and discipline scheme in relation to matters involving members of the Profession that raise or appear to raise important issues affecting the public interest in the UK. Further details may be found on www.frc.org.uk/aadb.

Actuaries who are subject to regulation, whether in their capacity as actuaries or otherwise, may be subject to disciplinary or enforcement proceedings by those bodies. The Profession has established arrangements with other regulators to cooperate and share information.

8. International regulation

The International Actuarial Association (IAA) encourages member associations to recognise the qualifications of actuaries wherever those qualifications are acquired. The IAA and the Group Consultatif Actuariel Européen have also established minimum educational syllabuses and ethical codes of conduct for member associations.

Against this background, the Faculty and the Institute have established mutual recognition arrangements with other local associations in Europe (under the Groupe Consultatif), Australia, Canada, India, New Zealand and the United States. In addition, the qualifications offered by the Institute and Faculty are recognised routes to qualification in many other Commonwealth countries and in Ireland.

Foreign qualifications may be recognised directly. For example, FSA rules permit Fellows of the Casualty Actuarial Society in the US to act as syndicate actuaries in the UK provided they are members of the Institute or Faculty.