

## **Regulation of actuaries**

### **1. Membership of the Actuarial Profession**

The Institute and Faculty of Actuaries is a chartered professional body formed on 1 August 2010 following the merger of the Institute of Actuaries (formed in 1848) and the Faculty of Actuaries in Scotland (formed in 1856). It operates as the UK Actuarial Profession (referred to in this paper as the Profession).

Although there is no statutory restriction on who may call themselves an actuary in the UK, in practice most UK actuaries are members of the Profession. Members of the Profession who are qualified as actuaries are either Associates (AFA or AIA) or Fellows (FFA or FIA).

Individual members may also be admitted as Students or Affiliates, and certain eminent individuals may be invited to become Honorary Fellows.

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; whereas Affiliates will typically be required to have another professional qualification or relevant professional experience.

### **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 complete one year of relevant work-based skills experience.

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. Fellows or Associates who have passed subject ST9 (Enterprise Risk Management) are in addition eligible to use the title 'Chartered Enterprise Risk Actuary'.

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 such actuarial courses.

The Profession has signed mutual recognition agreements with a number of overseas actuarial associations whose qualifications have been recognised by the Profession to be equivalent to its own.

### **3. Statutory recognition and regulation of actuaries**

A number of statutory and regulatory roles relating to insurance, pension schemes and certain exempt pre-paid funeral plans may only be undertaken by a Fellow of the Institute and Faculty. The Profession requires its members to hold a practising certificate before undertaking most of these roles.

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

- be Fellows;
- have three years of recent relevant experience;
- meet relevant CPD requirements including 30 hours a year of relevant verifiable training;
- and
- have passed the relevant practice module of the Profession's examinations (if qualified after 2004).

Actuaries are subject to assessment by the Profession when they first apply for a practising certificate to ensure that they have the requisite skills and experience.

#### **4. Incidental financial services provided by actuaries**

The Profession 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 which are incidental to their professional services without being authorised by the FSA. The Profession has separate rules for these firms, and also monitors the incidental activities provided by FSA-authorized actuarial firms. The Profession's functions as a DPB are overseen by the FSA.

#### **5. Continuing professional development (CPD)**

Most qualified actuaries (primarily Fellows and Associates) in paid work fall into one of two categories when determining the amount of CPD they are required to complete to satisfy the Profession's requirements.

The categories are:

**Category 1:** all members who hold a Practising Certificate issued by the Profession, and

**Category 2:** all other fully regulated UK members in paid work (subject to some limited exemptions).

Actuaries within Categories 1 and 2 are required to record their CPD on the Profession's website. For actuaries within Category 1, this includes at least 30 hours a year of relevant verifiable CPD (Category 2: between 15 hours and 20 hours) and the Profession has introduced requirements for experienced actuaries to attend a professionalism event every ten years.

Some actuaries in Category 2 (all those in paid work and not holding a Practising Certificate) may be entitled to exemption from the full requirements of the CPD Scheme if the Profession decides that there is no public interest in requiring that member to complete a programme of continuing development.

Exemptions will only be granted for members who can show that their actuarial training and experience, in the widest interpretation, and their membership of the Profession, make no contribution to their paid work, such as those employed in purely manual labour or in the performing arts. Exemptions are also available for certain overseas members (see 8 below), and members who have not done paid work during the CPD year for a total of more than twenty hours per annum or there are exceptional circumstances such as serious ill health, which prevent the member from complying with the requirements.

## 6. Professional standards

Following its establishment in April 2006 to set technical actuarial standards, the FRC's Board for Actuarial Standards (BAS) adopted most of the Profession's guidance notes that existed in May 2006. Subsequently a number of these have been returned to the Profession or withdrawn as the BAS issued its own Technical Actuarial Standards (TASs):

TAS R            *Reporting (1 April 2010)*

TAS D            *Data (1 July 2010)*

TAS M            *Modelling (1 April 2011)*

A full list of the BAS's plans for future TASs and currently adopted standards may found on the BAS's website: [www.frc.org.uk/bas](http://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:

*The Actuaries' Code*

GN27 *Retirement benefit schemes – minimum funding requirement*

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*

GN39 *General responsibilities of and relationships between actuarial function holders, with-profits actuaries, appropriate actuaries, and reviewing actuaries, of UK life insurance firms and friendly societies*

GN42 *The reviewing actuary*

GN48 *Compliance review: pensions*

GN51 *Retirement benefit schemes - modification of subsisting rights without consent*

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.

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 Profession has adopted as a condition of membership of those bodies.

## **7. Discipline**

All members or former members of the Profession are subject to the provisions of the disciplinary scheme of the Profession. 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](http://www.frc.org.uk/aadb).

Actuaries who are regulated by other bodies, 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 and the Group Consultatif Actuariel Européen have established minimum educational syllabuses and ethical codes of conduct for member associations. Members of the Profession who work outside the UK are encouraged to join the local overseas actuarial association, and comply with its professional requirements. Such members may qualify for "partial regulation" by the UK Profession, which means they are entitled to a reduced subscription and are exempt from the Profession's full CPD and professional requirements for "fully regulated" members (see 5 and 6 above). They are though required to comply with their main regulator's CPD rules

Against this background, the Profession has established mutual recognition arrangements with actuarial associations in Europe (under the Groupe Consultatif), Australia, Canada, India, New Zealand, South Africa and the United States. The qualifications offered by the Profession are also the primary or recognised routes to qualification in many other countries.

Foreign qualifications may be recognised directly by statutory regulators. For example, FSA rules permit Fellows of the Casualty Actuarial Society in the US to act as syndicate actuaries in the UK provided they also are admitted as Fellows of the UK Profession.