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Dear Sir

Discussion Paper – Monitoring and Scrutiny of Actuarial Work

I am responding to Paul Kennedy's invitation to comment dated 30th June 2008.

For this discussion paper, the development of my own thoughts fits the question structure, so I will respond using the format of answers to the specific questions and use your numbering

Q1 I believe in most instances there is at present adequate independent scrutiny of written technical actuarial advice. My main change would be to extend the application of GN48 to Pension cost accounting numbers.

Q2 At the present time there is very limited, if any, monitoring of compliance with Professional Standards. Many technical standards are not in a form designed to make independent external monitoring easy. Monitoring of Ethical Standards is by nature sparse and if done has to rely on post event judgement. Post event judgement will not always get buy-in and that is not helped by hind sight issues. Away from narrow regulatory compulsory reporting, there is little if any whistle-blowing with behaviour shielded by commercial or client confidentiality.

I restrict my answers below to those relating to pensions, my own area of expertise.

Q5 i) Yes and, in particular, GN48 should be extended to pension cost accounting figures and assumptions. Although auditors may monitor and comment on these, not all auditing firms have internal actuarial support.

Q5 iii) In the pensions area, I now see little evidence of bad computational work, and as this is the area, where quality assurance techniques are likely to produce results, I would devote resources to the more ethical behavioural and professional areas and balancing commercial pressures.

The one technical area, I would devote more resource to would be to in a timely manner define and regular update or replace a defined CPD syllabus for Scheme Actuary Certificate holders with monitoring for completion. At present, it is far too easy for members of the profession left to their own choice to miss relevant topics. That ends up meaning commercial pressures mean the “market standard” is not always set up those with the most up to date relevant knowledge. In my career I have been several times told X is doing it so it must be alright when X is several years out of date on a particular topic.

I thought the Profession at one time was planning what I mention directly above but recently I have seen no obvious sight of progress; more unfortunately a growing lobby for the simplification of the CPD scheme.

I also support more education on ethical standards and removal of whistle-blowing restraints to the operation of the disciplinary scheme. This may need to involve some statutory protection. Those who object to such a regime may be brought more on board if it can be made clear commercial information would be held confidentially within the disciplinary regime.

Q5 (iv) So much work is now down by teams within firms and appointments held by firms, it must be sensible to start to move the regulation away from individuals towards firms. Without that, the capacity exists for much parcel passing between individuals or different professional roles. Equally it would be wrong to go the full way to just regulation of firms. Some individual responsibility and hence regulation must remain.

Q5 (v) I believe the current drivers of poor quality actuarial work and outcome are not pure computational work but ethical matters overridden or driven to the edge of acceptability by commercial market behaviour. Also many reports are seen ultimately by others (e.g. TPR). Also I believe a more open whistle-blowing regime would be a lower cost effective solution than an Actuarial Inspection Unit. Any expanded whistle-blowing regime does however have to be established with a culture of improvement rather than punishment and hence perhaps a better word that whistle-blowing can be found. Certainly before an Actuarial Inspection unit is set up, evidence of a problem it would solve should be found. Such a time may come and new issues may arise appropriate to be addressed by such a unit, but at present I do not see such.

Finally, As can be seen from the above I believe the monitoring and scrutiny of actuarial work should not be set in stone, but like any change management driven program should concentrate on a few particular issues and evolve and replace those as potential new issues and problems emerge.

Yours Sincerely

Paul Greenwood