



PROFESSIONAL OVERSIGHT BOARD

**THE ACTUARIAL PROFESSION'S PROGRESS IN IMPLEMENTING
THE RECOMMENDATIONS MADE TO IT BY THE MORRIS REVIEW**

A FOLLOW UP TO OUR REPORT OF DECEMBER 2006

JANUARY 2008



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Foreword

This is a follow-up report by the Professional Oversight Board on the Actuarial Profession's progress in implementing the recommendations made to it by the Morris Review of the Actuarial Profession in March 2005.

When we reported in December 2006, we were pleased to note the substantive progress the Profession had made in implementing most of the recommendations made to it, particularly in the area of education and training.

In that report, we noted that we would look to the Profession to make substantive progress in the coming year in the areas of:

- ethical principles, including a fundamental review of its Professional Conduct Standards and consultation on a draft standard on conflicts of interest; and
- CPD requirements specifically for actuaries performing reserved roles, and advising on mortality assumptions.

I am pleased that the Profession remains committed to implementing the Morris recommendations and those emerging from our review of its progress. We have expressed concerns about some areas, particularly the development of ethical standards, but we recognise that actuaries are a relatively small profession, facing often complex and difficult issues. We also recognise that the Profession is introducing its planned new organisational structure in the spring, and expect to see the benefits of these changes through a quickening of the pace of progress and a greater focus on the quality and outcomes of professional regulation.

We do not intend to report again specifically on the Profession's implementation of the Morris recommendations, but expect the Profession to fulfil its remaining commitments. Our report this year sets out the priority areas on which we expect to report in about a year's time.

Sir John Bourn
Chairman, Professional Oversight Board

January 2008

One – Purpose of this report

Background

The Professional Oversight Board is an operating body of the Financial Reporting Council (FRC) and contributes to the FRC's overall aim to promote confidence in corporate reporting and governance. In particular we support the FRC's strategic outcomes in relation to auditing, actuarial practice and the professionalism of accountants and actuaries¹.

As part of this, we oversee the regulatory activities of the professional actuarial bodies (the Faculty of Actuaries in Scotland and the Institute of Actuaries, collectively known as the Profession) in relation to their members. These activities include education and training, continuing professional development, ethical and conduct standards, and compliance and discipline.

We monitor developments, assessing those issues that could adversely affect public confidence in actuaries – and where appropriate undertake more detailed research and make recommendations to the Profession or recommend the development of new standards by other bodies such as the Board for Actuarial Standards.

The FRC assumed responsibility for oversight of the actuarial profession in April 2006, in response to the central recommendation of the Morris Review of the Actuarial Profession, which published its final report in March 2005². The Morris Review made recommendations to the Government, statutory regulators, the insurance and pensions industries, and the Profession.

In December 2006, we reported on the Profession's progress in implementing the recommendations made to it by the Morris Review³. Given the time required for new procedures to take effect, we were not in a position to test whether the Morris Review's desired outcomes had been achieved through implementation of its recommendations.

We found that the Profession had responded positively and actively to the recommendations, notably in relation to education and training. Through its new education structure, the new qualification review teams, the new university accreditation scheme and the mandatory CPD scheme, it could claim to have made or be making substantive progress in implementing most of the recommendations made to it in that area.

¹ Financial Reporting Council. Regulatory strategy: Our role and approach: November 2007

² Other recommendations included the establishment of the Board for Actuarial Standards to set actuarial technical standards and an expanded Accountancy and Actuarial Discipline Board to cover matters involving members of the UK Actuarial Profession which appear to raise important issues affecting the public interest in the UK.

³ The Actuarial Profession's progress in implementing the recommendations made to it by the Morris Review: December 2006

There were areas in which we said that the Profession should do more, and matters we considered important for the Profession which went beyond the analysis in the Morris Review. In particular, we said we would look to the Profession to make substantive progress during 2007 in the areas of:

- ethical principles, including a fundamental review of its Professional Conduct Standards and a consultation on new guidance on conflicts of interest; and
- CPD requirements specifically for actuaries performing reserved roles, and advising on mortality assumptions.

We said we would report again on these matters in about a year's time.

As envisaged by the Morris Review, we said we would also undertake a review, in conjunction with the Profession and the statutory regulators (the FSA and the Pensions Regulator), of the overall effectiveness of compliance monitoring and scrutiny of actuarial work, as well as following up on the implementation of the new education and training processes and the Profession's review of its new disciplinary schemes.

This report

The purpose of this report is to follow up the progress made by the Profession on these matters in the past year. Section Two sets out the recommendations we made in December 2006, the Profession's response, and our assessment of progress in 2007. Section Three sets out our overall conclusions and our future oversight priorities, given the extent of progress made by the Profession.

Our December 2006 report also highlighted the Profession's review of its disciplinary schemes. We have followed this process and have provided comments to the Profession's Disciplinary Board.

Some of the recommendations we made in December 2006 under the heading *compliance and discipline* are relevant to our review of the Profession's arrangements for monitoring and scrutiny as envisaged by the Morris Review. The Profession and the statutory regulators have been working with us on this. These recommendations are included within this report for completeness but our assessment will be picked up more fully when we report on our review of the effectiveness of monitoring and scrutiny of actuarial work in the spring of 2008.

2.1 Education and training

Our recommendation	The Profession's response	The Oversight Board's assessment
<p>2.1.1. In the interests of transparency and in order to strengthen the role of the qualification review teams (QRTs), we recommend that they should be expanded and their terms of reference and overall findings published.</p>	<p>The QRTs have completed their review and produced skill sets for Associates and Fellows in order to guide the Profession's education and training which have been published on the Profession's website. The Profession has decided not to expand the QRTs at this stage because other groups, such as the Syllabus Review Groups (SRGs), established for each subject, fulfil specific requirements, and the Education and CPD Board has overall responsibility.</p> <p>The Profession has been broadening the actuarial qualification beyond the traditional technical side, to enhance the business skill set. Review skills for example are covered in the Professionalism courses. The Profession has extended the testing of communication skills from subject specific client advice in the traditional papers, especially at the Specialist Application level, through communication to a range of audiences. The current development of CA3 (Communications) will further enhance this part of the syllabus.</p> <p>SRGs have made recommendations on the syllabus and core reading content, while specific task groups have been formed to look at major syllabus changes, including:</p> <ul style="list-style-type: none"> - A review of CA1 (Core Applications Concepts), to incorporate more material on risk management; - A fundamental review of CA3 (Communications) with a proposal to replace the existing written examination with a two-day assessment as for modelling and business awareness; - The development of a new specialism in Enterprise Risk Management at the Specialist Technical (ST) stage; - A review of the specialist general insurance papers with a proposal to split the existing Specialist Technical examination into two papers, one on pricing, the other on reserving. <p>Guidelines have been produced for syllabus review to ensure that all proposed syllabus changes meet agreed criteria. Each task group includes relevant academics from institutions offering accredited actuarial programmes. Wider consultation with academics and other actuarial bodies has also been conducted as part of the development process.</p> <p>The QRTs will be asked, where appropriate, to review the overall syllabus, particularly in relation to the overall impact on qualification and fitness for purpose.</p>	<p>We have examined the syllabus review criteria and discussed the skill sets with the Profession with input from the FRC actuarial stakeholder interests working group.</p> <p>The skill sets do not presently cover all the matters which we consider important, such as the need for communication and review skills. We understand the skill sets are due to be updated in the spring of 2008 and the Profession intends to make specific mention of communication skills there.</p> <p>While the QRTs will not be expanded immediately, we are satisfied the Profession has processes for obtaining broader input.</p> <p>We consider the Profession has substantially met our recommendation to publish the findings of the QRTs and has made arrangements for future updates.</p>

2.1 Education and training

Our recommendation	The Profession's response	The Oversight Board's assessment
<p>2.1.2. We recommend that the Profession should consider new ways to promote broader input into teaching materials directly, such as sponsoring more external textbooks.</p>	<p>There is a Syllabus Review Group [SRG] for each subject which makes recommendations each year for changes to syllabus and core reading content where necessary. Where larger changes are being considered, a task group is established with wider membership and with wider consultation on proposals.</p> <p>Core Reading material and subsequently ActEd material are updated each year based on the SRG recommendations for each subject. These include discussions with accredited universities as well as with practitioners. The Core Reading for ST6 (Finance and Investment Specialist Technical B)] is based on two leading textbooks on the subject.</p> <p>There are over twenty text books covering Core Technical (CT) subject areas and the Profession is talking to publishers about commissioning text books for the more advanced subjects. Discussions are taking place with a leading publisher for textbooks on actuarial and financial risk through simulation, generalised linear models for insurance data and mortality.</p> <p>ActEd (a subsidiary of BPP) produces most teaching material based on the Profession's core reading which is supplied under contract. ActEd's material, assessment exercises and classroom delivery are all quality assured by the Profession. BPP College of Professional Studies Limited, another BPP subsidiary, has been granted degree awarding powers, following a three year full scale review and inspection by the Quality Assurance Agency for Higher Education (QAA).</p> <p>If the Profession were to develop more teaching material (e.g. on-line learning packages) it would need to work with ActEd because of the current contractual arrangement with them. ActEd have recently produced more on-line learning materials both for initial qualification and for CPD.</p>	<p>We have examined the textbook coverage in the Profession's library and referred to on the Profession's website and discussed the Profession's proposals for textbooks and other tuition materials.</p> <p>We consider the Profession has recognised the need for more textbooks, particularly for the advanced subjects (where coverage is weakest and some books are out-of-date), and has taken active steps to encourage broader input into teaching materials generally.</p>

2.1 Education and training

Our recommendation	The Profession's response	The Oversight Board's assessment
<p>2.1.3. We recommend that the Profession should seek to develop further objective measures of quality in its examination processes, such as its annual student survey and benchmarking against other professional bodies.</p>	<p>The existing annual student survey for ActEd is to be supplemented by an on-line questionnaire on examination processes.</p> <p>The Profession has appointed a Quality Assurance officer for accredited university courses and has established and implemented procedures for monitoring the operation of accredited courses.</p> <p>The Profession is also involved in sharing information on exam processes and performance with other professional bodies, and at regular meetings of the International Actuarial Association (IAA), primarily with the actuarial bodies in the United States and Australia.</p>	<p>We have discussed these developments with the Profession, including some of the issues relating to examination setting and marking, pass rates and appeals, and made some specific observations.</p> <p>Work on developing integrated objective measures of quality and effective benchmarking is at a preliminary stage.</p> <p>We consider the Profession has acted on some of our specific suggestions but that it has more work to do in developing appropriate measures of quality and in benchmarking against others.</p>
<p>2.1.4. We recommend that the Profession should include on its own website further information about the various courses and exemptions available, subject to confirmation by the institutions concerned, to provide greater transparency and facilitate more effective comparison by students.</p>	<p>Six universities have accredited courses (City, Heriot-Watt, Imperial, Kent, Leicester and London School of Economics) and others have expressed interest in gaining accreditation including BPP College of Professional Studies Limited (a fellow subsidiary, with ActEd, of BPP) which now has degree-awarding powers.</p> <p>The Profession's website now covers more detailed information on accredited courses and exemptions available. It has developed the website information on accredited courses and exemptions in co-operation with the universities. The published data have been agreed by each of the universities concerned and the information will be updated each year.</p> <p>The Profession also prepares statistics on numbers of students, by gender and age, subjects those students studied at university, universities they studied at and pass rates for each examination set and intends to follow up progress for those gaining exemptions.</p>	<p>We have discussed the processes adopted and examined the materials prepared by the Profession.</p> <p>We consider the Profession has made appropriate information about exemptions and accredited courses available to prospective students and has met the recommendation for transparency in this area.</p>

2.2 Continuing professional development

Our recommendation	The Profession's response	The Oversight Board's assessment
<p>2.2.1. We recommend that the Profession should now consider the adequacy of formal CPD required for reserved role holders. In assessing adequacy, the Profession should also consider whether input-based measures (rather than outcomes) continue to be the most effective and proportionate</p>	<p>While the Profession previously felt that 15 verifiable hours was adequate, this is now under review. The additional information obtained from on-line monitoring will provide further evidence to support an assessment of this issue.</p> <p>The Profession recognises that it is outputs rather than inputs which are important. The new on-line reporting mechanism will give members an opportunity to consider the impact of their CPD activities.</p> <p>The Profession has commenced a review of the new CPD scheme and will consider the implications for holders of practising certificates as part of this.</p> <p>The Profession has also commenced a review of its overall practising certificate arrangements.</p>	<p>We have discussed these developments with the Profession and considered initial statistics provided by it.</p> <p>We note that further progress will need to await the Profession's review of the operation of its CPD scheme and its practising certificate arrangements. We believe this work would benefit from developing skill sets for experienced actuaries, including those with practising certificates, and will monitor progress closely.</p> <p>We consider the Profession is taking preliminary steps to review the adequacy of the existing CPD requirements.</p>
<p>2.2.2. We recommend that the CPD scheme should have an enhanced fast track procedure for emerging issues and concerns. This should be used to address the current need for relevant actuaries to be fully competent in using and interpreting the latest mortality tables and projection techniques.</p>	<p>The Profession believes it already has processes which work well and respond to emerging issues, but will re-emphasise these processes internally and externally.</p> <p>Several CPD events involving mortality issues have taken place in recent months. Where topics such as "managing longevity and mortality risk in pension plans" have proved more popular than expected, re-runs have been organised, with updates.</p> <p>The Profession updates its CPD Handbook each year with specific recommendations from each Practice Board for actuaries working in their sector. Additional information is disseminated to members through e-alerts, letters from the Presidents, and articles in The Actuary magazine.</p>	<p>We have discussed the Profession's arrangements with it and reviewed its responses to emerging issues over the year, including mortality projections and the credit crunch.</p> <p>We consider the Profession has established arrangements for responding to emerging issues and concerns.</p>

2.2 Continuing professional development

Our recommendation	The Profession's response	The Oversight Board's assessment
<p>2.2.3. We recommend that the Profession should publish aggregate feedback and data on CPD courses to confirm that its development procedures are effective.</p>	<p>Some of the data collected by the Profession are commercially or personally sensitive. However, a modified version of the current CPD events review form has been developed for publication. This will be supplemented by the results of a member survey commissioned by the Profession.</p> <p>From March 2008, the Profession is changing its organisational structure. In addition to practice -based executive committees which will replace practice boards there will be a new Member Support Executive Committee with an oversight role in relation to CPD strategy. This will offer a greater opportunity to track trends and highlight emerging issues.</p>	<p>We have reviewed the feedback and data and discussed them with the Profession.</p> <p>We consider the Profession has put in place arrangements for meeting this recommendation on a continuing basis.</p>
<p>2.2.4. We urge the Profession to develop and document its monitoring plans and systems well before the CPD year-end on 30 June 2007.</p>	<p>The advantage of on-line CPD recording is that compliance and non-compliance are easier to identify. The priority for the Profession has been to alert and encourage its members to record their category and their CPD on the system. During the first year, actuaries attending events run by the Profession were automatically recorded on the system.</p> <p>A scrutiny process was agreed before the year-end and was activated. A series of reminders have been sent to those who have not completed their forms, and do not respond when reminded. Non-compliers are being individually contacted to determine the reasons for non-completion. Advice is then offered to promote future compliance.</p> <p>For members in Category 1 (practising certificate holders), compliance has been assessed on the practising certificate renewal date. This includes requiring a 10% sample of members to provide documentary evidence to support CPD claimed. For other categories, a sample of members will be reviewed to ensure that their chosen category is correct and that the CPD undertaken meets relevant requirements. Serious misstatements of CPD undertaken will be referred for discipline.</p>	<p>We have observed the Profession's monitoring processes and discussed its plans for further work.</p> <p>We consider the Profession has established and operated appropriate monitoring arrangements for the first year in which CPD has been mandatory for all categories, and has learned lessons which will be useful in improving the operation of the scheme in future.</p>

2.3 Ethical and conduct standards

Our recommendation	The Profession's response	The Oversight Board's assessment
<p>2.3.1. We welcome the Profession's commitment to a fundamental review of the Professional Conduct Standards and its proposals to adopt a principles-based approach applicable to all sectors, and we urge it to undertake this review as a matter of urgency with a view to implementation in early 2008.</p>	<p>Following a pre-consultation of members in July to August 2007, the Profession published a draft of a new Actuaries' Code and supporting standards in October 2007. The draft Code incorporates eight proposed principles, each of which is supported by a separate standard. It is intended that the Code and supporting standards will replace the existing Professional Conduct Standard. The approach has received broad support from the membership of the Profession.</p> <p>The Profession has held consultation meetings in London and in Edinburgh, and consulted other stakeholders. The consultation period closed on 4 January 2008. The Profession is proposing to undertake major revisions to the documents to take account of all the comments received during the consultation process, and to consult further on revised drafts in the spring.</p>	<p>We have discussed these proposals with the Profession and given it detailed comments.</p> <p>We have expressed a number of concerns⁴ on the draft Code and are pleased that the Profession has indicated that it will take these into account in developing its proposals.</p> <p>We look forward to discussing these further with the Profession, and will scrutinise and provide comments on future drafts with the objective of promoting appropriately high quality ethical and conduct standards for actuaries.</p>
<p>2.3.2. We urge the Profession to progress its work on conflicts of interest as a priority, and apply the principles developed to conflicts across all practice areas, rather than the Morris Review's narrower focus on pensions.</p>	<p>'Conflicts' is one of the fundamental principles identified in the draft Actuaries' Code. The Profession has consulted on a draft standard on Conflicts, to include mandatory provisions on:</p> <ul style="list-style-type: none"> - General approach to conflicts - Management of conflicts - Conflict management plans <p>In November 2007, the Profession issued a preliminary consultation on conflicts of interest for pensions actuaries, for consideration alongside the main standard. This proposes specific rules on:</p> <ul style="list-style-type: none"> - Dual appointments of actuaries by pension scheme trustees and sponsoring employers - Provision of services by the actuary's firm. 	<p>We have discussed these proposals with the Profession and given detailed comments⁴, in the context of its related proposals on the Actuaries' Code.</p> <p>While the Profession has produced a draft standard on conflicts of interest, we consider that more work remains to be done on the drafting and content.</p> <p>We note that the draft standard for pensions introduces principles that might helpfully be extended to all actuarial work. We also note that it does not cover all conflicts which may arise in pensions and would like to see a clear view on when actuaries and their firms can hold dual appointments.</p> <p>We consider the Profession should incorporate some of the principles set out in the draft of its specific standard into the generic standard on conflicts.</p>

⁴ <http://www.frc.org.uk/pob/publications/>

2.3 Ethical and conduct standards

Our recommendation	The Profession's response	The Oversight Board's assessment
<p>2.3.3. We recommend that the Profession should ensure that contractual limitations on the scope of actuaries' work, and on the responsibility they take for it, are handled fairly and clearly with clients and PI insurers alike so as to be effective and not damage public confidence, and that guidance on this and on risk mitigation is made available to all members.</p>	<p>A draft Information and Assistance Note (IAN) on management of negligence risks has been developed with the Association of Consulting Actuaries (ACA). The draft was shared with Oversight Board staff and, following receipt of extensive comments, was put on hold. A key item raised was whether or not Professional Indemnity Insurance (PII) should be mandatory for members of the Profession.</p> <p>In previous years, the Profession's Professional Affairs Board (PAB) has developed a view that, whilst PII cover may be prudent, this is a matter for the individual actuary to take a view on, dependent upon individual circumstances. Prompted by the comments received, PAB is undertaking some research into this matter, the outcome of which will affect the progress of this IAN.</p>	<p>We have seen the draft IAN and given the Profession detailed comments.</p> <p>We have asked the Profession to consider the implications of withdrawing GN30 - <i>Compensation for Professional Shortcomings</i> - which requires actuaries to ensure that there are appropriate arrangements for professional shortcomings, and to consider whether, and if so when, Professional Indemnity Insurance should be mandatory (as it is, for example, in Australia).</p> <p>We consider the Profession is addressing our recommendation although further work is required.</p>
<p>2.3.4. In due course, we recommend that the Profession should seek to consolidate its whistle-blowing guidance through common principles that are of general application for all actuaries.</p>	<p>Whistle-blowing has been incorporated into several of the fundamental principles ('Common Good', 'Compliance' and by implication 'Conflicts' and 'Confidentiality') in the draft Actuaries' Code and the proposed supporting standards. The description 'speaking up' is used, as recommended by the Institute of Business Ethics.</p> <p>The Profession expects it will back these requirements up with a specific Actuarial Practice Standard or Information and Assistance Note (IAN), which will replace or supplement existing guidance in GN29, GN37 (maintained by the Profession) and elements of other GNs adopted by the BAS. Naturally this activity will only commence once the Actuaries' Code and supporting standards are in place.</p>	<p>We have discussed these provisions with the Profession in the context of the Actuaries' Code, on which we have made detailed comments.</p> <p>The main supporting standards are primarily limited to cases in which whistle-blowing is already mandatory under legislation. These emphasise possible legal restrictions on disclosure and the need for legal advice and a waiver of confidentiality by the actuary's client, without mentioning some of the protections for voluntary disclosure and when they may be available in the public interest.</p> <p>We consider the Profession is committed to implementing this Morris recommendation but to date has only taken preliminary steps to achieve it.</p>

2.4 Compliance and discipline

Our recommendation	The Profession's response	The Oversight Board's assessment
<p>2.4.1. We recommend that the Profession should consider further with the FSA the need for expert scrutiny of the work of the With-Profits Actuary; we understand a number of insurers have already introduced this.</p>	<p>The Profession has published the results of a survey of the level of peer review of life actuaries undertaking regulated roles, including the With-Profits Actuary, and considered the implications with the FSA, which has itself published the results of a review of with-profits governance arrangements. The Profession and the FSA have also discussed these matters with the FRC in the context of its review of monitoring and scrutiny of actuarial work. The Profession remains willing to participate in further developments on this issue.</p>	<p>We are considering the work of with-profits actuaries as part of our review of monitoring and scrutiny and will report separately on this in 2008.</p>
<p>2.4.2. The Profession should consider peer review for different actuarial roles on its merits. Where a role is reserved to actuaries there is a clear need for accountability, but there are many other roles which in practice are performed by actuaries and which might benefit from greater scrutiny and challenge. The absence of a technical standard creates practical difficulties for monitoring, but if anything increases the need for independent scrutiny of the quality of an actuary's work where this involves significant regulatory or professional duties.</p>	<p>The Profession has considered this issue with the FRC in the context of its review of monitoring and scrutiny of actuarial work. The Profession has started reviewing the operation of GN48 Compliance review: pensions, and remains willing to participate in further developments on this issue.</p>	<p>We are considering the need for peer review of different actuarial roles as part of our review of monitoring and scrutiny and will report separately on this in 2008.</p>

2.4 Compliance and discipline

Our recommendation	The Profession's response	The Oversight Board's assessment
<p>2.4.3. In the interests of transparency, we recommend that the general substance of the Profession's working arrangements with regulators should be published.</p>	<p>The Profession's voluntary arrangements with the FRC were agreed in May 2006 and cover the work of the Oversight Board, the Board for Actuarial Standards and the Accountancy and Actuarial Discipline Board. There is also a communications protocol. The operation of the arrangements is reviewed quarterly.</p> <p>The Profession's arrangements with the Pensions Regulator were agreed in December 2006 and covers disciplinary referrals and other issues of common interest. There is provision for an annual review of the operation of the arrangements.</p> <p>The Profession has an MOU with the FSA in respect of its functions as a designated professional body under the Financial Services and Markets Act (FSMA). The FSA is reviewing all its agreements and is considering an extension to cover other relevant matters such as disciplinary referrals.</p> <p>The Profession also has regular meetings with the Corporation of Lloyd's in respect of its monitoring of the work of syndicate actuaries.</p> <p>The Professional Affairs Board for the Profession (to be replaced in March 2008 by the Professional Regulation Executive Committee) is responsible for coordinating the Profession's dealings with regulators, and publishes a monthly report in The Actuary magazine, as well as a specific entry in the Profession's Annual Report.</p>	<p>We have discussed these developments with the Profession and the regulators concerned.</p> <p>The Profession is inevitably dependent on the co-operation of the regulators. The Profession has published separate memoranda of understanding with the FRC, the FSA and the Pensions Regulator and we note the work the Profession is undertaking with the FSA.</p> <p>We consider the Profession is meeting this recommendation.</p>

Three – Conclusions and future oversight priorities

Conclusions

Overall we are satisfied that the Profession has responded positively to our report in December 2006, and is continuing to implement and embed the recommendations made to it by the Morris Review.

Despite this commitment, we have some concerns, which the Profession acknowledges, that progress in certain areas has been slower than we and the Profession had hoped.

Particular matters on which we believe significant further work is still required include:

- Development of the Actuaries' Code and associated Actuarial Profession Standards, including in particular the draft standard on conflicts of interest.
- Developing specific objective measures of quality in its examination and accreditation processes and benchmarking against other professional bodies;
- Developing the skill sets for newly qualified actuaries, and establishing skill sets for more experienced actuaries, including practising certificate holders; and
- Consolidating whistle-blowing guidelines through common principles that are of general application for all actuaries.

We do not intend to report again specifically on the Profession's implementation of recommendations made to it by the Morris Review but will look to the Profession to ensure that it fulfils the commitments it made at the time of our last report.

We will pick up any outstanding points either under our review of monitoring and scrutiny of actuarial work or as part of our general oversight activities as set out in the FRC's regulatory strategy⁵ and draft Plan and Budget for 2008/09⁶ which are to:

- Monitor the regulatory activities of the Actuarial Profession in relation to its members;
- Monitor developments, assessing those that could adversely affect public confidence in actuaries and, where appropriate, undertake more detailed research and make recommendations to the professional bodies or recommend the development of new standards.

These activities support the FRC's strategic outcome that clients and employers of professionally qualified actuaries, and of actuarial firms, can rely on them to act with integrity and competence, having regard to the public interest.

⁵ Financial Reporting Council. Regulatory strategy: Our role and approach: November 2007

⁶ Financial Reporting Council. Draft Plan and Budget 2008/09 January 2008

Future oversight priorities

Our priorities for these general oversight activities, in each area of the Profession's operations covered by this report, are set out below:

Under **Education and training**:

- measures of quality in the Profession's own examinations, work-based training, and its processes for monitoring accredited universities;
- the recognition of skill sets for actuaries of both communications and the review of the work of another actuary (for example in audit work);
- syllabus developments including in response to the Actuaries' Code, the conceptual framework of technical standards being developed by the Board for Actuarial Standards, and the joint mortality review.

Under **Continuing professional development**:

- the Profession's review of its CPD and practising certificate arrangements including the adequacy of its requirements and consideration of the skills needed and how these can best be maintained; and
- adequacy of CPD offerings for current issues such as mortality and the credit 'crunch'.

Under **Ethical and conduct standards**:

- the development of the Actuaries' Code and supporting standards, on conflicts in particular;
- developing a specific Actuarial Profession Standard or Information and Assistance Note (IAN) on whistle-blowing;
- development of replacement for GN24 *the actuary as expert witness* in the light of the Compensation Act 2006 and other developments;
- information and assistance on management of negligence risks, including the planned replacement of GN30 *compensation for professional shortcomings*; and
- information and assistance on the senior actuary role.

Under **Compliance and discipline**:

- our review of the effectiveness of monitoring and scrutiny of actuarial work and the Profession's review of GN48 - *Compliance review: pensions*.
- amendments to the disciplinary schemes following the Disciplinary Board's review;
- statistical trends and the Profession's handling of issues that arise for example in the conduct of a particular complaint.

Generally, we will look to the Profession to:

- bring together its regulatory materials and processes (updated in light of recent strategy review) in a more coherent form;
- make available information about the Profession, in the interests of transparency, particularly on students (exemptions given, exams taken, pass rates, specialisms, progress through the exams) and on CPD (categories, hours recorded for each category etc.); and
- build on its existing involvement with the International Actuarial Association (IAA) and the UK Inter-Professional Group (UKIPG) to develop its capacity to benchmark against other professional bodies, both nationally and internationally.

We look to the Profession to continue its work and to apply an appropriate level of priority to these areas. For our part, and in line with our general oversight priorities for the Profession's regulation of its members, we intend to report on its progress in these areas in about a year's time.

These activities will be supplemented by our own review of the effectiveness of monitoring and scrutiny of actuarial work and our joint project with the Board for Actuarial Standards to encourage a wider debate on the drivers of actuarial quality.

Comments

The Oversight Board would welcome comments on this review. For further information or comments, please contact Paul Kennedy, 020-7492 2347, or Jon Thorne, 020-7492 2333. E-mail enquiries should be sent to c.trickett@frc-pob.org.uk



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