



**Minutes of a special meeting of the Actuarial Council held on Thursday, 18 January 2018 at the FRC Office, 8<sup>th</sup> Floor, 125 London Wall, London E2Y 5AS**

**Present:**

Olivia Dickson	Chair of Council
Rosemary Beaver	Member
Martin Burke	Member
Ashok Gupta	Member
David Hindley	Member
Dominic Veney	Member (via teleconference)

**Observer:**

Emma Gilpin	IFoA Observer (via teleconference)
Des Hudson	IFoA Observer
Stephanie Paul	HM Treasury Observer (via teleconference)

**In attendance:**

Siân Barr	Project Director, Professional Oversight Team
Hazel Beveridge	Project Director, Actuarial Policy Team (via teleconference)
Anu Bhartiya	Council Secretary
Dawn Dickson	Director of Professional Oversight
Stephen Haddrill	Chief Executive Officer
Melanie McLaren	Executive Director, Audit & Actuarial Regulation
Erica Nicholson	Project Director, Actuarial Policy Team

**1. Welcome and apologies for absence**

The Chair welcomed everyone to the meeting. Apologies were noted from Angela Darlington and Joanne Livingstone. Joanne had provided the Chair with some written comments that were referred to during the meeting.

**2. Declaration of conflicts of interests**

There were none to be reported.

**3. IFoA's Consultation on Monitoring**

3.1 The Chair provided a brief background to the purpose of the paper and noted that on Conduct Committee's recommendation, the FRC board asked the IFoA to obtain FRC review of the draft consultation document before issuing it. The Conduct Committee now seeks Actuarial Council's advice on whether the value propositions to be set out in the IFoA's consultation are sufficient and effective in order to be persuasive to IFoA members and stakeholders. The IFoA seeks input to the draft consultation document from the members of the Actuarial Council in their capacity as senior members of the profession or senior stakeholders.

3.2 At the invitation of the Chair, Des Hudson (DH) summarised the expectations of the IFoA as set out in sections 2 and 3 of the FRC report and the key elements of 'value proposition' as articulated in the proposal and listed in paragraph 47 of the IFoA paper. It was highlighted that for certain insurance Practising Certificate roles, there is no statutory regulatory requirement that individuals must be members of any actuarial professional body or submit to any professional regulatory framework. Therefore, the IFoA has been working with the co-regulators, primarily the PRA and FCA, to explore the scope for more direct recognition of the IFoA's Practising Certificates regime and

bring them within the scope of the monitoring framework, the Actuaries' Code, APSs and the TASs.

3.3 The Council considered the outline draft consultation document and the appendix attached thereto. Through discussion the following comments, points and suggestions were made:

- Feedback from actuarial monitoring on room for improvement would be in the public interest and would also reduce risks for actuaries and firms. The monitoring regime would increase public confidence in self-regulation by improving the effectiveness of actuarial regulation; otherwise, self-regulation is not sustainable.
- It is critical to demonstrate that optimal cooperation is being sought and gained from the co-regulators which is preferable to introducing a further regulator.
- Reference could be made to 'control cycle', a concept of continuous feedback that is used and well understood in the actuarial profession.
- To further the value proposition and persuasiveness, it is important to provide sufficient information to facilitate cost benefit analysis of the monitoring proposal.
- A Member suggested that the proposal should be clear on the frequency and process of assessing Category A monitoring. However, it was noted that the monitoring regime would evolve over a period of time; therefore, the IFoA should retain flexibility in setting its operating procedures and not set out excessive detail in the consultation but should note that the monitoring would involve professional judgement.
- It was suggested that a post implementation review period for the monitoring regime should be introduced.
- It should be made clear in the proposal the monitoring regime would help IFoA to monitor against the FRC requirements and the effectiveness of the TASs.
- Further clarification was required as to how the QAS regime would affect the monitoring approach. However, caution should be taken with the wording so that the monitoring regime is not seen as a vehicle to promote QAS membership nor to promote senior actuarial roles which could become a regulatory burden.
- It would be useful to clearly articulate the risks to the profession from the increased level of public scrutiny and media criticism as identified in the JFAR Risk Perspective document. There is a risk of the profession being criticised for cronyism and for being self-serving and not transparent. There is an opportunity for the consultation to articulate how the monitoring proposal would mitigate such risks.
- The aspiration of the actuarial profession is to be held in as high regard as other professions which are subject to monitoring and review. Therefore, it is necessary to establish a monitoring regime to continue to hold that position. Positioning the monitoring proposals as necessary to deliver a vision for the profession shared by members of the profession and the IFoA and FRC as regulators was key.
- From external stakeholder's point of view, it was suggested to emphasise that the approach to the regulatory regime with monitoring would be 'modern' and 'proportionate'. This would require transparency of the governance of the monitoring committee and its process for decisions arising out of reviews to provide reassurance of integrity and confidence in the process, and that it is fit for purpose.
- Findings relating to individual Practising Certificate holders should be published or shared more widely on anonymous basis. This would help to bring improvement in various work areas and manage public interest.
- It was suggested to be clear on what is realistic or intended when referring to a 'stable regime'. Reactive change is common in some practice areas.
- It was suggested that the consultation should be structured in such a way that the questions should be answered in the consultation rather than in a separate Q&A section.

- While drafting the consultation, there should be a clear vision of the nature of the collective outputs to the profession (e.g. like the FRC's annual published audit quality reports).
- 3.4 DH thanked the Council Members for their input and welcomed the suggestions. In response to some queries raised, he made various points and clarifications including:
- In relation to Category B Monitoring – thematic reviews would be on anonymous basis and not include on-site interviews. The key criteria used for a thematic review would be tailored to a specific review and theme with an objective to collect data. However, more direct reviews would be conducted if problems were uncovered.
  - The proposed monitoring will focus primarily on reviewing compliance with actuarial standards which include FRC's TASS.
  - With regards to the suggestion of introducing a template or a structure for Category A monitoring, the IFoA currently do not have plans to consult on that matter. However, the IFoA agrees that there should be an appropriate, consistent and fair approach which could be consulted on with experts in that field.
- 3.5 Following a query on whether the types of monitoring should be phased over a period of time, it was clarified that, in its earlier advice on the hallmarks of an effective monitoring regime, the Council had advised phased implementation of the regime. It was noted that Conduct Committee had a view that there was a need for effective progress quickly.
- 3.6 In response to a query on whether the consultation would seek to influence the employers and clients, DH informed that the target audience was practising actuaries and that CEOs and key decision makers would most likely be brought into the loop through bodies like ABI. It was suggested reaching out to the NED Insurance Group and also pre-consulting the stakeholder groups and gaining their support before the consultation is issued.
- 3.7 DH informed that the IFoA will continue to engage with the FRC's executive team on influencing and reshaping the structure of the consultation, to produce a further draft in February. In order to help IFoA in developing the consultation document further, the Members provided their consent to share the recording of this meeting with DH. A more developed draft of the consultation will be presented to the Council at its meeting in 6 March 2018.
- 3.8 The Chair sought the Council Members' views on the quality of persuasiveness in the consultation paper and noted that the paper was 'work in progress' and the Members are confident that the quality could be improved. The Chair thanked all Members for their contribution to the paper.
- 4. Date of next meeting**  
8 February 2018 at 1:30pm