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CURRENT COMMON AREAS OF CONCERN OF THE INSTITUTE OF ACTUARIES AND THE SOCIETY OF ACTUARIES

Speaker: PETER GERALD MOORE*

MR. PETER GERALD MOORE: First I ought to outline the Institute of Actuaries membership structure. We currently have 2,550 Fellows of the Institute of which some 350 are retired. Of the balance, about 750 work outside the U.K. This leaves 1,500 who are working in the U.K.; just over 60 percent of these work for insurance companies, 25 percent in the consultancy field, 6 percent in the investment field, with the remainder widely spread--many in industry and commerce. I myself provide a somewhat unique case as being the head of a business school! We have an intermediate category of Associate and, while a few members are content to remain at that level, the majority are working towards their Fellowship. Currently about 110 new Fellows are admitted each year.

I will briefly mention three areas of current concern to us. The first is that of education, which is an area already greatly exercising your own Board.

Currently only 40 percent of those who enroll as students of our Institute ever qualify and, for that 40 percent, the median time taken to complete the examinations is eight years. Since most students start on the examinations at the age of 21, this implies an age of 29 years when they finish the examinations, plus our post-examination experience requirement of two years, leading to 31 years for the Fellowship. This is high, in comparison with doctors, lawyers, and accountants all completing at about age 25 or 26, with architects and veterinary surgeons a year or two later.

As far as I am aware we have the longest professional training in the U.K., associated with the highest wastage rate. One consequence is that the profession effectively self-selects those who believe in the philosophy that slow and steady wins the race. We tend to miss out on those who would in the long run be particularly innovative in actuarial

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ideas, while the long training period and need for young actuaries to service the educational process all combine to reduce the level of research activity. There are notable exceptions. Some of you will know Sydney Benjamin to whom we awarded our Gold Medal--a signal honor--for his service to actuarial research. I only wish we had many more Sydney Benjamins clamoring at our door for such recognition.

We are trying to rectify the situation through improvements in our educational arrangements, which were described in one newspaper last year as ramshackle. Full-time tuition for the earlier subjects is being made available, while the more professional subjects are being re-structured to allow some element of specialization in one of the four fields of professionalism, the other three being taken at a more basic level. Some full-time tutors are being employed to assist in particular with the professional or B-level subjects. These changes will take five years or so to work through the system in terms of results, but we expect them to assist materially in improving our educational image.

My second concern relates to pensions. Her Majesty's government has recently intervened and passed a bill that requires the uprating of "frozen" pension benefits given on transfer by 5 percent per annum or the increase in the prices index, whichever is the lower. This is only the tip of the iceberg, however, in that a Green Paper (i.e., a government discussion document) recommends the phasing out of our second-tier earnings-related government scheme (to which about half the working population belong in lieu of any approved company scheme) and the introduction of a portable pension system whereby individuals do not have to join a company scheme, but can invest in defined policies outside the company scheme. Even more revolutionary, it is proposed that all pension scheme annuity rates should be based on a unisex table in the future.

These moves are all linked to a government view that the existing pension system is a barrier on job and geographic mobility and, hence, inimical to the proper development of the economy. I believe we as actuaries must accept and not resist the government view that job and geographic mobility is a desirable aim within the economy and that there should be reasonable equity between those who have a single company career and those who are more mobile in career terms. What we must then do as professionals in this area is to ensure that any pension schemes devised are financially sound and that there is also financial equity between one person and another on bases that are understood and accepted by all concerned.

Our third area of concern is that of professional conduct. We have recently reviewed our code of professional conduct and a revised code came into effect last August. We were prodded into action primarily by the Office of Fair Trading which was concerned about the apparent general lack of competition in professions. As a consequence, while we satisfied them on admission procedures, we agreed to review first, the professional position of actuaries who give advice from within a corporate body and, second, the freedom given to members in seeking business. When a corporate body now wishes to provide an actuarial service using one of our members, the member must always be named. In

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practice, the main impact of this change will be on the giving of advice on pension funding. On the second matter, we now require that what is done by a member or in his name does not give him unfair professional advantage; nor unjustly call into question another member's work; nor claim, on grounds that cannot be substantiated, that it is preferable to obtain advice from him than from other members; nor otherwise bring the profession into disrepute. One immediate effect has been to raise the ban on advertising--a move which has produced no shocks as yet, although the effect of the total package will take some time to emerge.

At the same time we are currently proposing bylaw changes as regards our appeals machinery in the professional conduct field. Currently Council (which does not involve itself in the primary disciplinary process) is the appeal body. However, under the International Convention on Human Rights, of which Britain is a signatory, this procedure is now unacceptable, and we are therefore proposing an appeal tribunal with a majority (and a chairman) from outside the profession, although these outside members will all be members of other professions. Naturally we hope that the need to use such an appeal body never arises, but it is desirable to have its constitution and mode of operation firmly in place and generally accepted before any such occasion arises.

