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U.K. Actuarial Profession's Strategy for International Members

by Nick Dumbreck

In an excellent article published in the November 2007 issue of *International News*, Hillevi Mannonen, now Immediate Past President of the International Actuarial Association (IAA) explained the growing role and influence of that body in an increasingly global financial market. But what should the major national actuarial professional bodies, such as the Society of Actuaries and the Institute of Actuaries, be doing for their international members in the twenty first century? This is a question which the U.K. Actuarial Profession—the Faculty and the Institute of Actuaries—has recently been addressing.

The issue arose as part of a comprehensive review of the U.K. Profession's strategy. The catalyst for the review was the March 2005 publication of the report on the Morris Review of the U.K. Actuarial Profession.

The Morris Review – a Summary

The Morris Review of the U.K. Actuarial Profession was commissioned by the U.K. government on the publication of a report by Lord Penrose, a Scottish judge, on events at Equitable Life, a large mutual U.K. life insurer which closed its doors to new business in straitened financial services in December 2000. The Penrose Report was unashamedly written with the benefit of hindsight, and Lord Penrose was lavish in his criticism of most of the parties involved with the company, including the directors, the senior management and the regulators. The actuarial profession did not escape unscathed, being accused of insularity, of

providing weak and ambiguous guidance and of a reluctance among members to criticise their peers.

The report of Sir Derek Morris has been widely reported as a serious "rap on the knuckles" for the profession. For example, in an article on standard-setting in the January/February 2007 issue of *The Actuary* (the SOA publication of that name), David Kass referred to "the danger of being discredited en masse, as the experience of actuaries in the United Kingdom in recent years forewarns." In fact Sir Derek was highly complimentary about the majority of U.K. actuaries, referring to them as "dedicated, hard-working professionals."

Moreover, most if not all of the U.K. professions have been subject to a similar government-sponsored review in recent years. A common outcome of these reviews has been some degree of separation between the regulatory and disciplinary functions of the professional body and its other activities, including education and member support. Sir Derek's main proposal—the establishment of an independent Board for Actuarial Standards to set technical standards for U.K.-based actuaries—was in keeping with this pattern. In general, though, the recommendations for change put forward by Sir Derek are less far-reaching than those proposed for a number of other professions. The other main recommendation was for some of the U.K. Actuarial Profession's activities to be subject to oversight by the Financial Reporting Council, which has a similar role in relation to U.K. accountants.

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The Strategy Review

The review itself was conducted in three stages. The first stage involved research among actuaries and users of actuarial services, and the publication of a detailed consultation paper setting out the findings of this exercise and identifying three high-level options for the strategic positioning of the profession. These options were:

1. A narrow profession, focusing on reserved roles and compliance activities in U.K. insurance companies and pension funds.
2. A broader role for actuaries as quantitative risk professionals, but still aimed primarily at the U.K. financial sector.
3. A global professional body offering examination, accreditation and continuing education services to actuarial students and actuaries throughout the world.

The second stage consisted of extensive consultation with members, based on the consultation paper. This revealed strong backing for the second of the three options. While the value and standing of the U.K. actuarial qualification in the global marketplace was acknowledged, there was little support for a strategy involving aggressive international expansion of the Faculty and the Institute, and a feeling that the U.K.'s continuing contribution towards the development of the actuarial profession in emerging economies should be channeled primarily through the IAA.

The third and final stage of the strategy review was the detailed design work, leading to implementation. This was organized into seven workstreams, one of which has been concerned solely with overseas members. In re-evaluating the U.K. Actuarial Profession's relationship with its overseas members it was important to find out what those members needed and wanted from their U.K. professional body. Many of them also belong to the local actuarial association in the country in which they live and work, and we needed to understand which services they would expect to source locally and which they would rely on the Faculty or the Institute to provide.

Services to Overseas Members

We conducted a survey of our overseas members towards the end of 2006. 1,462 completed questionnaires were received from actuaries and students in 76 countries, representing 22 percent of our overseas membership. The survey elicited a range of views, but revealed significant demand for:

- more Web-based services, including, but not limited to, online CPD,
- ad hoc support for local associations,
- e-bulletins aimed specifically at overseas members.

We have already made good progress in the first of these areas, with a redesign of the U.K. Actuarial Profession's Web site and



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development of the infrastructure needed for Web-based discussion forums. Video recordings of sessional meetings have been accessible online to members for some time, and selected CPD events have also been filmed, with over 25 hours of material now being available to download. This is only a start, and the demand for more online services comes from the United Kingdom as well as overseas members.

The type of support for local associations that is felt to be most useful mainly involves helping those associations to get up and running in areas such as provision of professionalism courses or development of a disciplinary scheme—areas where our experience can be of value. Such assistance has already been provided to a number of associations, including some in countries where the Faculty and the Institute have no—or very few—members.

Another consequence of the strategy review is the implementation of a new structure for the U.K. Actuarial Profession, which went live on March 1, 2008. This includes the facility for a range of Member Interest Groups—similar to, but less formal than, the SOA sections. It would naturally fall to one of these groups, aimed at overseas members, to develop and produce a bulletin for this specific group.

It is also clear from talking to overseas members that many of them also value the output of the Faculty and the Institute's "learned society" activities—the technical research, the *British Actuarial Journal* and the *Annals of Actuarial Science*. In addition, the monthly magazine for members of the U.K. Actuarial Profession (also called *The Actuary*) is held in high regard as a means of keeping in touch and sharing information.

Regulation of Overseas Members

The overseas workstream also considered the responsibility of the Faculty and the Institute for regulating the conduct of their members based outside the U.K. For those who also belong to a local association, there is potential for duplication and confusion in this area. In an attempt to create clarity, the work-

stream recommended that there should be two categories of overseas member at fellow and associate levels:

1. Those who choose another IAA full member association as their primary professional regulator.
2. Those who remain fully regulated by the U.K. Actuarial Profession.

This recommendation was implemented in mid 2007. Overseas members who have chosen the first category of membership now pay a lower subscription, and are exempted from U.K. standards (other than our Professional Conduct Standards) and from the U.K. CPD scheme. There are specific obligations on such members to disclose their regulatory status, and members in this category cannot undertake any U.K. regulatory work.

Implementation of these new arrangements has gone quite smoothly, but they will work best if other associations adopt a similar approach. The governance of international actuarial work is now being considered by one of the IAA committees, which may eventually lead to increased cooperation between national actuarial associations in this field.

And Finally...

The U.K. Actuarial Profession has gone some way towards recognizing the particular needs and circumstances of its overseas members over the past two years. My successor as Institute president when I step down at the end of June this year will be Nigel Masters, an overseas member based in Zurich. No doubt he will be keen to continue this work. □