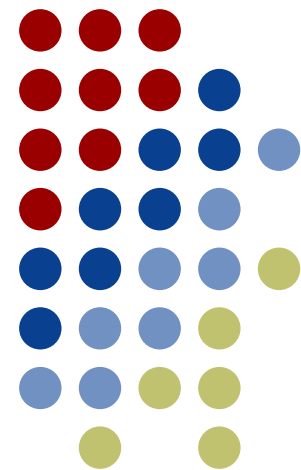


Caribbean Actuarial Association

Update on Morris
Michael Pomery
3 December 2005



Penrose Report

Criticisms of actuarial profession

- Not enough challenge
- Woolly standards
- Conflicts of interest
- Discipline not proactive
- Relationship with auditors
- Policyholders reasonable expectations

Morris Review

Work in Progress

- Standard setting
- Compliance monitoring / peer review
- Revalidation of competence
- New discipline procedure (completed)
- New education syllabus (completed)

Morris : Final Recommendations

- Market for actuarial services
- Regulating the Profession
- Education & CPD
- Actuarial roles
- Standard setting
- Public interest and accountability
- Scrutiny and discipline

Market for Actuarial Services

- “Understanding gap”
- Not enough challenge
- Educating non executive directors
- New communication standard

Regulating the Profession

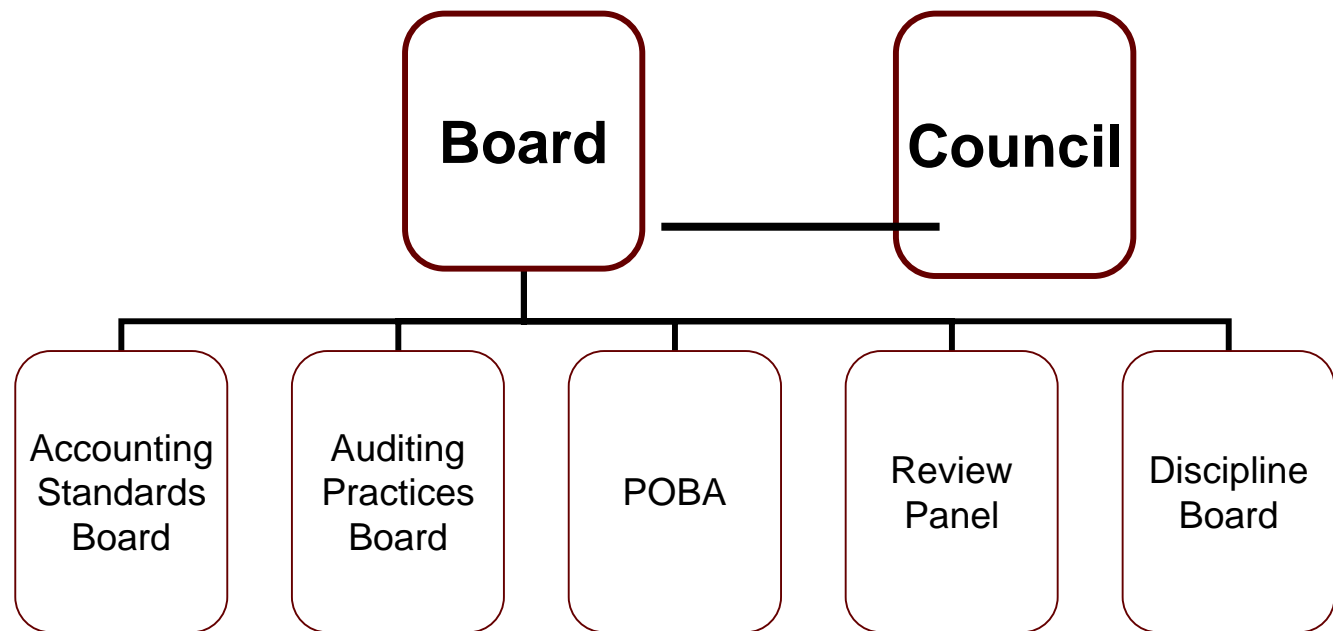
- Self regulation **x**
- Statutory regulation **x**
- Independent oversight **✓**

“The central recommendation of the review is that regulation of the actuarial profession should be subject to independent oversight by the FRC.”

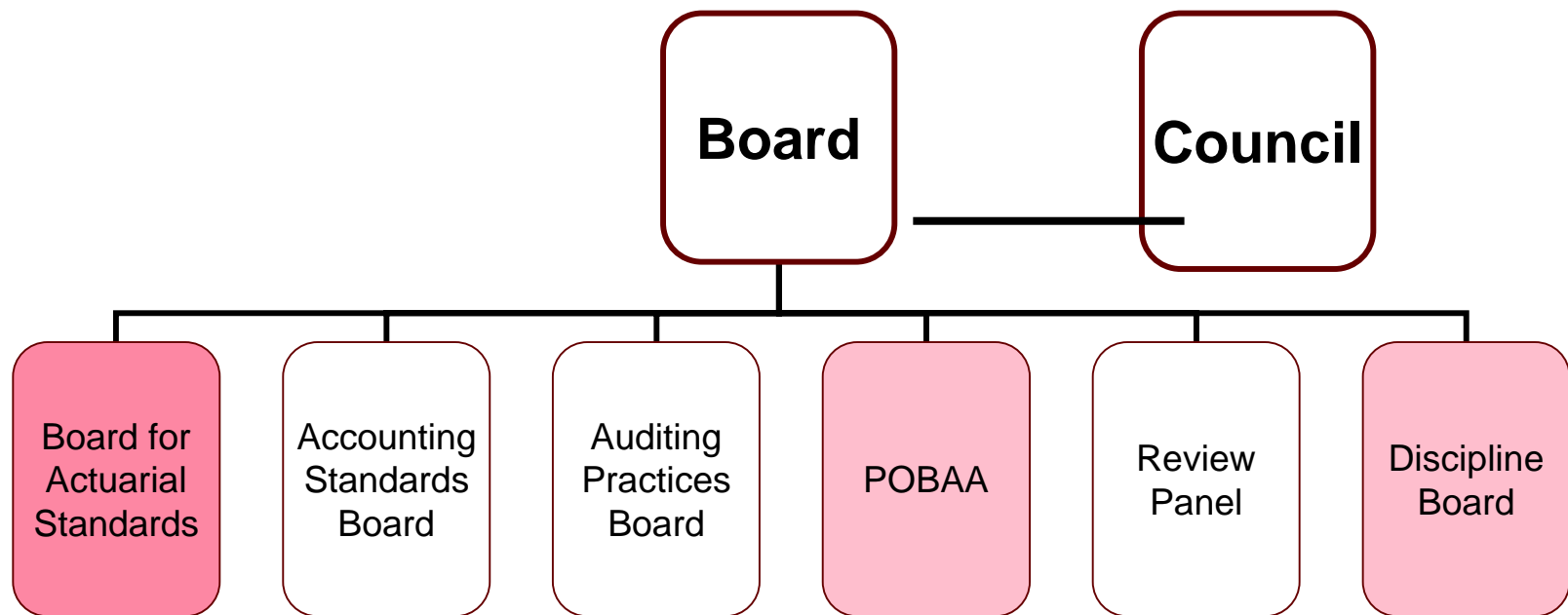
Role of the FRC

- Create a Board for Actuarial Standards (“BAS”)
- Extend the remit of POBA to oversee profession’s role in:
 - Setting ethical standards
 - Running exams and CPD
 - Monitoring compliance with standards
 - Administering discipline procedures

FRC Structure – Before



FRC Structure – After



FRC Project

- Morris has not provided a blueprint
- Discussions with FRC and Government
- Target date : 1 April 2006
 - Ongoing transition

Role of the Profession

- Input and membership of actuarial bodies within FRC structure
- Continue to set:
 - Ethical standards
 - Education syllabus
 - Disciplinary mechanism for non compliance
- Forum for discussion
- Promote the actuarial profession

Education and CPD

- Oversight of syllabus, exams and CPD
- 2005 changes “well formulated
- Exams and training
 - More University based
 - Australian model praised
- CPD : major overhaul needed
- Monitoring CPD : enforcement of compliance

Actuarial Roles

- Continue for life assurance and pensions
- With Profits Actuary
 - Independent input into appointment
 - FSA monitor sample of reports
- General Insurance
 - FSA to consider new requirement
 - Not necessarily by an actuary
- Pensions : conflicts of interest

Pensions : Conflicts of Interest

- Explicit agreement between trustees, employer and Scheme Actuary
- If conflict emerges, trustees may keep their adviser, employer has to go elsewhere
- Develop guidance for actuaries on materiality of potential conflicts

Standard Setting

- **BAS to set technical standards**
 - Use ASB as a model
 - Standards for entities?
 - Membership?
- **Profession to set ethical standards**
 - Subject to reserve powers for BAS

Public Interest and Accountability

- Public interest duties to:
 - Whistleblow to regulators
 - Comply with technical and ethical standards
- Whistleblowing to regulators
 - Clearer guidance
 - Extended obligations
 - Better protection

Scrutiny of Life Assurance Actuaries

- Support for Reviewing Actuary role
- Urgent identification of “gaps”
- Report to POBA re peer review
- Insurers to consider current peer review
- FRC to review position in 2–3 years

Scrutiny and Discipline

- Pensions and General Insurance
 - Consider further developments
 - FRC to review position in 2–3 years
- Discipline
 - POBA to oversee
 - AIDB to handle “public interest” cases

Actuaries are:

“Dedicated, skilled professionals providing important and useful advice, with commitment, integrity and a strong sense of duty.”