



ACA response to Morris Review of Actuarial Profession...

CONSULTING ACTUARIES POINT TO UK MARKET FOR ACTUARIAL SERVICES AS EXPANDING AND HIGHLY COMPETITIVE

21 September 2004 – In their response to the consultation paper issued by the Morris Review of the Actuarial Profession, the body that represents the UK’s 1,500 consulting actuaries, the Association of Consulting Actuaries (ACA), has pointed to the very strong and highly competitive market for consulting actuarial services in the UK.

The submission notes that over the last fifteen years, the number of firms of consulting actuaries has more than doubled (to more than 75 firms) and the number of consulting actuaries, measured by ACA membership, has more than trebled. No less than 25 different consulting firms provide actuarial services to the ‘Largest 750 Occupational Pension Schemes’, many more providing services to smaller schemes, with trustees and scheme sponsors free to switch advisers with some ease, given the choice available in the market.

Commenting on the ACA response, ACA Chairman, Adrian Waddingham, said:

“The commercial market requires firms to have strong quality control to satisfy clients, including trustees and sponsoring companies. Yes, there are areas where actuaries could do better – notably in explaining our role and limitations

across the range of our work. These issues are being addressed by developments within the Profession and in parallel actions being taken by consulting firms”.

Key points in the ACA response to the Morris consultation paper are:

1. Consulting actuaries are active in the workings of the actuarial profession, making up close to half of the practising members in the UK. The ACA says that the UK Profession is highly regarded internationally and is a thought-leader in initiatives and education worldwide.
2. Consulting actuaries increasingly do a lot more than is “reserved” for consulting actuaries by statute, which the ACA believes is testimony to the ability of consulting actuaries to add value. However, the reserved roles are important and offer a key protection for the public that would be removed at high peril.
3. In order to win and retain business, consulting actuaries have to be accountable, flexible and transparent in the way they undertake their work. Efforts to improve the communication of complex financial issues are already a key concern and one where consulting actuaries are keen to do their best, to learn and to harness new techniques. The ACA is also looking to work with organisations like the FSA in promoting better financial education and communication.
4. There are quite different pressures operating on consulting actuaries operating in pensions as compared to employed actuaries operating in life offices.
5. Consulting actuaries, through the ACA and the efforts of individual firms where they work, have been at pains to communicate concerns on

major issues of 'public interest'. Unfortunately, government and the wider public is not always receptive to the arguments made.

6. The Profession is moving with the times and considering important changes without the need for additional heavy-handed regulation. Developments are already in hand including updating the exam syllabus, strengthening Continuous Professional Development (CPD) requirements, changes to the disciplinary procedure (introducing lay members) and proposals to introduce an Actuarial Standards Board (with a majority of lay members). The ACA supports this forward-thinking agenda.
7. The ACA endorse the changes to the Appointed Actuary role that are designed to address certain problems identified by Lord Penrose. However, the ACA note that not all the problems that were identified were regulatory in nature and hence solutions that change the regulatory system will not necessarily of themselves engineer risk out of the system.
8. Consulting actuaries are extremely concerned that in core areas of work, over-regulation has removed choice for the public and increased the cost of products without any real 'net gains' for the public. Change merely to mirror regulatory developments in other Professions (which have yet to be proved successful) should be avoided, unless there are compelling arguments in favour of such changes. Changes to the regulation of actuaries must reflect the particular needs of the Profession and, most importantly, those it serves.

Copies of the ACA response to the Morris Review consultation paper are available on the ACA website at www.aca.org.uk

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Note to Editors:

The **Association of Consulting Actuaries (ACA)** has over 1500 members working in over 75 firms. Members are advisers to UK pension schemes with assets in excess of £650 billion, including the vast majority of larger schemes and thousands of smaller arrangements. The ACA forms the largest national grouping of consulting actuaries in Europe.

Following the publication of the Penrose Report into Equitable Life, the Government appointed Sir Derek Morris to undertake a review of the Actuarial Profession. He is expected to conclude his review in Spring 2005.