



## **PROFESSIONAL OVERSIGHT BOARD**

# **THE ACTUARIAL PROFESSION'S PROGRESS IN IMPLEMENTING THE RECOMMENDATIONS MADE TO IT BY THE MORRIS REVIEW**

**DECEMBER 2006**



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## Foreword

This is the first report by the Professional Oversight Board covering our role of overseeing the actuarial profession, which we assumed in April 2006 as part of the package of reforms recommended by Sir Derek Morris's Review of the Actuarial Profession in March 2005. Other reforms, following the Morris Review, include the establishment by the Financial Reporting Council (FRC) of the Board for Actuarial Standards (BAS) to set actuarial technical standards, and the proposed extension of the remit of the Accountancy Investigation and Discipline Board (AIDB) to include matters involving members of the actuarial profession that raise or appear to raise important issues affecting the public interest in the UK. The statutory regulators, the Financial Services Authority (FSA) and the Pensions Regulator, remain responsible for regulating the main entities which most actuaries advise, namely financial institutions such as insurance companies, and pension schemes.

This report covers the progress made by the actuarial profession in implementing the recommendations of the Morris Review itself, in so far as they are addressed to the profession. Our role is to provide independent oversight of the professional bodies in regulating their members. We undertake this role by, amongst other things, reviewing periodically the profession's regulatory systems for education and training, continuing professional development, ethical standards and practice guidance, and compliance and discipline. Based on our work, we will make and follow up recommendations to the profession, which retains primary responsibility for the regulation of its members acting in their professional capacity, as well as following up other recommendations such as those made by the Morris Review.

We acknowledge the profession's co-operation, both in the way it has embraced independent oversight by us and indeed the wider FRC framework, and in the help it has given us to understand its regulatory systems and its response to the Morris Review recommendations. It is clear that the profession has responded positively and actively to these recommendations, notably in relation to education and training. Through the new examination structure, the new qualification review teams, the new university accreditation scheme and the new mandatory CPD scheme, it can rightly claim to have made or be making substantive progress in implementing most of the recommendations made to it in this area.

There are areas in which we believe the profession should do more, and matters we consider important for the profession which go beyond the analysis in the Morris Review. In particular, we will look to the profession to make substantive progress in the coming year in the areas of:

- ethical principles, including a fundamental review of its Professional Conduct Standards and a consultation on new guidance on conflicts of interest; and
- CPD requirements specifically for actuaries performing reserved roles, and advising on mortality assumptions.

We expect to report again on these matters in about a year's time.

As envisaged by the Morris Review, we will also undertake a review, in conjunction with the profession and the statutory regulators, of the overall effectiveness of compliance monitoring and scrutiny of actuarial work, as well as following up on the implementation of the new education and training processes and the Profession's review of its new disciplinary scheme.

The actuarial profession is small in numbers but plays a vital part in many areas of economic life and indeed beyond. We are committed to promoting high quality actuarial practice and the integrity, competence and transparency of the actuarial profession – to the benefit of all those who rely on actuarial advice or are affected by it.

Sir John Bourn  
Chairman, Professional Oversight Board  
December 2006

## One – Introduction

### *The Morris Review of the Actuarial Profession*

The Morris Review of the Actuarial Profession, published in March 2005, made recommendations to the Government, statutory regulators, the insurance and pensions industries, and in particular the UK professional actuarial bodies - the Faculty of Actuaries in Scotland and the Institute of Actuaries – referred to collectively as the Profession. More information about the Morris Review can be found at Annex C.

### *Independent oversight of the Actuarial Profession*

The central recommendation of the Morris Review was that self-regulation of the actuarial profession should be subject to independent oversight by the Financial Reporting Council (FRC). The FRC assumed this responsibility in April 2006 and, as recommended by the Morris Review, agreed a Memorandum of Understanding with the Profession in May 2006. Its work is to be delivered through three of its operating bodies:

- **The Professional Oversight Board** – formerly the Professional Oversight Board for Accountancy, which has been expanded to oversee the way in which the Profession regulates its members acting in their professional capacity;
- **The Board for Actuarial Standards** – which has been established to set actuarial technical standards in the UK;
- **The Accountancy and Actuarial Discipline Board** – currently the Accountancy Investigation and Discipline Board, which is preparing and will implement an investigation and discipline scheme in relation to matters involving members of the actuarial professional bodies which raise or appear to raise important issues affecting the public interest in the UK.

Through the new regime, the FRC and its operating bodies will seek to promote high quality actuarial practice and the integrity, competence and transparency of the actuarial profession – for the benefit of the profession, its clients and the wider public interest.

### *Recommendations to the Actuarial Profession*

The Morris Review's recommendations to the Profession covered education and training, continuing professional development, ethical standards and practice guidance, and compliance and discipline. All these areas are subject to independent oversight, and indeed these recommendations were specifically expressed as being subject to review by the Oversight Board.

Accordingly, in the FRC's revised operating plan for 2006/07, published in May 2006, a key activity identified for the Oversight Board was to record and evaluate the Profession's progress in implementing the recommendations of the Morris Review. This paper sets out our findings, and identifies further work for us as well as recommendations to the Profession (see Annex A).

### *The Oversight Board's approach*

Our review of the Profession's progress in implementing the Morris Review recommendations has involved:

- dialogue with the Profession, so as to understand the nature of the Profession's response and whether this adequately addresses each recommendation and any underlying issues;
- confirmation of key outputs so far, including draft documents and major steps taken;
- where the Profession's response involves significant action to be taken by a third party, confirmation from that third party that the action has taken or is taking place.

Given the time required for new procedures to take effect, it is not appropriate at this stage to test whether the Morris Review's desired outcomes have been achieved through the implementation of its recommendations. It is now the responsibility of the Oversight Board to identify and develop appropriate outcomes, building on the analysis in the Morris Review. At the end of each section, we set out the Oversight Board's intended work priorities.

### *Comments*

The Oversight Board would welcome comments on this review. For further information, please contact Paul Kennedy, 020-7492 2347, or Jon Thorne, 020-7492 2333. E-mail enquiries should be sent to [c.trickett@frc-pob.org.uk](mailto:c.trickett@frc-pob.org.uk).

## Two – Education and training

### *Background*

The Morris Review took place against the background of a periodic five-year review by the Profession of its education and training, which was completed in 2005. The Review highlighted concerns about the institutional framework and processes which in the past had not always kept education and training up-to-date with wider developments in actuarial science and financial markets, but concluded that the 2005 review represented a well-formulated attempt to address these concerns. The Morris Review therefore supported the implementation of the 2005 reforms, and made further recommendations to ensure that education and training are kept relevant and up-to-date in future. The Review made eight recommendations to the Profession in respect of education and training which we consider in turn below.

*1. The Profession proceeds as planned with recently introduced and forthcoming reforms of the education syllabus. (Morris Final Report 4.20)*

#### The Profession's response

The Profession has proceeded as planned with the introduction of the new education syllabus (see Annex D for a fuller description of the Profession's new examination structure):

- The 2005 Education Strategy was tested for the first time in the April 2005 examination session during which 24 examinations and 6 practice modules were offered in around 80 exam centres. There were roughly 10,500 entries with 40% from overseas students.
- Three more examination sessions have since been offered: September 2005, April 2006 and September 2006.
- A new assessed 2-day course on Business Awareness (CT9), which also incorporates ethical issues, has been run 10 times for 487 candidates.
- A new assessed 2-day course on Modelling (CA2) has been run 14 times for 254 candidates.

Both these new modules incorporate business and communication skills and use new assessment methods. CT9 uses on-line, on-demand testing with an open-book approach and CA2 uses computer based Excel spreadsheet modelling to replicate a realistic work-based problem solving approach. CA2 is open-book and limited help from the Assessor is possible if needed in the early stages of the full-day examination to avoid candidates being unable to start. Any help is recorded and taken into account in the assessment process. Pass rates are much higher than the traditional examinations as the modules combine training and assessment in a single intensive residential course. The modules were introduced as a response to employers' demands for more emphasis on communication and business skills to ensure that qualifying actuaries understand clients' businesses. CA2 focuses on audit trails in spreadsheet models, which are

seen by employers as a key skill requirement of growing importance.

A new approach to work-based skills has been introduced. Seven key dimensions of experience are assessed through the use of a Learning Log kept by each student during the minimum of three years work experience which is part of the qualification process to Fellowship level. The Learning Log needs to be signed off as meeting the objectives by a qualified actuary and in the initial period reviewed by the Profession's staff and, where necessary, a Staff Actuary to ensure satisfactory progress.

Details of the new syllabus and examinations have been published by the Profession, including on its website, and we have discussed the other developments with the Profession.

We consider that the Profession has substantially implemented this recommendation. We will follow developments, including the impact on pass rates and qualification times, closely.

*2. The Profession should seek to promote broader input into the development of the syllabus and associated teaching material. (Morris Final Report 4.20)*

#### The Profession's response

The Profession has sought to promote broader input into the development of the syllabus and associated teaching material by recognising relevant external masters-level qualifications and research projects, in the introduction of specific new syllabus material, and through new qualification review teams. These developments have been overseen by the Profession's work stream on university education, one of seven work streams set up to take forward initiatives as part of its post-Morris strategy review.

Current practice involves annual review of each syllabus by a syllabus review group including an examiner and a practitioner, which suggests any changes they consider necessary to the Education Committee which signs off the syllabus for the next year in the early spring. Any changes to Core Reading can then be incorporated and passed to ActEd, the main external tuition provider, by the end of May each year and their teaching material refined as necessary. Major strategic reviews of the syllabus have occurred at five year intervals. For the 2007 syllabus, changes introduced included:

- redefinition of the content of CT8 (Financial Economics at Core Technical level) and ST6 (Finance and Investment Specialist Technical B) after broader discussion of the split of material between the two based on what all actuaries need to know compared with what only specialists need to know;
- Changes to SA2 (Life Insurance Specialist Applications) and SA4 (Pensions and Other Benefits Specialist Applications), to reflect legislation changes and newly emerging, up-to-date, actuarial techniques;
- CT9 (Business Awareness Module) includes input from Imparta, a training consultancy, based on

their MBA experience into the strategic thinking elements, and input from the College of Law into legal matters has been included since November 2006;

- A review of the first experience of running CA1 (Core Applications Concepts) was undertaken in summer 2005 using focus group meetings with candidates before the results were published. As a result, changes were made to course content and presentation with more logically structured course material and more emphasis on the 'big picture' of the actuarial control cycle;
- ST0/SA0 (Alternative Specialist Technical/Applications) have been introduced to offer more alternative, non-traditional routes to qualification based on other relevant masters level qualifications (ST0) or a relevant research project (SA0).

Under these arrangements, the Profession is seeking the input of employers to a fundamental review of CA3 (Communications) to ensure that communication skills are tested in line with their needs. A 'credential' produced by the US Society of Actuaries on Enterprise Risk Management is being reviewed with a view to incorporation in the syllabus to widen coverage of financial risk management topics.

To supplement these processes, two Qualification Review Teams have been established with a remit to consider the fitness for purpose of the overall syllabuses at each of the qualification levels, Associate and Fellowship. Membership of each team includes a representative of another professional body, an academic, an employer, an examiner and, at Associate level, a recent qualifier. Where necessary, these teams will gather evidence from other recent qualifiers and employers. Each group met for the first time in summer 2006 to agree their method of working. Further meetings will be held with a report to the Profession's ECPD Board with recommendations in early 2007.

We have discussed these developments with the Profession, and considered the breadth of membership and terms of reference of the syllabus review and qualification review teams.

We consider that the Profession has made changes which, if followed through, will promote broader input into the development of the syllabus. **In the interests of transparency and in order to strengthen the role of the qualification review teams, we recommend that they should be expanded and their terms of reference and overall findings published.**

We also consider that these changes should in due course feed through to educational materials. At the same time, the Profession's 'Core Reading' material continues to be prepared by its own Staff Actuaries, and is then developed by external tuition providers, including ActEd.

We recognise the importance and value of the Staff Actuaries in this process, although their work is necessarily an internal process and their expertise could also be employed in a broader review role. **We recommend that the Profession should consider new ways to promote broader input into teaching materials directly, such as sponsoring more external textbooks.**

3. *The Profession should improve quality control in relation to examination setting and marking, if necessary through the greater involvement of external experts. (Morris Final Report 4.25)*

#### The Profession's response

The Profession has addressed quality control in a number of areas, particularly in relation to the administration of the setting and marking of the exams and the production of the results in order to ensure that the processes are fair to candidates and that standards are maintained.

Examples of specific changes introduced include:

- the introduction of optically read answer sheets for the multiple choice practice modules with subcontracting of the scanning and report collation;
- the use of a mailing house to dispatch personalised exam entry forms to over 6,000 students for each exam session;
- doubling the size of the space available for dealing with scripts to reduce the chance of dispatch errors;
- training events for newly appointed Assistant Examiners are being held before each marking session;
- introduction of an appeal mechanism after the April 2006 examination session to supplement the existing examiners' reports and individual feedback and counselling – so far there have been 21 appeals, 2 of which were taken to the second stage; none was upheld.

Meetings of all Examiners and of Independent Examiners are each held annually to review administrative processes, marking standards and equivalence between different university programmes and the Profession's exams. For example, recent meetings have reviewed and agreed a standardised approach to double blind marking and to the use of a common standardisation programme to be applied by Principal Examiners for the later examinations in order to reduce inconsistencies between markers. Independent Examiners have commented on the accreditation proposal and on a standard interpretation of assessment methods between universities.

We have discussed these developments with the Profession and seen its new operations manual as well as notes of meeting with examiners and independent examiners.

We consider that steps such as more standardisation and documentation of procedures should improve the Profession's quality control processes, and make it easier to perform compliance testing. We also recognise the scale of the Profession's task, particularly in dealing with overseas candidates, and the need to prioritise and rationalise its work to promote quality. **We recommend that the Profession should seek to develop further objective measures of quality in its examination processes, such as its annual student survey and benchmarking against other professional bodies.**

*4. The Profession should take the lead working with universities and employers of actuaries in producing and delivering a new education and training strategy. (Morris Final Report 4.40)*

The Profession's response

The Profession has held meetings of its University Liaison Committee and its Independent Examiners for university courses to discuss accreditation and exemptions and the role of research. The outcome of these discussions has included the accreditation scheme which was agreed by the Profession in May 2006 - see recommendations 7 and 8 below for further details.

The Profession has held meetings with individual universities to encourage them to develop involvement with the Profession through research, exemptions and accredited programmes.

Representatives from universities were involved in the review of the CA2 (Modelling) module after the first year of courses was complete. They contributed to refinements made to the programme for the subsequent year. As part of the Profession's strategy review, a work stream has been established to progress the initiative on university links.

The Profession has doubled the number of scheduled meetings with employers to two a year, and used these meetings to seek views on responses to the Morris report such as links with universities, exemptions and accreditation, revitalising the Associate qualification and the new CPD scheme.

We have discussed these developments with the Profession, and a number of universities and employers.

We consider that the Profession has worked with universities and employers to develop and test its 2005 education strategy and that steps have been taken to involve universities and employers going forward, although the Profession will need to expand its liaison coverage as new universities start to offer actuarial courses and new employers start to employ actuaries. We too will continue to seek the views of universities and employers, in assessing the Profession's education and training programmes.

*5. The Profession, universities and employers should explore alternatives to the traditional education model of on-the-job part-time study, which has tended to restrict the use of actuarial skills to the insurance and pensions industries and has led to lengthy average qualification times. (Morris Final Report 4.40)*

The Profession's response

The Profession has explored a number of alternatives to the traditional education model, in conjunction with university and employer representatives as noted above.

An initial proposal developed by the Profession, to move to a system in which universities offered the Core

Technical exams with the Profession ceasing to offer these examinations from 2010, was discussed. Employers, in particular, were not in favour of the idea for a variety of reasons. Two alternative routes are now being followed: multi-channelling and revitalising the Associate qualification. Multi-channelling has the objective of allowing entry into the Profession from a variety of backgrounds, and involves encouraging a wider range of options to employers and trainees including:

- more undergraduate full-time provision at universities with more exemptions and accredited programmes e.g. a City University programme which has been approved;
- more full-time postgraduate provision of accredited programmes e.g. further City University programmes which have been approved;
- more part-time postgraduate provision of accredited programmes e.g. the new Tanaka Business School Imperial College programme which has been approved;
- more distance learning provision using electronic delivery e.g. a new Leicester University MSc Actuarial Science course under preparation.

A list of universities at Annex E includes details of progress to date with this initiative.

The Profession is revitalising its Associateship qualification for those who have completed the earlier stages of the examinations by investigating new market opportunities for those qualified to Associate level, especially as risk managers, in the broader financial services sector. It is anticipated that, by promoting a 'meaningful' actuarial qualification which does not require as long to achieve, the Profession will attract additional talent to the Profession and so increase the availability of actuarial skills, particularly outside the insurance and pensions industries.

Both CT9 (Business Awareness Module) and CA2 (Modelling Module) are being developed in distance learning versions for those overseas students who legitimately cannot attend face-to-face versions to meet the Profession's obligations to these students. The content of the attendance version is replicated by using on-line tutorials and standards are maintained by using similar assessments and exam conditions to the attendance version.

We have discussed these developments with the Profession, and spoken to some of the universities and employers involved.

We consider the Profession has explored and pursued alternatives to the traditional education model with universities and employers, taking account of the need for safeguards in the accreditation process. The Profession should not be unduly deterred by the initial caution of traditional employers.

The new Associateship qualification should also help tackle concerns about qualification times and the focus on pensions and insurance, while not affecting the standards required to hold a practising certificate.

We will look to the Profession to ensure that Associates have appropriate skills for the work they are asked to do, and that potential clients are able to understand the actuarial competencies and services they can reasonably expect as a result of the qualifications awarded to different categories of member.

*6. The Profession should promote one-year postgraduate actuarial conversion courses, in conjunction with the universities and employers, which would teach the core technical skills and which could be followed by a period of on-the-job training and part-time study to acquire the relevant work experience and specialist skills and exams for full Fellowship. (Morris Final Report 4.40)*

#### The Profession 's response

The Profession has discussed this recommendation at length with employers and with students, and it has been proposed and considered as part of the Profession's post-Morris strategy review. There has been limited support for the proposal as one option in a multi-channel process. The main arguments against this route being the only route into the Profession were:

- the cost to students in the new fees era;
- employer preference for early on-the-job training rather than waiting until after the CT exams have been passed, although this problem can be offset to some extent by internships and work-based dissertations;
- the restrictions it would place on access by students from non-traditional backgrounds;
- unless places at such courses are sponsored, there is the danger that successful students will not secure a traineeship afterwards, although the Imperial programme has overcome this problem and all the students on their initial programme are sponsored;
- employers are generally satisfied with the current arrangements and do not have any difficulty in recruiting good quality candidates from good universities with up to 100 applications for each training place reported, showing strong student demand from a range of numerate degree programmes.

Nevertheless discussions with universities in Annex E show some progress, with strong interest from a number of universities in the opportunity to develop more innovative approaches to their actuarial programmes by using the accreditation scheme. For example the Imperial College, Tanaka Business School MSc in Actuarial Finance, the first programme to be accredited, was developed in conjunction with some of the leading actuarial consultancies who are sponsoring students on the programme. An on-line delivery MSc programme in Actuarial Science is being developed at Leicester University as a postgraduate actuarial conversion course.

We have discussed these developments with the Profession, and spoken to a number of the universities involved.

We consider that the Profession has promoted postgraduate courses in its discussions with universities, and has made some initial progress in this area. The level of demand seems likely to be the main constraint, but the Profession should not be unduly deterred by the initial caution and influence of traditional employers.

*7. The Profession should consider simplifying its exam exemption policy so that it is simpler for prospective university students to understand the levels of exemptions granted by pursuing alternative university courses. (Morris Final Report 4.40)*

#### The Profession's response

The Profession launched a new accreditation scheme in June 2006 to simplify the granting of exemptions to students on specified actuarial degree courses.

When the 2005 Education Strategy was introduced, each university with exemptions was asked to contact the Profession with details of transition arrangements to the new strategy. These transition arrangements have been validated and implemented. As noted above, other universities have been contacted and encouraged to apply for exemptions in cases where individual students have contacted the Profession to arrange individual exemptions from courses they have attended. It is much more efficient if these exemptions are arranged directly with the university and that approach is being undertaken where the university can be persuaded to apply for exemptions and it is appropriate to award them.

A review of the exemption process is being undertaken by the Profession's work stream group reviewing links with universities. This will include a consideration of the role of Independent Examiners who act on behalf of the Profession, in respect of university courses for which exemptions from the Profession's examinations are available, to ensure standards are maintained.

We have discussed the new accreditation arrangements with the Profession, and spoken to a number of the universities involved.

We consider that when fully implemented the Profession's new accreditation system should make understanding the available exemptions simpler and clearer. **We recommend that the Profession should include on its own website further information about the various courses and exemptions available, subject to confirmation by the institutions concerned, to provide greater transparency and facilitate more effective comparison by students.**

8. *The Profession should consider accrediting university departments rather than their individual courses in order to make it easier for university departments to offer innovative new courses. (Morris Final Report 4.40)*

#### The Profession's response

The Profession has considered this recommendation but found it difficult to implement for most university departments because actuarial science tends to be a small part of a large business school or mathematics department. Most courses in the department contain no relevant subject matter and it would be inappropriate to accredit them.

However, as most university provision is modular, the Profession believes the new accreditation scheme offers much more scope for innovation by offering students a range of relevant options as part of accredited programmes offering a varying level of exemption depending on the modules chosen. For example, the MMORSE programme at Warwick University can offer between 2 and 7 exemptions at the Core Technical (CT) level, depending on student choice of modules. The Profession is open to innovative approaches to accreditation and will continue discussions with interested universities to identify further equivalent approaches.

The choices and the implications of the choices in terms of exemptions are made clear to students by the universities. The accreditation scheme makes the offering of innovative courses more possible by lifting the restriction on 95% syllabus coverage previously required and by enabling appropriate coursework to be used in assessment to a maximum of 30% of a module if the university can demonstrate the approach is equivalent. This approach is intended to enable universities to test students in more realistic situations than time constrained examinations allow. For example testing generalised linear models, simulations and survival analysis using data sets is possible using coursework based assessment but less so in time constrained examinations.

The first new course to be accredited, the part-time MSc in Actuarial Finance at Imperial College, Tanaka Business School, started in October 2006 with 30 students, all sponsored by their actuarial employers.

We have discussed these developments with the Profession, and spoken to some of the universities about their experience of the accreditation process.

We consider that the Profession's new more flexible accreditation process appears to address the substance of the Morris Review recommendations in this area. We note that the first course to be accredited was a new course, rather than one of the established courses, which is consistent with a focus on innovation. We will follow the development of the accreditation process and criteria closely, to see if they are being applied fairly and transparently, and are clearly directed towards the promotion and recognition of consistently high standards in actuarial education.

### *Future priorities for the Oversight Board*

Actuaries are in many ways defined by their education and training, not least because of the difficulty of actuarial examinations and often lengthy qualification times. They are also defined as professionals by their wider public interest roles, mainly in pensions and insurance, on which the Profession needs to put particular emphasis. To attract and retain high quality applicants, we believe it is vital for the Profession not only to maintain high standards, but also to ensure that its education syllabus and processes are up-to-date and supportive, and test relevant skills.

As the Profession has introduced major reforms to its education and training in conjunction with the Morris Review, our immediate priorities will include:

- ensuring the Profession follows through its recent education and training reforms;
- making sure the Profession develops greater transparency and standardisation in its processes, as well as benchmarking against other professions;
- assessing the impact of the recent reforms on pass rates and qualification times, including the current feature that pass rates tend to fall as students progress through the examinations;
- assessing the adequacy of training support available to students;
- monitoring developments, including updates to the education syllabus and the Profession's handling of issues that arise, for example in relation to the conduct of particular examinations.

Given the links between actuarial education and standards, we will work closely with colleagues in the Board for Actuarial Standards as they develop a new conceptual framework. There are likely to be significant implications for actuarial education and training. We will also look to the Profession to incorporate the principles emerging from its fundamental review of ethical standards, the Professional Conduct Standards, into its training in ethics.

## Three - Continuing professional development

### *Background*

The Morris Review found that the existing CPD scheme suffered from undue complexity, leading to confusion thus undermining respect for and compliance with the scheme. It also found that existing institutional arrangements had failed to ensure that the scheme was kept up-to-date, and that there was inadequate monitoring of compliance and professional revalidation. Its recommendations to the Profession reflected these concerns. The Review made three recommendations to the Profession in respect of CPD, which are considered in turn below.

*9. The Profession should clarify the objectives of the CPD scheme, consider increasing the amount and quality of formal CPD required for reserved role holders, and foster closer links between those within the Profession with responsibility for syllabus development, the actuarial research community and those concerned with CPD. (Morris Final Report 4.51)*

#### The Profession's response

The Profession launched a new CPD scheme on 1 July 2006 which it believes addresses many aspects of this recommendation. The scheme is mandatory for all actuaries. The objectives are:

- to ensure actuaries develop and maintain the professional skills they need;
- to ensure that others can confidently trust they have done so.

If necessary, the Profession can require specific learning on designated topics on the recommendation of Practice Boards which give guidance to actuaries on CPD topics through the CPD Handbook which is regularly updated.

The Profession's CPD Committee contains representation from each of its Practice Boards and its Education and CPD Board and is charged with generating CPD events that are relevant. The range and success of the CPD events programme is reviewed by this Committee. Quality ratings and value for money ratings by attendees for all events are recorded which are reviewed by the CPD Committee at each meeting.

On-line CPD provision is about to be launched with a partner organisation with experience of working with similar professional bodies and has a range of existing CPD material which will be made available to members of the Profession at low cost. New material will be generated based on filming parts of attendance events and editing them for on-line provision.

The Profession will keep the quantity of formal CPD required for actuaries holding practising certificates under review. The new Institute President, Mr Nick Dumbreck, expressed the view that the Profession should give serious consideration to increasing the amount of verifiable CPD required of 15 hours a year.

Details of the new CPD scheme are published on the Profession's website, and we have discussed these developments in more detail with the Profession.

We consider that the objectives of the CPD scheme have been amended as part of the above changes, and that the Profession has taken significant steps to coordinate CPD with other activities and require actuaries themselves to ensure that the CPD they undertake is relevant. **We recommend that the Profession should now consider the adequacy of formal CPD required for reserved role holders. In assessing adequacy, the Profession should also consider whether input-based measures (rather than outcomes) continue to be the most effective and proportionate.**

*10. The Profession should ensure that the CPD scheme is relevant, up-to-date and takes account of developments in actuarial science, financial markets and other disciplines (Morris Final Report 4.51)*

#### The Profession's response

The Profession believes that, as well as the points mentioned under recommendation 9 above, it offers a wide range of attendance events including conferences and short specialised events in each of the practice areas. The Profession has received funding from the EPSRC to set up a Quantitative Finance Network (QFN) to bring together academics and practitioners to work on problems of significance to each group. The network was launched in March 2006. The QFN is intended to facilitate events in related financial services arenas such as investment banking and the pricing of long-term derivatives. The QFN offers joint events with other bodies e.g. The Lighthill Risk Network (insurance pricing) in September 2006 and the Smith Institute (the new statistical technique of parameterising 'copulas') in November 2006.

The Profession has developed links with other professional bodies in order to develop joint CPD programme events. These include a significantly increased focus on ethics and professionalism, including professionalism events for more experienced actuaries, developed in conjunction with bodies such as the Institute for Business Ethics.

We have discussed these developments with the Profession, and members of its QFN.

We consider that the Profession has established procedures for updating the CPD scheme, but that it will need to establish additional procedures for responding quickly to developments or risks. For example, in July the Profession announced the adoption of the new "00" Series mortality tables, with effect from 1 September 2006, and encouraged actuaries to consider a range of scenarios in projecting future mortality improvements. **We recommend that the CPD scheme should have an enhanced fast track procedure for emerging issues and concerns. This should be used to address the current need for relevant actuaries to be fully competent in using and interpreting the latest mortality tables and projection techniques.**

The Profession also needs to be able to demonstrate that there has been an increase in non-actuarial input to the scheme. **We recommend that the Profession should publish aggregate feedback and data on CPD courses to confirm that its development procedures are effective.**

*11. The Profession should proceed with its proposals for professional revalidation and related changes to the CPD scheme, ensuring that robust measures are put in place to monitor compliance with their respective requirements. (Morris Final Report 4.60)*

The Profession's response

The Profession has proceeded with its proposals for mandatory CPD, and is putting in place appropriate monitoring procedures.

Recording of each member's CPD will be facilitated using the on-line form on the Profession's website. Monitoring will be for completeness for all members and for relevance for a sample. Category 1 actuaries, those who need Practising Certificates, will be monitored as part of the certificate renewal process.

We have discussed these developments with the Profession, and attended several CPD events, including the new Professionalism Event established for more experienced actuaries, as well as accessing the Profession's on-line form.

We consider that the Profession is committed to robust revalidation and monitoring of its new CPD scheme. **We urge the Profession to develop and document its monitoring plans and systems well before the CPD year-end on 30 June 2007.**

*Future priorities for the Oversight Board*

A particular issue for the Profession is how to maintain the practical competence of those practising actuaries who have not taken the examinations recently, and may be unfamiliar with the latest actuarial techniques, which have been transformed over the last 10 years, as well as other professional developments.

The new CPD scheme provides a framework for making recommendations to the Profession, such as highlighting the need for actuaries undertaking relevant work to be competent in using and interpreting a range of the latest techniques for projecting future mortality. We will continue to monitor progress on the implementation of the new scheme, and raise such issues as they arise. We will also follow up our recommendations above, particularly in relation to public interest concerns such as the adequacy of formal CPD requirements for reserved role holders.

## Four – Ethical standards and practice guidance

### *Background*

The Morris Review recommended that the FRC should establish a new body to set technical actuarial standards, while the Profession should continue to set ethical standards subject to oversight by the Oversight Board. The new body should have a reserve power to set ethical standards if this is recommended by the Oversight Board, or if this is otherwise considered appropriate.

Particular concerns expressed by the Morris Review about ethical standards include:

- the treatment of conflicts, particularly in pensions;
- the degree of resulting accountability to the actuary's client and the wider public interest; and
- the clarity of guidance to actuaries on whistle-blowing to regulators.

There were also concerns about the availability of professional indemnity insurance for actuaries, although the Office of Fair Trading reported a general improvement in June 2005.

Following its establishment in April 2006 to set actuarial standards, the Board for Actuarial Standards adopted most of the Profession's existing guidance notes in May. Many of these are hybrid in nature, including technical, procedural and ethical content, particularly about communications and whistle-blowing. Other technical standards, relating to overseas work or to pensions legislation or its supervision of investment business subject to oversight by the FSA, remain with the Profession, in the case of some pensions standards on an interim basis only, pending changes to the associated legislative references.

The Profession remains responsible, subject to independent oversight by the Oversight Board, for its ethical standards, including currently:

- PCS Professional Conduct Standards
- GN24 The actuary as expert witness
- GN29 Occupational pension schemes - advisers to the trustees or a participating employer
- GN30 Compensation for professional shortcomings
- GN37 The Financial Services and Markets Act 2000 (Communications by Actuaries) Regulations 2003
- GN48 Compliance review: pensions

The Profession has told us it is undertaking a fundamental review of its main ethical guidance, the PCS. In the meantime, it will consult on limited changes to reflect the new role of the FRC and its operating bodies.

The Morris Review made four recommendations to the Profession in respect of its ethical standards and practice guidance, which are considered in turn below.

12. Pensions: the Profession, or another appropriate body, should develop guidance for actuaries on the issues that they should take into account when considering the materiality of potential conflicts. (Morris Final Report 5.29)

The Profession's response

The Profession's Pensions and Professional Affairs Boards have set up a working party on conflicts of interest, which has developed a number of principles for addressing conflicts in the pensions area. These principles were agreed by the Professional Affairs Board in November as the basis on which a new (ethical) Actuarial Professional Standard for Scheme Actuaries could be developed. This is to be exposed for consultation with the membership and wider stakeholders in early 2007. The PCS (in section 5) covers the current principles for addressing conflicts of interest across all practice areas. This section will be looked at during the Profession's planned major review of the PCS to see if the pensions principles work can have wider application.

We have discussed these developments with the Profession.

We consider that the Profession has started the process of implementing this recommendation. **We urge the Profession to progress its work on conflicts of interest as a priority, and apply the principles developed to conflicts across all practice areas, rather than the Morris Review's narrower focus on pensions.**

13. The Profession, the Association of Consulting Actuaries (ACA) and its membership should consider in more detail the use of proportionate liability clauses in contracts; and the Profession should work with the ACA, the Association of British Insurers (ABI) and other industry bodies to ensure suitable guidance on risk mitigation is available to those underwriting PII and those seeking to buy it. (Morris Final Report 2.16)

The Profession's response

The Profession and the ACA have agreed that the ACA should review the guidance to its members on obtaining PI cover and on limiting liability in client contracts, and it is expected to revise this in due course. The Profession has agreed to host a tripartite meeting with the ACA and insurance providers early in 2007. The ABI have been informed and will be invited to participate in the planned meeting.

We have discussed these developments with the Profession and spoken to the ACA, which draws its membership on a voluntary basis from individual actuaries working in the consulting sector.

We consider that the Profession and the ACA are starting the process of implementing this recommendation, and will follow their progress closely. Although we note reported improvements in the availability of PII generally, the market remains tight. **We recommend that the Profession should ensure that contractual limitations on the scope of actuaries' work, and on the responsibility they take for it, are handled fairly and clearly with clients and PI insurers alike so as to be effective and not damage public confidence, and that guidance on this and on risk mitigation is made available to all its members.**

14. *The Pensions Regulator should, with input from the actuarial profession and other industry bodies, ensure that trustees have access to good practice guidance on the effective management of their professional advisers, including their Scheme Actuary. Information and case study material should be provided to help trustees challenge their actuarial advice and should provide them with guidance on potential conflicts of interest. (Morris Final Report 2.49)*

The Profession's response

The Profession has discussed the issue with the Pensions Regulator and offered to join its working group on this topic. The Pensions Regulator believes its e-learning programme is well-received, and that it is meeting its requirements in this area.

We have discussed this recommendation with the Profession, and with the Pensions Regulator.

This recommendation is addressed primarily to the Pensions Regulator. However, we consider that the Profession has provided the input requested.

15. *The Financial Services Authority (FSA), the Pensions Regulator, and the Profession should work together and issue clearer guidance on the circumstances in which whistle-blowing is permitted and when it is required, covering all relevant statutory, regulatory and professional provisions, matters which regulators are likely to regard as significant and the safeguards and sanctions available. (Morris Final Report 7.20)*

The Profession's response

The Profession updated its guidance on whistle-blowing to the FSA (GN 37) in February 2006, having consulted the FSA, and has consulted (in EXD 71) on changes to its guidance to scheme actuaries (GN29). The Pensions Regulator has produced a new Code of Practice, Code 01 Reporting breaches of the law, on whistle-blowing and considers this matter to have been addressed.

We have discussed these developments with the Profession and the statutory regulators.

This recommendation was made jointly to the statutory regulators and the Profession in the context of various recommendations made to the Government to clarify and strengthen the legislation relating to whistle-blowing by actuaries. While some of the recommendations in this area remain to be addressed, we consider that there has been limited scope for further clarification by the Profession at this stage. However, the volume and variety of references to statutory whistle-blowing on regulated entities and professional obligations to report other actuaries are both confusing and still not comprehensive. **In due course, we recommend that the Profession should seek to consolidate its whistle-blowing guidance through common principles that are of general application for all actuaries.**

*Future priorities for the Oversight Board*

Given the wider public interest in the work of actuaries, the Profession's ethical standards and practice guidance remain a significant priority, not least to reflect the new split of responsibilities between the Profession and the Board for Actuarial Standards. Myths about the Profession's ethical standards persist, including the widely held but mistaken belief that actuaries are prohibited from challenging or criticising other actuaries' professional judgment. **We welcome the Profession's commitment to a fundamental review of the Professional Conduct Standards and its proposals to adopt a principles-based approach applicable to all sectors, and we urge it to undertake this review as a matter of urgency with a view to implementation in early 2008.**

We do not intend to prejudge the output of the Profession's work in this area but look forward to the opportunity of reviewing its progress and providing independent and objective comment on the outcome of the review.

We will monitor developments in actuarial practice and the wider regulatory framework, assessing those issues that could adversely affect public confidence in actuarial practice – and where appropriate undertake more detailed research and make recommendations to the Profession or recommend the development of new standards.

## Five – Compliance and discipline

### *Background*

The Morris Review considered the scrutiny of actuarial work in some detail. A key finding, shared with the previous Penrose Report, was that there had been inadequate challenge to the work of actuaries in the past. Morris welcomed the various initiatives being undertaken to address this concern:

- by regulators, both directly and through requirements for external audit;
- by the Profession, through peer review requirements (e.g. GN48 for pensions); and
- through clearer responsibilities and guidance for governing bodies and other users.

The Morris Review noted that there were differences of view about the extent of potential overlap or duplication between these, and that different approaches were being taken in different areas. The Review urged the Oversight Board, in overseeing the monitoring of compliance with professional standards, to ensure that there is a minimum of material regulatory gaps or overlaps.

On discipline, the Morris Review noted the establishment in 2004 of the Profession's new independently chaired Disciplinary Board, which had generally been well-received, but again noted the scope for overlap between disciplinary schemes, particularly when, as proposed, the FRC took responsibility for public interest cases. The Disciplinary Board will be reviewing the operation of the scheme over the next year.

The Review made a number of recommendations in respect of compliance and discipline, including two that were specifically addressed to the Profession and are considered in turn below.

*16. Life assurance: as a matter of urgency, the Profession should identify any gaps in the monitoring of compliance with actuarial standards or significant actuarial calculations within an insurer that are unlikely to be scrutinised by the Reviewing Actuary, and might therefore benefit from peer review and should report to the Oversight Board on the matter (Morris Final Report 8.62)*

### The Profession's response

The Profession has sent us details of the outcome of its review. This identified several gaps, including:

- the individual capital assessment required by the FSA
- continuous monitoring processes for risks and solvency
- achieved profits/embedded value reporting (where not already subject to audit)
- use of discretion in non-profit business
- control and monitoring processes established
- bonus determination (on advice by the With-Profits Actuary).

However, the Profession expressed doubt as to whether it should be imposing peer review requirements in these areas given that some of the work is not uniquely reserved to actuaries by the FSA. It also noted that, for the areas of work identified above, there are currently no defined technical standards.

The Profession did not include the other work of the With-Profits Actuary, as it considered that the with-profits committee or a similar body would generally provide sufficient review or scrutiny. As the Institute President recognised in his inaugural address in September 2006, there are doubts about the adequacy of some of these arrangements, although the Profession believes they are formally the responsibility of the FSA rather than the Profession.

We have discussed these findings with the Profession and the FSA, in the context of the Morris recommendation for an FRC review of the effectiveness of monitoring and scrutiny of actuarial work.

We consider that the Profession has identified the main gaps in the prudential work of a life insurer's actuaries that are likely to fall outside the scope of the external audit and the reviewing actuary, although we note that actuaries are also often involved in product development and illustrations. **We recommend that the Profession should consider further with the FSA the need for expert scrutiny of the work of the With-Profits Actuary; we understand a number of insurers have already introduced this.**

**The Profession should consider peer review for different actuarial roles on its merits. Where a role is reserved to actuaries there is a clear need for accountability, but there are many other roles which in practice are performed by actuaries and which might benefit from greater scrutiny and challenge. We note the absence of a technical standard for actuaries in the areas identified, which will need to be considered by the Board for Actuarial Standards. The absence of a technical standard creates practical difficulties for monitoring, but if anything increases the need for independent scrutiny of the quality of an actuary's work where this involves significant regulatory or professional duties.** We will consider these points and the Profession's ongoing work further as part of our forthcoming review.

*17. Closer links should be engendered between regulators and the disciplinary schemes. (Morris Final Report 8.112)*

#### The Profession's response

The Profession has had discussions with both the FSA and the Pensions Regulator, and believes each is alert to the need to refer concerns about the conduct of actuaries. The Profession has agreed a Memorandum of Understanding with the Pensions Regulator. It is now seeking to establish similar arrangements with the FSA.

We have discussed these developments with the Profession as well as the Pensions Regulator and the FSA. We consider that the Profession is making progress in this area. **In the interests of transparency, we recommend that the general substance of the Profession's working arrangements with regulators should be publicised.**

### *Future priorities for the Oversight Board*

The effectiveness of monitoring and scrutiny of actuarial work will be a priority for the Board in 2007/08. Unlike accountants, actuaries undertake regulated roles as individuals, not firms. Further, unlike accountants, there is no proactive monitoring by the Profession itself of their work or of the quality assurance provided by actuarial firms. Instead actuaries are subject to a variety of monitoring and scrutiny arrangements introduced by the statutory regulators and the Profession, including audit and peer review.

Many of these processes were still being introduced at the time of the Morris Review. Accordingly, it recommended that the FRC, working with the Profession and regulators, should - within 2-3 years (i.e. by March 2008) - satisfy itself that appropriate monitoring of actuaries' compliance with professional standards and independent scrutiny of actuarial advice is occurring through either direct supervision by the regulator, audit or external peer review. We will therefore be undertaking a review during 2007, in conjunction with the work of the Profession and the statutory regulators, which will include:

- in life assurance - addressing the gaps identified by the Profession in the monitoring of compliance with actuarial standards or in the significant actuarial calculations that are likely to be scrutinised by the Reviewing Actuary;
- in pensions - assessing the extent and effectiveness of peer review established to scrutinise the work of scheme actuaries;
- in general insurance - determining whether appropriate monitoring of actuaries' compliance with professional standards and independent scrutiny of actuarial advice is occurring.

In preparing for our review, we are working closely with the Profession and the regulators to understand their current monitoring systems and review plans. We will take these developments, and the wider views of stakeholders, into account, in setting out the precise scope and timing of our review early in 2007.

On complaints and discipline, we welcome the commitment by the Profession and the Disciplinary Board to a review of the operation of the new disciplinary scheme. We do not intend to prejudge the output of the Profession's work in this area. We do however look forward to the opportunity of reviewing its progress and in providing independent and objective comment on the outcome of their review.

Our general methodology is likely to involve compliance testing of the improved systems and processes that the Profession has developed, as well as its arrangements for working with other regulators. This will include the effectiveness of its interaction with the extended Accountancy and Actuarial Discipline Board (AADB) and other regulators to identify and transfer cases.

We will also monitor developments in complaints and discipline, including assessing statistical trends and the Profession's handling of issues that arise for example in the conduct of a particular complaint.

## **Annex A - Oversight Board recommendations to the Profession**

### *Education and training*

In the interests of transparency and in order to strengthen the role of the qualification review teams, we recommend that they should be expanded and their terms of reference and overall findings published.

We recommend that the Profession should consider new ways to promote broader input into teaching materials directly, such as sponsoring more external textbooks.

We recommend that the Profession should seek to develop further objective measures of quality in its examination processes, such as its annual student survey and benchmarking against other professional bodies.

We recommend that the Profession should include on its own website further information about the various courses and exemptions available, subject to confirmation by the institutions concerned, to provide greater transparency and facilitate more effective comparison by students.

### *Continuing professional development*

We recommend that the Profession should now consider the adequacy of formal CPD required for reserved role holders. In assessing adequacy, the Profession should also consider whether input-based measures (rather than outcomes) continue to be the most effective and proportionate.

We recommend that the CPD scheme should have an enhanced fast track procedure for emerging issues and concerns. This should be used to address the current need for relevant actuaries to be fully competent in using and interpreting the latest mortality tables and projection techniques.

We recommend that the Profession should publish aggregate feedback and data on CPD courses to confirm that its development procedures are effective.

We urge the Profession to develop and document its monitoring plans and systems well before the CPD year-end on 30 June 2007.

### *Ethical standards and practice guidance*

We urge the Profession to progress its work on conflicts of interest as a priority, and apply the principles developed to conflicts across all practice areas, rather than the Morris Review's narrower focus on pensions.

We recommend that the Profession should ensure that contractual limitations on the scope of actuaries' work, and on the responsibility they take for it, are handled fairly and clearly with clients and PI insurers alike so as to be effective and not damage public confidence, and that guidance on this and on risk mitigation is made available to all its members.

In due course, we recommend that the Profession should seek to consolidate its whistle-blowing guidance through common principles that are of general application for all actuaries.

We welcome the Profession's commitment to a fundamental review of the Professional Conduct Standards and its proposals to adopt a principles-based approach applicable across all sectors, and we urge it to undertake this review as a matter of urgency with a view to implementation in early 2008.

### *Compliance and discipline*

We recommend that the Profession should consider further with the FSA the need for expert scrutiny of the work of the With-Profits Actuary; we understand a number of insurers have already introduced this.

The Profession should consider peer review for different actuarial roles on its merits. Where a role is reserved to actuaries there is a clear need for accountability, but there are many other roles which in practice are performed by actuaries and which might benefit from greater scrutiny and challenge. We note the absence of a technical standard for actuaries in the areas identified, which will need to be considered by the Board for Actuarial Standards. The absence of a technical standard creates practical difficulties for monitoring, but if anything increases the need for independent scrutiny of the quality of an actuary's work where this involves significant regulatory or professional duties.

In the interests of transparency, we recommend that the general substance of the Profession's working arrangements with the regulators should be publicised.

## **Annex B – Introduction to the Professional Oversight Board**

The Financial Reporting Council (FRC) is the unified independent regulator for corporate reporting, auditing, actuarial practice, corporate governance and the professionalism of accountants and actuaries. The FRC's overall aim is to promote confidence in corporate reporting and governance.

Within the FRC, the Professional Oversight Board is the operating body responsible for:

- Independent oversight of the regulation of the auditing profession by the recognised supervisory and qualifying bodies;
- Monitoring of the quality of the auditing function in relation to economically significant entities;
- Independent oversight of the accountancy profession by the professional accountancy bodies;
- Independent oversight of the regulation of the actuarial profession by the professional actuarial bodies and promoting high quality actuarial work.

The Oversight Board's members are:

Sir John Bourn, KCB (Chairman)  
Paul George (Executive Director)  
Richard Barfield  
Timothy Barker  
Anthony Carus  
David Crowther  
Hilary Daniels  
Roger Davis  
Stella Fearnley  
Michael Jones  
Anne Maher

The Head of Actuarial Oversight is Paul Kennedy.

There is more information about the FRC and its operating bodies at [www.frc.org.uk](http://www.frc.org.uk).

## **Annex C – The Morris Review of the Actuarial Profession**

In March 2004, the Government asked Sir Derek Morris to undertake a wide-ranging independent review of the actuarial profession. The background to this was Lord Penrose’s Inquiry into the Equitable Life, which highlighted a number of concerns about the actuarial profession.

The review focused on three aspects:

- The extent of competition and choice in the market for actuarial services;
- The regulatory framework for members of the actuarial profession; and
- The future role of the Government Actuary’s Department.

In December 2004, Sir Derek published an interim assessment. This summarised evidence to the review, analysed a wide range of issues that emerged in the course of the review, and put forward proposals for reform. He said that he had no reason to doubt that the overwhelming majority of actuaries in the UK are anything other than dedicated, skilled professionals, providing important and useful advice with commitment, integrity and a strong sense of professional duty. However, he also identified a number of problems faced by the profession in the UK.

These problems included a degree of insularity in its methods and approach; insufficient emphasis on the uncertainties inherent in long-term financial planning; too little transparency in actuarial advice; concern about reserving certain roles to actuaries; and a widespread perception that the actuarial profession had not responded as effectively or as fast as might have been expected to major changes in both demographics and economic conditions in the UK in the previous decade or more.

In his final report in March 2005, Sir Derek concluded there was generally sufficient competition and choice in the market for actuarial services; but to some extent an ‘understanding gap’ between users and advisers inhibited the exercise of choice by users of actuarial advisers. He therefore put forward a number of proposals to improve the scrutiny and challenge of actuarial work, to increase market testing, and to reduce some of the obstacles to a more effective market emerging.

Sir Derek further proposed the introduction of a new regime of independent oversight of the regulation of the profession by the FRC. This would include independent standard setting, oversight of compliance with technical and ethical standards, actuarial training and CPD; more effective scrutiny of actuarial advice; and clearer lines of accountability of actuaries to regulators, to the Profession and to clients and employers. He also sought to address the potential conflicts of interest that surround the role of the Scheme Actuary to pension schemes, and made recommendations in relation to the Government Actuary’s Department. His recommendations were accepted by the Government, the FRC and the Profession. Further details about the Morris and Penrose Reviews may be found on the HM Treasury website: [hm-treasury.gov.uk](http://hm-treasury.gov.uk).

## **Annex D - The Profession's examination structure (UK exams)**

Core Technical (CT) stage - students must pass all subjects at this stage:

- CT1 Financial Mathematics
- CT2 Finance and Financial Reporting
- CT3 Probability and Mathematical Statistics
- CT4 Models
- CT5 Contingencies
- CT6 Statistical Methods
- CT7 Economics
- CT8 Financial Economics
- CT9 Business Awareness Module (2-day residential course)

Core Applications (CA) stage - students must pass all subjects at this stage:

- CA1 Core Applications Concepts
- CA2 Modelling (2-day course)
- CA3 Communications

Specialist Technical (ST) stage - students must pass two subjects at this stage:

- ST0 Alternative Specialist Technical (not examined)
- ST1 Health and Care Specialist Technical
- ST2 Life Insurance Specialist Technical
- ST3 General Insurance Specialist Technical
- ST4 Pensions and other Benefits Specialist Technical
- ST5 Finance and Investment Specialist Technical A
- ST6 Finance and Investment Specialist Technical B

Specialist Applications (SA) stage - students must pass one subject at this stage:

- SA0 Research Dissertation Specialist Applications (not examined)
- SA1 Health and Care Specialist Applications
- SA2 Life Insurance Specialist Applications
- SA3 General Insurance Specialist Applications
- SA4 Pensions and other Benefits Specialist Applications
- SA5 Finance Specialist Applications
- SA6 Investment Specialist Applications (also available as the Specialist Derivatives Certificate)

UK Practice Modules - practice-specific examinations for students working in the UK in order to be eligible for a practising certificate in a role which is reserved for Fellows of the Faculty and Institute.

## Annex E – The Profession’s accreditation and exemption agreements (December 2006)

UK University	Current exemptions	Proposals for accreditation
Queen’s University, Belfast	None	Proposal developed for undergraduate course commencing in September 2007. Accreditation proposal expected following meeting to discuss content.
Birmingham	CT3 exemption recently granted.	Meeting held. Likely to apply for further exemptions from undergraduate (UG) course.
Cambridge	None.	Meeting held. Possibility of accreditation of MPhil in Statistical Methods at CT level. No timescale is available.
City University, Cass Business School	Courses at UG, PG Dip and MSc levels give exemptions from subjects at CT, CA and ST stages through accreditation.	Meetings held. Application for accreditation for three programmes was agreed at Education Committee in November 2006.
Edinburgh	Three UG courses and one MA course give exemptions at CT stage.	No information received to date.
Glasgow Caledonian	One UG and one PG course give exemptions at CT stage.	No information received to date.
Heriot-Watt	Courses at UG, PG Dip and MSc levels give exemptions from subjects at CT stage.	Meetings held. Likely to apply for accreditation in 2007.
Imperial College, Dept of Mathematics	1 UG and 1 PG course give exemptions at CT stage.	PG Certificate being developed for accreditation to give exemption from five CT subjects in September 2007.
Imperial College, Tanaka Business School	Exemptions available through accreditation agreement.	Part-time MSc in Actuarial Finance accredited in July 2006 for exemptions in CT2, CT7-8, CA1, CA3, ST2-6. Started October 2006.
Kent	Courses at UG, PG Dip and MSc levels give exemptions from subjects at CT, CA and ST stages.	Meeting held. Likely to apply for accreditation but no timescale is available.

UK University	Current exemptions	Proposals for accreditation
Leeds	Exemption from one CT subject recently granted with more CT subject exemptions to be applied for from UG courses.	Meeting held. Further links with Business School now developing.
Leicester	None.	Meetings held. Developing a distance-learning MSc course for accreditation at CT level from 2007. Submitted application in November 2006 for accreditation which is being considered by Accreditation Panel.
London School of Economics	Courses at UG level give up to seven exemptions at CT stage.	Meeting held. Likely to apply for accreditation at CT stage. No timescale available.
Oxford	Courses at UG and MMath levels give exemptions at CT stage.	Meeting held. Considering the development of MSc Actuarial Science course for accreditation.
Southampton	Courses at UG level give exemption from up to seven CT subjects.	Meeting held. Considering whether to apply for accreditation. No timescale available.
Stirling	Course at UG level gives exemptions at CT level.	No information received to date.
Swansea	Courses at UG level give exemptions at CT level.	No information received to date.
Warwick	MMORSE Course gives up to seven CT exemptions.	Meeting held. Considering whether to apply for accreditation. No timescale available.
York	UG course gives CT exemption.	No information received to date.

The Profession has granted a number of exemptions for those with qualifications from other UK and overseas universities, including those in Australia, New Zealand, Singapore, South Africa and Zimbabwe. Through its University Liaison Committee and Quantitative Finance Network, it also maintains links with Brunel University, University College Cork, Dublin City University, University College Dublin, Galway University, King's College London, University of Limerick, Nottingham University and others running (or planning to run) courses with relevant actuarial content.

BPP Professional Education Ltd, the parent company for ActEd, the main professional tuition provider for actuarial students, recently informed the Profession that it is likely to apply for accreditation for a PG Diploma at the CT level and subsequently an MSc for accreditation at the CA, ST and SA stages.

## Annex F - Glossary of other key terms and abbreviations

### Abbreviations:

FRC	Financial Reporting Council
Oversight Board	Professional Oversight Board
BAS	Board for Actuarial Standards
AADB	Accountancy and Actuarial Discipline Board
AIU	Audit Inspection Unit
FSA	Financial Services Authority
TPR	The Pensions Regulator
EPSRC	Engineering and Physical Sciences Research Council
ACA	Association of Consulting Actuaries
ABI	Association of British Insurers
ActEd	The Actuarial Education Company, subsidiary of BPP Professional Education Ltd
The Profession	The Faculty of Actuaries in Scotland and the Institute of Actuaries
ECPD	The Profession's Education and CPD Board
CPD Committee	Committee of the ECPD responsible for continuing professional development
PAB	The Profession's Professional Affairs Board
Disciplinary Board	The Board which oversees the Profession's disciplinary schemes
ULC	The Profession's University Liaison Committee
QFN	Quantitative Finance Network
UG/PG	Undergraduate/Postgraduate

### The Profession's ethical guidance:

PCS	Professional Conduct Standards
GN	Guidance Note
GN24	The actuary as expert witness
GN29	Occupational pension schemes - advisers to the trustees or a participating employer
GN30	Compensation for professional shortcomings
GN37	The Financial Services and Markets Act 2000 (Communications by Actuaries) Regulations
GN48	Compliance review: pensions





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