

Compliance Review

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Session 35

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Compliance Review

UK

- Present position
- History of proposals
- How events have changed things
- What is proposed now

CANADA - An update

IRELAND - A parallel story



History in UK

- Working Party proposals
- Consultation
- Canadian Progress
- Equitable Life and other issues
- Corley Report
- Practice Boards Proposals
 - Life
 - General insurance
 - Pensions

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Benefits and reasons why

- Reputation
- Confidence of public
- Increased Business
- Accountability
- Role of outside authorities
- Professional problems
- Move profession forward by raising standards
- Raise standards by education

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Ways of monitoring

Internal / External

- Peer review (Internal)
- Actuarial audit (Internal)
- Practice review (External)
- Questionnaire
- Annual Report
- Certification

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Issues (1)

Who does external review?

- Profession's team
- Government body
- Other firms
- Company auditor's staff

Different issues for - Life Office Actuaries

- General Insurance Actuaries
- Pensions Actuaries

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Issues (2)

- Pilot testing
- Costs
- Publicity
- Confidentiality
- Post or Pre release?
- Small firms

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Developments

- Internal Review support from consultation
- No support for checklists (no tick boxes!)
- IASC requirements of actuaries
- Industry blueprint for review
- Idea of conferences to develop practice

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Final Proposals from UK Working Party

- Internal Review favoured peer review
- External Review
 - option for small firms
 - disciplinary sanction
- Compulsion after a period - determined by Practice Board
- Voluntary questionnaires
- Senior Actuary Report - on monitoring systems, not certifying compliance

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Next Steps

- Consultations led to acceptance by management of UK profession
- Equitable Life - would compliance review have helped?
- UK profession's Corley Report clearly thought so and recommended compulsory external review
- Independent Insurance
- South Africa
- Over to Practice Boards

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Life Board Principles

- Reviewers to meet same standards as Appointed Actuaries
- Certificates for Reviewers
- Mandatory Guidance only covered
- Guidance Note to set out conduct of reviews
- Annual Sign off coincides with annual report to regulator
- Reviewer signs off “to his reasonable belief”
- Reviewer consults predecessor
- Reports made to Regulator
- No formal report to profession

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Life Board Developments (1)

Regulator (Financial Services Authority - FSA)
published similar views to the Profession's

- No Professional Guidance Note now likely
- FSA Rules will require Compliance Review
- Reviews to be done for directors - not Appointed Actuary

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Life Board Developments (2)

Board produced a paper on Actuarial Governance - 3 models:

- Appointed Actuary In House Executive - “Heavy” Compliance Review
- Appointed Actuary In House but non-Executive - “Lighter” Compliance Review
- Appointed Actuary External with Internal Valuation Actuary - No Compliance Review (except Practice Review)

Small Life Offices - Full External Review (Practice Review of External Actuary)

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General Insurance Board (1)

- Consultations made in December 2001
- Practising Certificates to be required for reviewers
- Internal Review in a consultancy to be permitted - Reviewer from separate team
- Lloyd's Actuary to set detailed guidelines
- Peer Reviewer to have right of access to Board and Management

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General Insurance Board (2)

- Timing issues - after Annual Opinions signed
- Member of auditing firm may carry out but as separate process
- Actuaries to Friendly Societies to be reviewed as for Life Actuaries
- Detailed Guidance Note for Peer Reviewer
- Implementation - Summer 2002

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Pensions Board (1)

- Consultations held - profession should seek to “make a difference” - not just box ticking
- Probable introduction on a voluntary basis March 2003
- Compulsion may be delayed for 2 years thereafter
 - to educate
 - to overcome practical problems

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Pensions Board (2)

- Actuary may be able to choose either
 - peer review OR) equally
 - sample of work audited) rigorous
- Scope
 - mandatory guidance initially
 - may expand later

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Pensions Board (3)

- Actuaries to self certify at subscription renewal
- Long term - Pensions Practising Certificate
- Senior Actuary Report / Certification of compliance methods
- Concerns about legal position of Reviewing Actuary

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Developments in Ireland (1)

Republic of Ireland (“the South”) Legislation from Dublin Parliament

Key similarities and key differences from UK (of Great Britain and Northern Ireland)

Professional ties are very close - FIAs and FFAs

- Society of Actuaries in Ireland
- Own Memorandum of Professional Conduct
- Own “Self Regulation” = “Compliance Review”



Developments in Ireland (2)

Recommendations:

- Introduce Compliance Review in strengthened Memorandum of Conduct
- Peer Review - application varied to practice area
- New Guidance Note
- Introduction 1 January 2003 or later
- Establishment of an Oversight Board
- Lighter discipline regime for less serious breaches not currently caught

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Canada

Recent Developments

- Earlier proposal for Mandatory Practice Reviews modified after consultation to Compulsory Peer Review
- Further consultation with membership
- Peer Review introduction was confirmed - but Compulsion has been removed
- Voluntary Peer Review has become widespread

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Conclusions

- When first discussed - considerable opposition
 - Identifiable problems
 - Other professions' positions with regulators/governments
- External to Internal (and back again?)
- Mandatory or Voluntary?
- Practising Certificates for Operational Areas - not specified tasks
- Phased Compliance Monitoring in UK during 2002 - will actuaries in other nations follow Canada, Ireland & UK?