THE MORRIS REVIEW

Peter Clark

Past President: Institute of Actuaries

Abstract. This paper considers the events surrounding the closure of the Equitable to new business and the ensuing Penrose Report which led in turn to the establishment of the Morris Review. It finishes with an assessment of lessons to be learned by actuaries outside the United Kingdom.

Key-words: 13th EAAC, proceedings, Equitable, Penrose, Morris

1 Introduction

The problems at a well known, and previously well respected, mutual life assurer in the United Kingdom have led to a series of reviews and reports which in turn have led to considerable changes both in the regulation of life assurance in the United Kingdom and in the way life companies are run. Given that the senior management of the life assurer in question was almost exclusively actuarial there has been considerable focus on the role of actuaries and this has led to significant changes within the Actuarial Profession in the UK. Some of these changes have been self-induced and others are being imposed from outside. Many other actuaries around the world have been following these developments conscious that similar changes could be coming to their own countries.

2 Events at the Equitable

The Website of the Equitable Life Assurance Society includes the following description:

In 1762 Equitable Life Assurance Society was established as the first mutual life assurance company, set up and run for its members and continues to run as the oldest mutual life assurance company in the UK. Although the longest surviving life assurance company, it has in recent years undergone an exceptionally difficult period. Following a House of Lords ruling against the Society in July 2000, the company closed to new business on 8 December 2000. The operating assets and the economic interest in much of the non profit business was sold to Halifax in February 2001. From March 2001 Equitable continued as an independent company with services provided under contract by Halifax.

These last five years have indeed been "an exceptionally difficult period" for the Equitable, the United Kingdom life assurance industry and the actuarial profession. This section is just a brief overview of the events at the Equitable. However, before starting this overview it is important to remember that the Equitable is still a solvent life assurer; it is in a completely different category from companies such as Enron to which it is sometimes wrongly compared.

Along with many UK life assurers the Equitable issued pension policies which included a guarantee of the rate at which a capital sum at retirement would be converted into an annuity (the so called guaranteed annuity option or GAO). They started issuing such guarantees in the 1950s and continued until 1988. In arriving at that guaranteed rate assumptions were clearly made about both rates of interest and rates of mortality. At the time it was thought that these assumptions were extremely conservative. In other words, the guaranteed rate of interest was low and the rates of mortality were similarly prudent.

However, during the 1990s rates of interest fell dramatically and observations showed that people were living much longer. The result of these two developments was that the guaranteed annuity rates became more attractive then the market rates of annuity. The Equitable reacted to this by declaring differential rates of bonus: a lower rate of bonus for those who claimed the guaranteed rate and a higher rate for those who opted for the market rate of annuity. They believed that this differential was allowed by the policy conditions and they also felt that it was completely in line with their policy of giving a fair return to all their policyholders.

There is a statement of the Equitable's approach to the fair treatment of its policyholders in a paper presented to the Institute of Actuaries in 1989 by the then actuary of the Equitable, Roy Ranson and his deputy, Chris Headdon [11].

Some of the policyholders of the Equitable did not believe that the company's treatment of the guarantee was fair and so, after discussion with the Equitable, it was agreed that the case would be taken to the High Court. That court decided in favour of the Equitable but gave the right to appeal against that decision. Thus the case went to the Court of Appeal. Although the judges in the Court of Appeal were divided in their opinion, the Court ruled against the Equitable but again gave the right for a further appeal. This appeal went to the highest court in the UK: the House of Lords.

On 20 July 2000 the House of Lords also ruled against the Equitable, holding that their policy of awarding differential rates was unlawful. As a result of this decision the Equitable continued to sell new business but immediately put itself up for sale.

Many companies expressed an interest in purchase but, by the beginning of December 2000, only one company remained interested in purchase. On 8 December that final, potential purchaser pulled out and the Equitable announced that it was closing to new business.

A much fuller history of the events at the Equitable can be found in the report prepared by Lord Penrose [10] to which reference is made in section 4 below.

3 Response to the Equitable

I became President of the Institute on 3 July 2000 and so was heavily involved in the UK Profession's response to these events. In December 2000, following the Equitable's closure to new business, David Kingston, the President of the Faculty of Actuaries, and I established a committee to investigate the position. We issued a press release on 21 December which stated:

The Actuarial Profession today announced that it was setting up an internal Committee of Inquiry to look into the implications for the profession of events surrounding the closure of the Equitable Life Assurance Society to new business, which was announced on 8 December 2000. The Inquiry will focus in particular on the key issue of professional guidance.

The Committee of Inquiry has been asked to present their findings to Peter Clark, President of the Institute of Actuaries and David Kingston, President of the Faculty of Actuaries, by Spring 2001.

Speaking on behalf of the Profession, Peter Clark said:

"The closure of the Equitable Life Assurance Society to new business is an unprecedented development in UK life assurance which has naturally led to a grave concern felt by many thousands of policyholders.

"The profession is acting to ensure that the factors and events which led to this event are properly assessed in order to establish whether the existing professional actuarial guidance has been adequate or needs to be amended.

"The Inquiry will undertake a thorough and objective review of the events. Any recommendations they make to the Profession are likely to relate to the adequacy of relevant professional guidance and to general issues in relation to the role of the Appointed Actuary in life assurance."

Both David Kingston and I felt that it was important the Profession acted quickly. The Inquiry was chaired by Roger Corley, another Past President of the Institute and it included two other actuaries and also, most importantly, two non-actuaries. It was vital that this Inquiry was not seen to be a whitewash of actuaries by actuaries.

As you may imagine, this was not the only inquiry which was established. The UK Financial Regulator (the Financial Services Authority – the FSA) commissioned an inquiry as did the Institute of Chartered Accountants of England and Wales (ICAEW). The Treasury Select Committee in the House of Commons also undertook their own study.

Roger Corley presented his report [2] in September 2001 and the main recommendations are included in Appendix A. It should be clear from reading those recommendations that the Inquiry recognized that there were areas where the profession needed to be more stringent in its approach.

The FSA had already been tightening up on its regulation of UK life assurers and, in the light of its own inquiry, it decided that further work should be undertaken. As far as the actuarial profession is concerned one major change introduced by the FSA has been the removal of the Appointed Actuary role and its replacement with three actuarial roles:

- The Actuarial Function Holder
- The With Profits Actuary (for those companies with with profits business)
- The Reviewing Actuary

A major rationale of the FSA's changes was to underline that the Board of Directors of a life assurance company is fundamentally responsible and accountable for all the activities of that company. Hitherto, it had been the personal responsibility of the Appointed Actuary to sign off on the liabilities of the company. In future the Board of Directors is liable for that calculation which is now also brought within the scope of the audit.

The Actuarial Function Holder is responsible for bringing recommendations to the Board and then for undertaking the calculations. The Reviewing Actuary (who must be independent of the company) is responsible for providing a review to the auditors on the adequacy of the liabilities. The With Profits Actuary is responsible for ensuring the fair treatment of all with profits policyholders.

4 The Penrose Report

Just days before Roger Corley presented the report of his inquiry, the UK Government asked Lord Penrose to undertake a study:

"To enquire into the circumstances leading to the current situation of the Equitable Life Assurance Society, taking account of relevant life market background; to identify any lessons to be learnt for the conduct, administration and regulation of life assurance business; and to give a report thereon to Treasury Ministers."

The FSA inquiry mentioned in the previous section had only covered the period since 1999 (when the FSA was established) and there was a widespread view that a more extensive review was required.

Lord Penrose certainly undertook an extensive review. He finally presented an 817 page report to the Treasury minister on 23 December 2003. The full text of the report was presented to Parliament and published on 8 March 2004. [10]

Lord Penrose was critical of various bodies:

- His primary criticism was levelled at the Equitable - its Board, its management and its actuaries.
- He criticised the regulatory system for life assurance.
- He criticised the professions – both the actuaries and the accountants.

When Ruth Kelly, the relevant Treasury minister, presented the report to Parliament, she announced the establishment of various further reviews. The relevant paragraphs of her speech to Parliament are shown in Appendix B.

Of most relevance to the profession she asked Sir Derek Morris, an economist who was about to retire as Chairman of the UK Competition Commission, to undertake a review.

The terms of reference of the review were to:

Consider what professional and/or other regulatory framework would best promote recognised, high-quality and continuously developing actuarial standards, openness in the application of actuarial skills, transparency in the professional conduct of actuaries, accountability for their actions and an open and competitive market for actuarial advice in the UK;

In doing so:

- *Take into account developments in the actuarial profession, in regulation, and in the financial services market, in the UK and abroad;*
- *Examine the roles of actuaries in the financial services sector, including in providing actuarial opinions in relation to audited accounts;*
- *Build on the work of recent government and regulatory initiatives;*
- *Examine the relationship between the Government Actuary's Department and the actuarial profession and with other parts of government.*

Recommend a framework that will be independent in representing the public and consumer interest, and be accountable, flexible, transparent, and no more burdensome or restrictive than is clearly justified.

Make recommendations on the future role of the Government Actuary, the functions of his Department and its future institutional status.

5 The Morris Review

From the start the profession decided to take a positive stance with regard to the Review. They presented to the Review 'An Introduction to the UK Actuarial Profession' [4].

Sir Derek undertook a very thorough study. In June 2004 he published a Consultation Document [7] and sought responses. The UK Profession made its own response to the Consultation [5] Both Sir Derek and his team consulted widely and he and members of his team visited the half yearly meetings of the International Actuarial Association which took place in Washington in November 2004. They attended some of the IAA committee meetings and also spent time with some of the international delegations.

In December 2004 Sir Derek presented an 'Interim Assessment' [8]. The Press Release that accompanied the publication of the Interim Assessment said:

The issues identified in the interim assessment include:

- *the profession overall has been too insular and slow to adapt to changing circumstances;*
- *there has been insufficient transparency in actuarial advice;*
- *there has been inadequate scrutiny, challenge and market-testing of actuarial advice by users: such as some pension fund trustees and Boards of insurers;*
- *there has been a lack of clarity about the accountability of actuaries to the wider public interest;*
- *in the past the educational syllabus has failed to take full account of developments in actuarial and non-actuarial thinking;*
- *professional standards have been weak, ambiguous or too limited in range; and perceived as too influenced by commercial interests;*
- *self-regulation has not been sufficient to address these issues.*

Again the UK Profession responded to this publication [6].

Because a General Election was expected (and did in fact take place) in May 2005, Sir Derek was anxious to publish his final report well before May. In the event his report was published in March 2005 [9]. The Press Release accompanying this publication is shown as Appendix C.

I believe it is important to highlight one paragraph from that release:

The review has no reason to doubt that the overwhelming majority of actuaries in the UK are dedicated, skilled professionals providing important and useful advice, with *commitment, integrity and a strong sense of duty. However, the review has also identified a number of quite serious problems faced by the profession in the UK and sets out a challenging agenda for reform for the profession.*

Part of the Review dealt with the Government Actuary's Department and I do not intend to cover that in this paper. Another significant part dealt with the education of actuaries and I know that Chris Daykin is covering that issue in the paper he is presenting to this conference and so I will ignore that in this paper.

A significant change which is proposed by the Review, and which the Profession supports, is that there should be independent oversight of the regulation of the actuarial profession.

The Review considered three possible options:

- Continuation of self regulation by the profession
- Independent oversight where the profession's self regualtion is overseen by an independent body
- Full statutory regulation by a body such as the FSA

In the current climate, self regulation was not considered a viable option. Full statutory regualtion was considered to be too inflexible to deal with a rapidly changing market place. Thus Sir Derek proposes that there should be independent oversight undertaken by the Financial Reporting Council (FRC) which currently exercises that role in relation to accountants in the UK. He proposes that there should be a new Board for Actuarial Standards (BAS) which will report to the main Board of the FRC.

One of the other issues which concerned Sir Derek was the communication between actuaries and their clients. In 2.50 the report states:

Although there is a clear requirement on the part of users to equip themselves with the ability to understand and challenge actuarial advice, the interim assessment also highlighted concerns about the clarity with which actuarial advice is provided. This is partly about how actuarial advice is presented and, perhaps more importantly, about what it is that actuaries choose to present to their clients. The review also recognises that problems arise simply because of the intrinsically complex nature of the subject matter.

The Review recommends that the new Board for Actuarial Standards should develop a generic standard on communication covering the content of actuarial communications and the use of those communications by others. The new standard should cover the need for actuaries to disclose relevant information in various areas.

The communication between actuaries and others was a subject which attracted the criticism of Lord Penrose in his report – both as regards actuaries at the Equitable and also those within the regulator. (e.g. Chapter 9 paragraph 181 [10])

The topic of communication is a passion of mine. My Presidential Address to the Institute of Actuaries was entitled *Communication, Culture and Companionship* [1] and I stressed the importance of communication in most of the talks I gave during my term as President. There is still a long way to go to improve the communication skills of many actuaries. When I speak to newly qualified actuaries I refer them to an interesting, and very helpful, paragraph in one of the current Guidance Notes:

It is essential that the report is expressed in a form which is accessible to its readers and does not conceal important issues inadvertently by, for example, undue length or complexity. An executive summary or overview drawing attention to important issues would be helpful.

It would be well to reread that before presenting any significant report to a Board or to a client!

6 The Profession's Response

As I explained in section 5, the UK Actuarial Profession adopted a positive and constructive stance in relation to the Morris Review. A major reason for this was that the Profession had already started to address many of the key issues which had been raised by Lord Penrose. Indeed, the Profession had started to address some of them before Penrose even presented his report. As can be seen from the recommendations in the Corley Report [2] (Appendix A) the Profession was aware of areas which could be improved.

- Disciplinary Scheme

Much work was undertaken by the Profession over a number of years and finally a revised, more independent disciplinary scheme was introduced with effect from 1 January 2004. Indeed Lord Penrose publicly recognised that in his report [10] (Chapter 20 paragraph 59).

- Peer Review

A Discussion Paper was produced by a working party of the Profession in November 1999 (i.e. before the fateful House of Lords judgement). This has proved to be a controversial topic but plans are well in hand to introduce Peer Review in the Pensions area. Both the FSA and the Association of British Insurers believe that the new requirement for a Reviewing Actuary removes the need for further peer review of actuarial work within life assurance companies. However, the Profession is considering whether this does cover sufficient of the work of the relevant actuaries.

- Board for Actuarial Standards

Before Sir Derek Morris commenced his review, the Profession recognised that there was a need for a more independent review of actuarial standards. Work had commenced to consider the best way to achieve such an independent review. This year a Scrutiny Committee was established under an independent, non-actuarial chairman. Its remit is as follows:

The Scrutiny Committee's role is to assist the Faculty and Institute Management Committee (FIMC) and the profession in the development and promulgation of standards for the UK profession, and to report to FIMC how any lessons learned may be taken into account in the operation of an Actuarial Standards Board, should such a Board be established. It will do this by:

a. developing principles for the generation of the profession's standards and associated processes in order to deliver standards of the highest quality, at least comparable to those of other professions;

b. *lending added weight, authority and independence to the work and processes of setting standards;*

c. *bringing greater clarity and transparency to the profession's standards, and*

d. *creating a virtuous circle of the scrutiny process as lessons learned are applied to the creation of new standards.*

It proposes to work with the Practice Boards of the Faculty and the Institute to fulfil its role. It also proposes to seek comments from members of the profession and of the public on its developing proposals.

The Profession is now working closely with the FRC to develop the way forward in the light of the Review's recommendations. One key issue is the funding of the FRC and the Board for Actuarial Standards.

- Education

This is covered by Chris Daykin's paper but I must mention that a new education syllabus has been introduced this year and this certainly addresses many of the criticisms that had been directed to the previous system.

- Revalidation of Professional Competence

Currently only those actuaries working in statutory roles require a Practising Certificate. In order to maintain a Practising Certificate one has to demonstrate a minimum level of Continuing Professional Development.

The Profession was, and is, actively considering a proposal to extend the concept of Practising Certificates to cover all actuaries who give advice on actuarial matters.

When the final report was issued the Presidents of the Institute and Faculty jointly stated:

We are very pleased that final report has followed the course mapped out in Sir Derek's interim assessment, which we supported in our published response. We had accepted the need for change even before the Morris Review was announced. Several reforms were already in place and others had been announced. The real benefits delivered by the Morris Review were the extension of our ideas in ways which the Profession did not have the power to deliver for ourselves.
We began this review process with confidence in the changes we had initiated, but receptive to new proposals. This stance has clearly been the right one. We think it is fair to say that there is nothing in the report that suggests the Profession was going in the wrong direction or failing to address any major issues.
As Sir Derek acknowledges in his report, "the review has built on changes already contemplated or initiated by the Profession". Sir Derek is particularly complimentary about the response of the Profession to the Review:

> *"[The Profession] does not accept all the analysis of the interim assessment; but has nonetheless adopted a forward-looking stance, recognising that significant change is desirable, seeking to work with the grain of the options for reform and providing constructive input into the review's finalising of its recommendations."*

The tone of Sir Derek's report reflects the very thorough way in which the Review has assimilated information about actuaries and the work that we do. There are many aspects of the report which confirm our original impression that Sir Derek has *acquired a real insight into the challenges facing actuaries and into our strengths as well as our weaknesses.*

7 Lessons for the Rest of the World!

Right at the end of his Presidential Address [3] to the Institute of Actuaries in 1994 Chris Daykin said:

We must build the confidence of our clients, our employers and the ultimate consumers of our services, so that we can fairly say 'You can trust an actuary'. We are the profession that turns financial promises into reality.'

Nearly seven years later, following the closure of the Equitable to new business, the director of the leading consumer organisation in the United Kingdom was quoted as saying:

Trust me I'm an actuary is rather like Harold Shipman saying 'Trust me I'm a doctor'

To get the full force of that second quotation you need to understand that Dr. Harold Shipman killed over 250 of his patients!

It is no longer sufficient to rely on membership of a long-established self-regulating professional body. Not only must we do the right thing, we must be seen (and verified) to do the right thing. This is not a development which is restricted to actuaries. In the UK the legal and accounting professions have all been through a similar process with broadly similar results. An independent body is established to oversee the workings and particularly the standards and disciplinary processes of the professional bodies.

Thus I believe the messages for the rest of the world from the process that we are going through in the UK are:

- Ensure that the processes of your professional association are open and transparent.
- Do not be afraid to open your association to scrutiny from external sources. Indeed consider involving non-actuaries in your governance processes.
- Adopt the "Headline Test": How would a particular activity or decision appear if it were reported as a headline in the daily newspaper?
- Be abundantly clear in your communication – both at the association level and at the level of the individual actuary.
- Always bear in mind that none of us – least of all Past Presidents of the Institute – are as good communicators as we like to think.
- There is always room for improvement!

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PETER CLARK
Phone: +44 1794 522788
E-mail: peter@ballardswood.org.uk

A Recommendations of the Corley Report

Summary of Recommendations of Corley Report:

We recommend that:

A. the Faculty and Institute, in their current investigation into ways of monitoring compliance with professional standards, make an external peer review of the work of the Appointed Actuary a requirement. (paragraph 34)

B. the provision of an annual Financial Condition Report be made mandatory. (paragraph 35)

C. the Guidance Notes refer specifically to open-ended guarantees and their potential impact on the financial condition of a life insurance company. (paragraph 39)

D. the Guidance Notes make plain that the Appointed Actuary should require that there is a process for reviewing communications to policyholders and potential policyholders. The process should embrace:

   (i) stated principles that the illustrations and other literature must reflect, and
   (ii) a consideration of how a policyholder who is not familiar with the constraints on a life office might read them. (paragraph 51)

E. the Guidance Notes have more explicit references to the formulation of bonus recommendations to directors, maybe through a separate section. This section should include some wording that when a new with-profit product is introduced, the Appointed Actuary should consider whether it should join an existing common bonus pool. (paragraph 54)

F. the Guidance Notes require that, when advising the Board on policyholders' reasonable expectations or any successor concept under insurance regulations, the Appointed Actuary should ensure that other relevant strategies for meeting them are presented to the Board for discussion. (paragraph 60)

G. the Guidance Notes should require that an actuary resists holding the dual role of Chief Executive and Appointed Actuary or any role which compromises his or her ability to fulfil the duties of the Appointed Actuary. (paragraph 68)

H. the Guidance Notes require that, in the fields where the Appointed Actuary is responsible for making recommendations to the Board, the reasonable alternative courses of action with their advantages and disadvantages should also be set out. (paragraph 75)

I. the wording of GN1 and GN8 be reviewed to ensure that they are expressed in a clearer and more user-friendly manner. (paragraph 81)

B Extract from the presentation of the Penrose report to the UK Parliament 8 March 2004

72. Mr Speaker, in line with his interpretation of his remit, Lord Penrose does not set out a comprehensive list of recommendations for the Government. Nevertheless, he does make a number of observations which merit further action. I have no doubt that Committees of this House which have taken an interest in these matters will wish to examine what further can be done. But the principal that the regulatory system – even one so recently updated – should be subject to constant review is one that we accept. Mr Speaker, I can announce today a programme of work to build on Lord Penrose's findings.
73. The Government accepts the need to re-examine the corporate governance arrangements applicable to mutual life offices in the light of the experience at Equitable Life. I can today announce a review of the governance of mutual life offices, to be led by Paul Myners, so that the boards of mutual life offices are as accountable to their members as those of comparable companies are to their shareholders.
74. Lord Penrose also offers a number of criticisms of the actuarial profession. He says: "The profession resisted prescription. The individual judgement of the appointed actuary prevailed."
75. He adds: "the guidance offered no standards of performance that might reflect generally accepted principles or rules of conduct such as one might have expected of a professional body".
76. I can announce today that Sir Derek Morris will lead a review of the actuarial profession with a particular focus on considering how best to modernise the profession and see that high standards are delivered in a more open, challenging and accountable professional culture.
77. I can also announce that I have asked the independent Accounting Standards Board to initiate a study into the accounting for with-profits business by life insurers. The study will have a particular emphasis on identifying ways of improving the transparency of reporting.
78. Lord Penrose also argues that there is a clear responsibility on government to inform and educate consumers about the nature of the financial system. This Government was the first in the world to incorporate consumer education as a key statutory objective of the financial services regulator. And the FSA have recently stepped up their work in this area, with the launch of the Financial Capability Steering Group, which will examine the approach to consumer education from first principles.

C Press Release accompanying the publication of the Final Report of the Morris Review

16 March 2005

Sir Derek Morris recommends that the financial reporting council should oversee the regulation of the actuarial profession

Sir Derek Morris has today published his final report on the actuarial profession in the UK. The review focused on three broad areas: the regulatory framework for the actuarial profession; the level of choice and competition in the market for actuarial services; and the future role of the Government Actuary and the Government Actuary's Department.

On the regulatory framework the review concludes that independent oversight of the actuarial profession's regulation is the best way to combine professional actuarial input into the regulatory framework with sufficient independence from the profession to provide the necessary protection and assurance for the public. The review's central recommendation is that the regulation of the actuarial profession should be subject to independent oversight by the Financial Reporting Council (FRC). The FRC should:

- create an Actuarial Standards Board, as a new operating body of the FRC, to set actuarial professional standards; and
- oversee the regulatory and other activities of the actuarial professional bodies – including their role in: setting ethical standards; administering education and CPD; monitoring of compliance with professional standards; and in administering disciplinary procedures.

The review also makes a number of specific recommendations to:

- address the conflicts that surround the role of the Scheme Actuary;
- encourage the profession to broaden its provision of education – working closely with universities and employers; and
- ensure clear whistle-blowing duties and compliance with professional standards so that the wider public interest is protected.

With respect to the actuarial services market, the review has concluded that there is a reasonable level of choice and competition in the market for actuarial services for all but the largest pension funds but that there is inadequate market-testing and scrutiny of actuarial advice. The review recommends measures to:

- encourage users to market test and tender separately for the elements of their actuarial advice;
- increase user knowledge and understanding; and
- improve the quality of the information that actuaries communicate to users and how they do so.

In relation to the Government Actuary's Department the review recommends that

- the Government should increase choice and competition for users of actuarial advice to public service pension schemes and should transfer a limited number of functions to other government departments in order to achieve more effective integration of the services provided;

- the Government Actuary should continue to report to Ministers and Parliament on the National Insurance Fund; and
- the Government should consider converting the Government Actuary's Department into a trading fund.

Sir Derek Morris said:
"The review has no reason to doubt that the overwhelming majority of actuaries in the UK are dedicated, skilled professionals providing important and useful advice, with commitment, integrity and a strong sense of duty. However, the review has also identified a number of quite serious problems faced by the profession in the UK and sets out a challenging agenda for reform for the profession.

I believe that the proposals which have emerged from my investigation into the Government Actuary's Department and the Government Actuary will provide public sector users of actuarial services with the right framework within which to work; and at the same time will allow the Government Actuary's Department to build on its historical strengths in order to meet its continuing aspirations effectively.

The review makes a number of recommendations to ensure that there is an effective market for actuarial services and recommends that the regulation of the actuarial profession should be subject to independent oversight by the Financial Reporting Council. I believe that there is widespread support for these proposed changes. In particular, the actuarial profession has responded in a very constructive way, pursuing reforms that it has itself seen as necessary in the light of the Penrose Report. The response of the statutory regulators and the Financial Reporting Council has also been very positive. This is very much to be welcomed.
The actuarial profession is, in my view, at something of a crossroads. It has for a variety of reasons come under quite intense scrutiny, not least in this review, and will inevitably face change. With strong leadership, I believe that the profession can move forward, on the basis of reforms proposed in this review, to fulfill a wider remit in the field of financial risk analysis, bringing expertise, robust standards and the benefits of professional conduct to both traditional and new sectors."