

Singapore Actuarial Society

Professionalism Standards



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Slide 1

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Background on SAS

1996	New Constitution
1997	Code of Professional Conduct
2002	Disciplinary Procedure
2003	Full admission to IAA
2004	Statutory Recognition of SAS
2005	Guidance

Is this enough?

Actuarial Judgment In Question

HIH	Australia
Lapse supporting term	Canada
Equitable Life	UK
Pension Misselling	UK
Endowment Misselling	UK
Critical Year	Singapore

Problems even in Well Regulated Countries

Equitable Life Issues

- **Gave guarantees but not reserve for them**
- **Attempted to correct by differential bonuses**
- **Did not fully communicate bonus philosophy to policyholders (or board)**
- **Weak reserving standards**

Equitable Life Issues - continued

- **Over-allocation of bonus to support new business**
- **Conflict of interest of AA**
- **Over-reliance placed on role of AA**

Issues beyond just annuity guarantees

Key Criticism Of Actuaries - Internal

- **Thought they were “God”**
 - **Believed Expert lawyers, underwriters etc. etc.**
- **Conflict CEO and AA**
- **Not communicated to board**

Key Criticism Of Actuaries - The Profession

- **Reactive professional disciplinary system**
- **No audit review**
- **No guidance on PRE**
- **No guidance on valuing guarantees**

“Trust me I am an actuary”

has no more resonance with me than

Dr Harold Shipman saying

“Trust me I am a doctor”.

Head of Consumer Association UK

“[Actuaries are] mathematical mystery men, crafty calculators who cooked up clever schemes to rip people off, or at least who stood idly by while the marketing boys waved smoke and mirrors to stitch consumers into disastrous long term contracts or to cream money destined for investment into the company’s bottom drawer.”

Walter Merricks, Financial Services Ombudsman

"The insurance business is completely screwy now. You know they've introduced the death penalty for insurance company directors?"

"Really?" said Arthur. "No, I didn't. For what offence?"

She frowned.

"What do you mean, offence?"

Mostly Harmless, BY DOUGLAS ADAMS

We don't REALLY need to change?

- **Things won't really change in practice**
- **We'll get by - we always have done in the past**
- **We're the only ones who really understand the business**
- **In any case, we can't change - we're too busy fixing all the existing problems!**

If we don't change

- More big industry cock-ups?
- Reputation of the profession continues to decline?
- Regulation becomes (even) more prescriptive?
 - And ignores actuaries completely?
- The business finds other ways of getting advice?

If we don't change Cont'd

- **Increased capital requirements?**
- **Risk understanding/management moves out to a middle office?**
- **Pricing moves to marketing (if it hasn't already)?**
- **Outsourcing of actuarial?**
- **And the customers lose out!**

Resulting Developments To Date – UK FSA

➤ Separated role of Actuary :-

- **With Profits Actuary**
- **Actuarial functions**
- **Reporting Actuaries**

Resulting Developments To Date – UK Institute

➤ Institute:-

- Peer Reviews
- Practice certificates

Standards in UK

- CPD – 15 hours formal previous year or average over up to 3 years.
- Cap on internal company CPD
- Practice Certificate – 3 years experience in last 10 including at least 12 months in last 2 years.
- Peer Review – Being launched everything reviewed.

Australia

- **CPD – Even if not employed locally just to stay fellow**
- **CPD – 20 hours core a year plus 50 non core. Can be averaged over 3 years.**

USA

- Annual average of 12 hours per year averaged over 2 years. At least 50% organized
- Records kept for 6 years

Canada

- CPD – 24 formal hours and 100 hours in total in preceding two years
- Must keep records for 5 years
- Only apply if practice in Canada

India

- CPD – 15 hours in previous 2 years or 25 hours in previous 3
- Practicing Certificate – 3 years relevant experience in last 7
- Must have if sign in India
- Professionalism Course

What should we do in Singapore?

What should we do in Singapore

- **Can we rely on examining bodies?**
 - **Most do not impose anything outside home country**
- **Can we afford to do nothing?**
- **If we do something what should we do?**

Survey Results Summary - Who Replied

- **Mainly fellows responded**
- **Most supporting AA or not involved (one AA)**
- **Mix of bodies (Slightly more Institute)**

Survey Results Summary - Results

- **Almost unanimous support for CPD (Unanimous with Fellows)**
- **Even response on practicing certificates**
- **Guidance considered a tricky area**
- **General view was more and clearer guidance would be good but hard to achieve in complex areas.**
- **Still risk decisions being made on other than 100% professionalism grounds**

Points of Discussion

Guidance Notes

- **First two circulated today?**
- **What next?**
- **What should be balance between actuarial discretion and SAS direction?**
- **Should these be mandatory or best practice?**

CPD

- **Should we have CPD**
- **If so who would have to do it?**
- **Are there enough opportunities?**
- **Will having it make more opportunities?**
- **How will it be administered?**
- **Who will check?**
- **How much should it be?**
- **What type?**

Practicing Certificates

- **Should we have them?**
- **How administered?**
- **What involve?**

Peer Review?

➤ **Who?**

➤ **For What?**

What other areas should we consider ?

