Actuarial Monitoring Scheme Consultation Meeting

The Royal College of Physicians, Edinburgh

17:30-19:00, 30 July 2018

The Chair (Desmond Hudson, Chair of the IFoA Regulation Board):
First of all, welcome, to you all, to this consultation meeting on the proposals for an enhanced system to monitor the quality of actuarial work. My name is Desmond Hudson. I'm going to Chair this evening's event. I also have the privilege of being Chair of the IFoA's Regulation Board. I'll introduce my colleagues as we go through the event. Let me start with some housekeeping.

If you're planning on claiming CPD for tonight's event it's your responsibility to make sure that you enter the event into your own online record. If you've collected your name badge that will mean that you're automatically going to be recorded in our audit tracking system. If you have not got a name badge and you want to claim CPD you need to register after the event.

We are recording tonight's proceedings, simply for the purpose of helping us with the transcription, making notes of the points raised. We're going to be destroying the recording as soon as we have prepared the transcript. We are not proposing to publish or to share the [recording]. That will be used as part of the process in our preparing for the consultation. You'll know that it is our normal practice that where people make a consultation response, unless they ask for anonymity we would potentially publish that. Tonight's recording therefore is simply an internal matter to be retained short term, simply for the purpose of our preparing a transcript and notes.

If you've got your phones with you can I ask that you turn them off, because I'm told that they may interfere with the sound system?

I'm going to make sure that we try and stick to time and so we're looking to finish promptly at 7:00pm.

Finally, by way of housekeeping issues, there are no fire alarm practises planned for this evening, so if the fire alarm goes that means the building's on fire, or we need to exit and obviously you can see the signs and there will be staff on hand, I would expect, to help us to make our way through the fire exits.

So, on that basis then, let me just confirm what our plan is. We're going to have two brief presentations. First, from my colleague Ben Kemp, who's the IFoA's General Counsel and, in particular, the Executive Director responsible for our regulatory and disciplinary activities. Ben is going to speak to us first to try and set some, as it were, overview, the overarching concepts, if you will, behind this consultation proposal. What we'll then do is we'll go to my colleague Shane. Shane O'Dea will be speaking to you to giving, if you will, interpretation of the proposals from a practitioner’s perspective. I'll introduce Shane more fully before he speaks. My plan is that, I'd prefer you to hold any questions you may have for Ben until after we've had both the presentations and then we'll go over to questions, discussion points, any challenges, or any clarifications that anybody needs. So, without further ado, Ben, can I ask you to start tonight's proceedings?

Ben Kemp (IFoA Director and General Counsel):
Good evening, everybody. Lovely to see you. Thanks very much for coming. I feel quite a long way away from you over here, but hopefully you can hear me anyway. Okay, I, as Des has said, am going to give you, hopefully a relatively crisp, fifteen minutes or so overview of the monitoring proposals. This is a short form summary, if you will, of what is contained in the Consultation Paper, which hopefully you've had the

opportunity to have a look at. I'm happy afterwards, when we get to that stage, as Des says, to take questions on anything I say, or indeed on anything that's contained in the proposal. Then when I've spoken, Shane's going to say something from a practitioner's perspective. Quick context/background: we at the IFoA, of course, are responsible for a regulatory function, for regulating our Members as set out in our Royal Charter. It's one of the things that we are called upon, one of the responsibilities, we're called upon to do, to discharge. In doing that, we set out to uphold and demonstrate high standards of technical competence and ethical behaviour amongst our Membership. I don't think there's anything too controversial in that, but more interesting in what that actually means in practice and how we do that. Notice the reference to not only upholding, but demonstrating. There's something here, I think, quite important about maintaining the reputation of the profession and commanding public confidence in the profession. That's the high level context of what we're trying to do.

One of the things that we've been thinking about for some time is the fact that we - and speaking with our oversight body, the Financial Reporting Council [FRC] – don't currently monitor the quality of Member's work. So, we have standards, we have a CPD regime, and requirements in relation to CPD. We have a Practising Certificates regime [PC Scheme] and we also have a disciplinary scheme, as you would expect from a professional body, to enforce serious breaches and misdemeanours *etc.,* when things go wrong. We don't actually have a way of understanding, of knowing, until things go very wrong, how Members are actually complying with standards, the extent to which they're managing to fulfil our collective expectations as a profession. Indeed, that means that we don't actually know, without doing some form of monitoring, the extent to which our standards, the standards that we impose, are being effective, so, there is a 'gap' in the information available to us as a professional body, as a regulator.

It's worth saying that the proposals are not a response to any specific identified crisis or evidence of anything, any specific problem in relation to any particular of work, as such. Actually, they are a response to the challenge of not knowing, of a lack of information. We believe we have every reason to be confident in our Members and their work and we don't get many disciplinary complaints. That, of itself, on the face of it, may be a good thing, assuming we're hearing about what we should hear about, but we don't actually have specific information about the extent to which work is meeting those standards. That, against a context in which, there is of course, and this is pretty trite really in terms of it being well known, but against a context in which there is increased public scrutiny of the professions in particular, not least, in relation to financial services. Therefore, there is heightened risk for the profession. There is heightened risk both in terms of specifically what we do and don't know about the way in which actuarial work is being done and also a heightened risk for the IFoA on behalf of the profession in terms of its credibility as a professional body in 2018, if we do not do something about this. That is the rationale. That is the question we're seeking to address through these proposals.

If one accepts that as a proposition, there is something to be done in terms of some form of monitoring. 'Monitoring' can mean all sorts of different things, and there are lots of examples of monitoring being done in relation to lots of other professions and sectors, but it takes different forms. If one accepts that, and we accept, that we're going to try and do something, we've called it an enhanced system to gather information about the work being carried out by our Members, the challenge is to come up with something that is proportionate/sensible/pragmatic as a way of doing that in relation to our Members as actuaries. The purpose is, as set our here, to provide evidence of the quality of actuarial work to promote best practice, that's, after all, what we're about as a regulator, and to enable us at the same time to develop and improve and enhance what we do as a regulator to ensure that our standards are as effective as possible, that we're delivering training that is targeted to relevant issues.

So, how then we do we address this question? That is in essence what we've tried to come up with in the consultation proposal. We're seeking your input as to whether you agree with us that this is the sensible balance that we've sought to strike. Certainly that is the intention. We've sought to come up with something which is bespoke to the actuarial profession. While we've drawn on learning and experience and examples elsewhere across the professions in the UK, we've tried to come up with something that is not just borrowed from accountancy or audit, but rather, is specific to actuaries. We've also tried to come up with something which is not-one-size-fits-all. It's intended to be risk based and proportionate.

We've landed, in terms of a proposal, on three Categories of monitoring. Firstly, Category A, as we've called it, if you will, the most direct, regulatory in nature, type of monitoring as proposed: the Direct Review, mandatory Direct Review, of actuarial work on a regular basis, which would be applicable to Practising Certificate holders and relate to work relating to that PC role. That would be, as proposed, a condition of holding a Practising Certificate: that you participated in Category A monitoring. So that's quite a relatively intensive form of monitoring, but quite focussed around Practising Certificate roles. Category B, less intensive, broader in scope: Thematic Reviews, where we would be looking at a range of information and work, but on a risk-based approach looking at issues which are relevant, from time-to-time, and doing Thematic Reviews around those. Category C, a much broader suite of activities, some of which we're actually already doing from time-to-time, but doing it in a more structured/systematic way: surveys, other forms of information gathering, workshops, that kind of thing: focus groups. Okay, let's look at those in a little bit more detail.

Category A: this is the one that focuses on Practising Certificate roles. The rationale for that may be obvious. One can argue about what sort of roles should be subject to Category A monitoring. The fact is that we have a group of Practising Certificate roles which have been accorded some recognition in legislation or regulation as of being of particular public interest importance, therefore there is a logic to focussing on those. We are, however, in the way in which we are proposing to deliver Category A monitoring, proposing to be as proportionate and, again, risk-based as we possibly can be, and to try to take account of the extent to which, in relation to particular individuals, we already have the benefit of particular types of reassurance or information from other sources, including the fact that, for example, somebody is within a firm which is QAS, Quality Assurance Scheme, accredited. I think you'll probably be familiar with the QAS. Whether they are already subject, for example, to internal audit, or other forms of regulatory monitoring, which may not be directly focussed on the quality of actuarial work, but nonetheless is a form of regulatory supervision from, for example, the PRA [Prudential Regulation Authority] in an insurance context. Those considerations will help, as set out in more detail in the paper [Consultation Paper], inform the frequency with which we undertake our own review, and to some extent the intensity of that monitoring.

Category B: evidence based studies focused on a particular theme, issue, or question. You'll probably be familiar with the concept of Thematic Reviews. This might relate to an issue which goes to reserved work, but can be much broader than that, tending to be something which has some significance from a public interest point of view. They would be carried out by agreement, and we hope to attract the support of, Members as well as employers, in undertaking these sorts of Thematic Reviews. They might be anonymous, if that's pragmatic. One of the benefits, we think, of all of the monitoring, particularly Thematic Reviews, is the feedback we're able to give both individually, but particularly on a collective basis from reviews of these sort.

Category C I've touched on: a broad suite of information gathering, less intrusive information gathering activities, questionnaires/surveys/analysis of information which is already shared with us, actually, by the other statutory regulators. We've been in conversation with them over, quite extensive conversation, over the last year or two, and what is envisaged is that they will share more of the issues and themes and concerns or questions that they may have regarding actuarial work, which will enable us to be better targeted and joined up with what they're doing, both scheduled and *ad hoc* and thematic.

I've used the word ‘proportionality’. We hope that what we've proposed will be seen as being sensible. We're looking for your ideas as to whether we can make it more sensible/more pragmatic and we welcome your input. We believe in the model that has got us to this point, profession led regulation, enabling us to, hopefully, come up with something that is robust and effective, but also appropriately targeted and proportionate. We have this opportunity, if you will, to design something that is appropriate for the profession. The scope of the proposals is broad, but it's also narrowly focussed, and we think justifiably so, around reserved work.

Some of the benefits, in no particular order: we think this will help us, and indeed the FRC, because it produces technical standards to improve the effectiveness of actuarial regulation. That doesn't mean necessarily producing more standards, hopefully it means producing better targeted standards, it might

mean withdrawing standards from time-to-time, where they're not proving useful. It will help to reinforce the public reputation of the profession, credibility in an increasingly demanding environment. It helps enhance the credibility of the PC Scheme. For those of you involved in Practising Certificates, holding Practising Certificates, bearing in mind the focus of Category A monitoring around the credentials of Practising Certificate holders, I believe that it's a positive that this is something that we are doing as a self-regulatory body, albeit an accountable one. This is something that is designed for the profession by the profession and it will help us to maintain effective and accountable self-regulation. I think this one should be higher up the list actually. I see a very important role in monitoring for independent feedback, both to Members individually, but also collectively to the profession, and we hope that will be seen as a positive actually. We know that peer review plays an important part in our Members work, this is about a more independent element of feedback. It's about, ultimately, ongoing reinforcement and continuous improvement: something that we think as a professional body we ought to be trying to achieve, working with our Members.

We recognise of course, as with any regulatory proposal, there will be an impact and, again, we welcome views on this. The impact is, probably, primarily in terms of the time involved in engaging with the monitoring, in terms of the frequency and duration of visits. Again, we're seeking to mitigate that by taking account of the extent to which people are already part of QAS, and leveraging that to deliver monitoring more pragmatically. For those within QAS organisations, actually, that allows us to adjust the frequency and the intensity of the monitoring as we set out in the [Consultation] paper, but also to take account of other forms of regulatory supervision already in place.

In terms of the financial side of it, we do not currently envisage that these proposals will necessitate increasing Practising Certificate fees or, indeed, subs [subscriptions]. Obviously those things are reviewed annually anyway. We are proceeding upon the basis of a commitment from the FRC, a significant commitment to contribute to the funding of these proposals. Okay, without further ado, very slightly over time for which I apologise, I pass over to Shane. Thank you.

The Chair: Okay, Ben. Thank you for that. Let me introduce our next speaker by way of this opening segment of the evening. This is Shane O'Dea, who's a Fellow of the Institute [IFoA], a Member of the IFoA's Regulation Board, and a Member of the General Insurance Standards and Consultation Committee. He's also Chubb's Head of Actuarial Services for Europe, the Middle East and Africa. So, Shane, over to you.

Shane O'Dea (Member of the IFoA Regulation Board): Thanks. Okay. This is just a summary of how we got to where we are today. This consultation has been the result of an involved process with many stakeholders from the Project Board, Practice Boards and Committees, focus groups, regulators and the FRC. That has led to the culmination of this consultation, which is an opportunity for further engagement.

This is a slide that's taken from Lloyd’s, or kindly supplied by Lloyd’s and it's useful in that Lloyd’s have had, for a number of years, a monitoring, system in place and my company, which has Lloyd’s syndicate has been subject to this regime. You can see that since it was introduced in 2005 and the monitoring it involves many things. One of which is the review of the actuarial function reports. You can see that from the scoring that over time there has been a gradual improvement in that. I would say that that is pretty much how our relationship with Lloyd’s operated in that we submitted what we believed to be a pretty comprehensive report and through a series of annual appraisals, we tweaked it and improved it and got to an extent where we're pretty happy with it now. And I would say for the sake of drawing a parallel, companies that didn't have this monitoring in place, when the PRA got around to reviewing their actuarial function reports, there was a big gap, I think, anecdotally between those who are part of this Lloyd’s regime and those are aren't.

Should we be worried? Well, ‘regulation’ is often a challenging term and we probably feel over-regulated, but I suppose the challenge is about a practical form of regulation. Have you anything to hide? Well, I suppose we're starting from the position that the answer to that is ‘no,’ that, we're largely compliant with all of the actuarial profession requirements, TASs [Technical Actuarial Standards] and Guidance Notes [GNs] and from that position then, monitoring is not so much of a challenge. However, if you start from the

position of not being compliant, then I think it would be much more of a challenge. Have you the time? Well, of course regulation always gets in the way of the day-to-day job, and the answer to that is that we often have to endure the regulatory burden, but again, if it's practical it doesn't have to be an inhibitor of other work that we do. Does it create confidentiality problems? Well, potentially. That is something that we have thought about, but I would say that the Institute [IFoA] have mechanisms in place to deal with that and have had instances where confidentiality has been called for and it is something that can be overcome provided you put the right controls in place. How will I explain this to my firm? Well, as actuaries, we explain a lot of complex things to our firms, so I suppose if we explain it with the right approach and it should be embraced, because after all, firms put a lot of faith in what we think. Does it make sense? Again, I think it's a question of practicality. If it's practical and it's proportionate and it's a system that we can get behind, then I think it does make sense.

On this question of proportionately Category A, which is the most challenging aspect of this proposal, it will affect 7% of [UK] Members currently, those who are PC holders. 70% of PCs are Scheme Actuary PCs, of which 77% are in QAS organisations. The remaining 30% of PCs are insurance PCs, with various forms of regulation or supervision already in place. So, when you work that through, I think it is proportionate as it is being directed at a small number of the Membership.

For Category A, Direct Review, the proposal is for this to be mandatory for all IFoA PC holders. This is directed at those that have a public interest role, really. It will involve a review, which may involve an onsite visit with the review team and the Practising Certificate holder. This will involve review of the key pieces of actuarial work, mainly focussed on the requirements of the Actuarial Professional Standards [APSs]. It's important to say that this isn't meant to be a second opinion on results, because as we all know there's a wide range of different interpretations. This is about the standards, and not necessarily the numbers.

How often will this review be carried out? Again, as with many actuarial questions, it depends. It doesn't have to be every year, and the duration and the frequency will depend on the type of PC holder, the number of PC appointments held by that Member, the particular work involved, whether or not they are QAS accredited (whether they belong to a QAS accredited firm), the extent of any internal or external audit, and any previous review findings. So, typically, every few years. That can be quite a wide range, I think.

I think the Thematic Review makes a lot of sense. It's always good to get better insight into the activities of our profession. This is to look at particular topics or roles or areas of work. It's not limited to work within the scope of the PC Scheme, or UK work even. The sources from these Thematic Reviews may come from risk analysis, from: the Regulation Board; the FRC; risk perspective documents, such as that produced by the JFAR [Joint Forum on Actuarial Regulation]; insights from regulators; or, other regulatory activities. The question here is “if we had an opportunity to suggest some thematic topics, what might they be,” and, I suppose, we all have certain areas that we would love to have a wider professional insight into.

What are we going to get from this? Well, you get a report, as PC holder, containing a summary of findings and Best Practice Recommendations. The report will also go to the Regulation Board, covering emerging themes or issues, which feedback-loop will assist in further regulatory projects. It will also contain some high level anonymised reports and generic findings. Ultimately, the idea behind this, I suppose, is that it will create value. Again, relating back to the Lloyd’s monitoring activities, I would say from a personal position that it did create value, in that it's always good to have a second set of eyes producing insight into the work that we do, offering us ways in which we can tweak those Best Practice Recommendations. If it's embraced in the spirit in which it's offered, I think it can be very valuable.

I suppose the consultation, as it is today, is a consultation, and we are open to alternative ideas and suggestions and it would be very helpful to have those. I would say, as a Member of the Regulation Board, my first reaction on hearing of this consultation was one of, well “do we really need it,” and I suppose I offered a number of challenges and considered a number of ideas, but if you start from the premise of “it will be helpful to have evidence of compliance with what we have as our underlying standards,” which I feel themselves are eminently sensible, why would you not want to comply with those

standards, the TASs for example? They're not particularly onerous, provided you approach them in a proportionate way, so when you start from the position of “if we were to have this type of outcome,” you must ask “what are the means by which we can achieve it”. I suppose, that's really the idea behind the consultation and I feel that the approach is proportionate in that way.

We have until 28 September to submit our responses and this information is available on the website, so I'm not going to read out those details. The anticipated timelines: the feedback will be collated and analysed and that will be between October and December of this year. The proposals will be finalised in early 2019, and if the proposals are implemented a phased approach will be taken. The monitoring scheme will be implemented in May 2019, and all monitoring activities will be operational by the end of 2020.

The Chair: Shane, thank you very much. Now we move to the point in the evening when it's your opportunity to place your questions, to raise any points, seek any clarification, and to place any challenges or alternatives before us all.

Before you do that, so, while you're finally polishing your question or your point, I have two things to do.

First, I need to introduce my colleagues, the remainder of our panel. On my right is my colleague Emma Gilpin, who is the IFoA's Head of Regulatory Policy. Emma's a Scottish qualified solicitor with a background in public law and regulatory work. She joined the IFoA back in May 2013. She spent some time, before joining the IFoA, working for the, then newly established, Scottish Police Authority during the process of transition into the single Scottish police force. Prior to that, she'd been with the Scottish law firm, that many of you will have heard of, Brodies, for some eight years and, again, in Brodies she was part of their specialist public law and regulation team. The last member of our panel is John Jenkins, again, another Fellow of the Institute [IFoA]. He's been a Life Actuarial Partner with KPMG since 2001. He holds Chief Actuary (Life) and With-Profits Actuary Practising Certificates and has a number of roles which utilise those certificates. He's also the chair of the IFoA's Practising Certificates Committee [PCC] and has served as a member of the Project Board that has developed these proposals.

The final thing I need to do is to confess to having, to use the modern parlance, ‘misspoke’, because you'll recall that I mentioned to you that we're going to record the event this evening and we're doing so simply for the purpose of transcription and that it’s not our intention to publish on our website that transcript, but we would be publishing any responses to the consultation. When I said “we won't be publishing the transcript,” I did, in fact, mean “we will be publishing the transcript”. I think I've got the modern phraseology there about ‘misspoke’ as opposed to I made a ‘complete mistake’. My apologies for that colleagues. It is the plan to publish the transcript, so if you have a point that you regret afterwards that you might like us to, as it were, using the Hansard approach, correcting grammar or whatever it might be, speak to me afterwards. With that point cleared up, I hope, if you are going to make a point wait for the microphone to come, it would be useful if you could give your name, if you want to give your organisation that's fine, but that's a matter for you. Can I also say, and you may think this a statement of the blindingly obvious, do speak into the microphone. You'd be surprised how many colleagues have got the microphone, waved it around and don't speak into it. It'll help all of us if you speak into the microphone. So, who wants to lead off?

James Joiner: Hello, I'm James Joiner. I'm a Practising Certificate holder, currently between roles. I wondered if there is anybody on the Project Board who does actually work for a small firm, because I'm concerned about the impact of these proposals, particularly, on small firms. I have most recently worked for a small firm. I was surprised in Shane's presentation there, that, he said one of the benefits was that it's good to have a second pair of eyes on your work, but this isn't a second pair of eyes on my work, because my work is peer reviewed and that peer review is independent. Ben implied that it's not necessarily independent, certainly, for me, the peer review was done by a consulting actuary, so it was independent. I have actuaries on my Board looking at the work. I have senior people at the firm looking at the work. I have the regulators looking at the work. I have external audit looking at the work. How many is that? I've lost count. Eight pairs of eyes on the work already?

The Chair: (inaudible) room for anybody else.

James Joiner: Well, there's always room for more, but the point is I was surprised by the probity of the cost-benefit analysis in the paper [Consultation Paper]. For a small firm, my firm probably would have preferred to not have to pay the peer review fees, because they could have got two customer service people for that money and that would have given members greater value for money, possibly, in their view. This is another layer of regulation, which they don't have time for. I guess my final point is, it's hard to see how this is free in terms of fees. If you have existing revenue sources that you can use to pay for this, then I would suggest that, again, small firms would prefer that you cut our fees and our subscriptions, rather than spending the money on this.

The Chair: Well look, what I'm going to suggest we do, Ben, perhaps I could start with you if we talk about the issues around cost fees and the cost-benefit analysis that's in the paper [Consultation Paper]. Then I was going to pass, if I may, to my practitioner colleagues. I know, as it were, larger firms, but I think I'm right in saying, there are quite a range of firms within your KPMG work you [John] look at, so we could maybe address that first bit of the question. Let's start with you, Ben, if we may, around this question of cost and the cost-benefit analysis in the proposition.

Ben Kemp: Thank you, Des. Thanks, James, very much. Look, the intent and our aim with this is to make it proportionate and I've used that word a lot, and I know it's easily used. We use it a lot, because that is what we're passionate about achieving. We are actually very sensitive to different types of organisation, including smaller firms. I'll let my colleagues perhaps offer more insight on that. But, for example, when we were developing the Quality Assurance Scheme we were very determined to make sure it was a model which was adaptable, scalable in effect, from the very small to the very large and everything in between, and we believe that this is capable of the same.

In terms of that cost-benefit analysis, we are asking for part of the consultation to ask for reaction to that, so we can do more work in that area, more detailed work in that area before concluding and making sure that we're satisfied in light of the input that we've got, to get that balance right. We have said that we are not intended to burden our Members in terms of additional direct financial cost. Clearly the burden here is around the time, I get that, yes, and you're nodding. I'm sure that is the case. The trick, the balance we've got to get is that time burden, particularly, for smaller firms, for sole practitioners, so it is not unreasonable, frankly. One of the ways we do that is to take account of, if we are talking very few years on average, if that's what we're talking about, we're taking account of other things such as QAS accreditation, both to make this more efficient in the way we will use the same accreditation visit as we do for a QAS. Also, to reduce the frequency on the back of what we understand already from the QAS, so that we're not be duplicative. In terms of “is this simply replicating peer review,” I think it's actually serving a different function to that. We're not reviewing your work as you do it, and we are also going to be able to offer feedback from a much more holistic sense of “how is the profession engaging with these standards,” and offer you feedback that you couldn't get through peer review, actually, on a one-to-one basis. My colleagues will have more insight, but that's my crude attempt to address some of the issues you've raised.

The Chair: Okay, so, turning to my practitioner colleagues, I'm thinking about the point in terms of proportionality and the impact on smaller firms.

John Jenkins (Member of the Actuarial Monitoring Scheme Project Board): I wasn't sure if you were really saying you're concerned about the impact on small firms, because there are fewer people in the organisation to deal with that or because it's more onerous cost-wise for a small firm to undertake this monitoring or to be on the receiving end of this monitoring. I think smaller firms are normally simpler firms. That's not always the case, but it's often the case and therefore I think the monitoring should be simpler. If somebody's monitoring a small Friendly Society that should be simpler than doing it on The Prudential. The actual time taken to do the monitoring should be smaller and commensurate with a smaller firm. So, I wasn't sure that I fully understood exactly why it will impinge more onerously on a small firm, rather than a large firm, because a large firm would be more difficult to review anyway.

James Joiner: Yes, so it was the latter, that because it's a small firm both your actuaries and the management of the firm do not understand why they have to do all these extra things to have actuaries in the firm. For example, a firm I worked for, a couple of years ago. Had actuaries, two senior actuaries, one a Finance Director, and now they're being replaced by accountants, because they're so much cheaper. The Finance Director is now an accountant, the Chief Officer is now an accountant, and their profession doesn't require them to do peer review. It doesn't require them to do these new things. They're cheaper as well, because the salaries are generally lower for accountants compared to actuaries. Life is tough for small insurers, so anything that increases the cost, even by quite small amounts, and Ben's right, it's not just the number cost, it's the time, the opportunity cost of what you're doing as well, so some of those small additional costs will make the difference between whether that firm is profitable in a year, and for mutual firms as well. They haven't got lots of money. You know, they cannot afford - we'll be pricing ourselves out of roles, out of these small firms, is my view.

John Jenkins: I think we do understand that. I can assure you that representatives of large companies made very similar points to you about work already being subject to review by auditors and the regulator. I think you did mention it, Ben, but just to emphasise, the difference here is that a lot of what the auditors do, or what the PRA does, or the other reviews do, is to look at the outcome, at the balance sheet of the company, for example, and are not actually looking at the actual quality of the actuarial work and the actuarial reports that delivered the advice to the Board. You can perfectly well argue about whether this monitoring is necessary, that would be a fair question, but I think the distinction is that what we've been looking at it the quality of the actual actuarial work, rather than the outcome. That might help.

The Chair: Before we go to the next speaker, let me just quickly add, if I may, and I wanted to say this crisply, because I know there are other speakers waiting. We are very alive to the risk and the concerns that you've just mentioned and we're looking to engage with appropriate stakeholders to get some more input and views in the consultation process. It would be really important, not only that we hear from you in the consultation process, and people like you, but, as it were, the small insurers: it would be really useful to do that. Irrespective of the potential impact on the profession, as it were, that competition between, let's say, accountants and auditors, we're also conscious that driving those offices away from being held by a regulated person, by an actuary, has an implication for the public interest, if that reduces the overall level of current regulation, so it is an issue that we're alive to. There may be alternatives. There may be different strategies, but we need to hear from you and, as I say, we're looking to engage with other stakeholders to try and better inform our own thinking. Now, sorry, I can't remember, we had two hands go up I think. We'll do this table at the front and then, I think, there was a hand behind you if I remember (inaudible).

Stephen Richards: Stephen Richards, Longevitas Ltd. I would just like to echo and underscore my agreement with everything that James said in both of his previous statements. When I looked at the phrase 'cost-benefit analysis', I wondered “costs for whom and benefits for whom,” because they don't necessarily have to be the same. I can certainly see the costs and risks that, actually, apply to a small firm such as mine, but I'm finding it hard to see the benefit.

I have two points to make, one practical and one existential, for small businesses like mine which work in, what you might call, wider fields, or niches.

The first is practical, none of my client contracts would permit me to share any of the reports I have written for my clients with anyone from the IFoA, external or internal. None of my letters of engagement of the contracts, that my clients require, would permit this. Some of my clients are American and most of them are UK, but they're very specific about who can and cannot see the reports that I write for them. The second practical angle is that my business processes an awful lot of personal data. This is what my clients want and expect, and there's no way that we could permit an on-site visit, because, again, the client contracts are very, very specific about who is allowed to actually set foot inside the building, because our servers contain personal data and the GDPR [General Data Protection Regulation] has not exactly reduced the risks in this area, so I can't imagine any of my clients being willing to let anybody other than the absolute bare minimum of server administrators set foot in parts of our buildings. So, those

are the practical bits, I don't see my business being able to share some of the reports and things that any reviewer would like to see.

My second point is more existential. We run a small software business. My business partner's not an actuary. I don't see our business as being an actuarial business in the sense that I do not have to be an FFA [Fellow of the Faculty of Actuaries] to run my business. I've spoken to a number of other actuaries, who also work in wider field businesses, again, also small businesses. These are very small, very specific niche businesses. I wouldn't say that any of my colleagues, one has a very specific investment/legal business, one runs a marketing consulting business, need to be actuaries to run their businesses. That's not why these individuals or their businesses are being engaged. They're being engaged because of what they can do, not because of their FFA status. The problem is, because these are niche businesses not only do they have the same client restrictions I have, namely there's no way they could share outputs with anybody from the IFoA, for anybody to intelligently comment on what they do: a) it would risk giving away client data to a potential competitor; and, b) it would, perhaps, actually risk a competitor being started up, or having their clients taken away from them. From a 'wider-fields' perspective, this is really not especially workable. It will put some people in the position of "can I afford to continue my FFA or FIA [Fellow of the Institute of Actuaries] status," because it's starting to interfere with the ability to run the business. This is a decision I actually have to make every year, around about September-October, as the IFoA continues to add regulations that quite often get in the way of some aspects of running my business and my business partner, who's not an actuary, says, "do we need this".

The Chair: So, just, if I may just clarify then, the point you're making with the second leg of your point, your concern is that, if I understand it correctly, that Category B and Category C activities, which would be the only element of this proposition that would bite on that work, not Category A?

Stephen Richards: Correct, yes.

The Chair: Even that, you're saying Category B/Category C are not workable?

Stephen Richards: I'm saying the two aspects to it. One is, it's not workable, because of our client contracts. The second aspect's an echo of the point that James Joiner made which is that, for those of us working in wider fields -

The Chair: Sorry to interrupt, the point I'm trying to clarify is that, in relation to those wider fields points, the work you've just explained to me, I don't think would necessarily trigger Category A activity from this proposition if it were to go ahead as it stands at the moment.

Stephen Richards: It wouldn't trigger Category A, but my specific field of work was one of the handful of mentioned thematic topics.

The Chair: Okay. Emma, do you want to comment on this?

Emma Gilpin (IFoA Head of Regulatory Policy): I can have a go, yes. I suppose the point maybe, that Des is referring to there, is that obviously we have designed this so that the mandatory aspect of this proposal relates to Practising Certificate holder work, so it's work that relates to regulated reserved roles. So, that would be the mandatory aspect of it. The Thematic Reviews, I think, would be very helpful to the profession. I think there's lots of value that we could get out of doing them, but we've said that we would do them on a basis of agreement with organisations. Now, that may pose practical challenges. We'll need to deal with that as we come across Thematic Reviews and the illustrations in the proposal are illustrations. They're ways in which we could do those Thematic Reviews and with the Thematic Reviews there are a range of different ways which we could do that. We've talked about potentially anonymous-type reviews, things like that may provide more comfort and reassurance to persuade people to participate. In terms of the confidentiality piece, we've set out in the proposal that we would provide confidentiality undertakings if we're going to be doing site visits. We have some experience of that in two areas. One, we already do site visits for the purpose of our QAS, so we have some experience of dealing with organisations and looking at their files, and what have you, within an actuarial setting and

that has worked so far. We also get access to information for the purposes of disciplinary proceedings as well. So, there are occasions where we have to get access to files and information. I think, in relation to QAS and potential disciplinary cases. The expectation, generally, is that our Members will allow for that when they're entering into contracts, that there is this potential for information to be shared with their professional regulator for regulatory purposes. And that's quite a common thing you find within professional contracts for service. I do appreciate the piece about wider fields and that we're not doing this to try and make people uncompetitive or place them in a difficult position, vis a vis other people that could get those roles, but we do think that there are benefits to come out of this type of review. I think, particularly, if there's work where themes and issues are arising, where it would be useful for us to get some learning across the profession then actually there could be benefits for those that are involved in getting that shared anonymous learning too. The cost risk, or cost benefit analysis, is set out a bit, but I do think that we've tried to set out that there are benefits everybody can take. I don't know if you agree with that, Ben?

The Chair: Okay, I'm (inaudible).

Stephen Makin: Thank you. Stephen Makin. I've got a couple of questions, maybe deal with my first one first and then my second one second. When else would you do it? Yes. So, first question, to come back to your point, John: I liked the characterisation of the difference between an outcome focused review from a regulator and the reviews here, and the work here focussing on the quality of the work. What is it though that, in these proposals, enhances the quality of the work that the TASs, and complying with the APSs, don't do? So, for example, independent peer review: I couldn't imagine, now, living in a world where you don't go through and seek high quality independent peer review. For me, that's a fundamental part of the overall quality standards. So, what is it, in all of this suite of proposals that you're trying to address? So, that's my first question.

The Chair: Shall we take that first? Shane, will you take that one? Thank you.

Shane O'Dea: I suppose, if we start from the position that everybody is doing what they need to do on TAS100s and 200s, and cross practice, and all the APSs, then the monitoring should be a relatively simple process. You go in, you review, you make recommendations and you come out. I think for the likes of, say, consulting firms, which have a very structured set of controls in place, essentially because they're afraid of getting into legal difficulties down the road, but if you look at, say, a large insurance company, where you're not going to have an external client, you have an internal client, so, if you're asked for a report or if you're asked for an opinion, the TASs may actually inhibit that in some sense, if you want to say, “oh, well, I have to give you a big report and make it all compliant and all this kind of thing and get it peer reviewed and such what,” an employer might say “well we don't necessarily have to have that”. I suppose, if you look at the predecessors to the TAS100s and 200s, you could actually get the employer to de-scope these. So, there are a wide range of possibilities for compliance and non-compliance.

To the point of the small firm as well: given that this is a high-level - these TASs and whatever are very principle-based - you could have varying degrees of compliance with that, some pretty good and some casual - “oh yes, we peer review, I sent your man an email and he said it was fine and my boss looked at it,” and things like that. But, in terms of protecting, I guess, the individual members of a company and young actuaries and what not, if this monitoring is in place, then it makes all firms think about what it actually means and how do we ensure compliance with it and what are the internal measures that we take. What is a TAS compliance? You have high complexity balance sheet, or regulatory, Solvency II kind of things, yes, well you have to write a big TAS report for that, but what if, at the other end of the scale, we're asked an opinion from an underwriter, what does TAS compliance look like in that instance? How do you meet all those requirements in a way that doesn't inhibit the practical day-to-day activities? I think that if I were a young actuary and I was in a small company and being asked these things I'd probably be worrying about “will I ever find myself in disciplinary trouble, because the stuff I'm doing isn't TAS compliant” or “I don't have the time for a peer review, or my boss isn't supportive of that”' Well, at least if you say “this is the monitoring that is in place and we as an organisation have to have a philosophy as to how we're going to ensure compliance,” then the monitoring activity of that is just the icing on the cake.

The Chair: Ben, I want to bring you in, if I may, because I think I'm right in saying that in the consultation document we talk about trying to design/build a system, whatever the right phrase is, where we're trying to create value for the participants and the profession. I think that goes to the heart of this question.

Ben Kemp: Thank you, Des. Thank you, Shane. Absolutely. We want this monitoring regime to not only be proportionate, but also to actually offer value in the form of meaningful feedback, both in terms of at an individual level and at a collective level, and to do so in a way which is independent, in the sense this is your regulatory body coming and having a look and offering feedback, but also because of the position we're in, we can do so from a point of view of some level of benchmarking, because we are seeing what is going on across the profession. That ought to be, if we get it right, something that is really capable of adding value. This is about continuous improvement, feedback. It ought to be done in a way which is actually quite a positive conversation with individuals and with employers who are participating in Thematic Reviews. That is the intention.

The Chair: Second question?

Stephen Makin: Yes, can I come back. I'm not sure I was entirely satisfied with those answers. The question was: what is it that these proposals will give that a proper robust application of the TASs and the APSs don't? What, I think, I perhaps heard from Shane, and forgive me if I'm putting words into your mouth, is there's a bit of a concern perhaps about compliance with the TASs. Is that what this is designed for? I should say, by the way, that I'm not for or against these proposals. I'm deliberately playing devil's advocate.

The Chair: Okay. John, I know you want to come in. Hit the button John.

John Jenkins: Being perfectly frank, I don't think the TASs and the APSs say that much. Shane has already said they're very principles-based and quite high-level. Don't get me wrong, they are important and set an important minimum standard, but it is possible to see a good quality actuarial report and a good quality piece of actuarial advice, and a less good one, both of which comply with the TASs. I think what Ben has said is, this is to monitor the standards, and depending on where those standards are, hopefully they're all quite high at the moment, but we don't actually know, but where they might be not quite as high, or quite as consistent, as everybody would like, the monitoring should help bring the standards up. And I know when I've been reviewed myself, as part of peer review or where there's been a transaction and my work has been reviewed by other actuaries, and they say, “have you thought about this, this, this” and I say “yes, yes, no, that's a good point, I'll have a think about that”. I think having your work scrutinised by another actuary, if it's done in a constructive way, can be very helpful. I do accept that there is some overlap with the APS X2 peer review. So, if somebody has a piece of work done and peer reviewed under APS X2 there might be overlap with that when the monitoring comes along. I do accept that, and I suspect that when somebody does the monitoring, they will first of all say “well that was done as part of the peer review,” and if that's available that should make the monitoring more straightforward.

Stephen Makin: Yes, so I get that, and I come back to the comment I made at the start. I couldn't imagine working in a world where you didn't have good quality, robust, independent peer review. The thing about peer review though, is you're seeking that challenge at a time when it actually can make a difference to the work. The timing of it is what’s really important.

John Jenkins: That's right, and that's why the peer review is so important. That doesn't, unfortunately, give the IFoA any information as to what is actually going on, and to be able to demonstrate that good standards are being maintained.

The Chair: I think Ben wants to come in on this and I hope it's generally useful. Ben?

Ben Kemp: Thank you. I think the other difference with peer review is - not always, but very often, peer review will be undertaken and we assume it's being done in a diligent, effective way. We don't know that's always the case, but assuming that's the case, will very often be done by a colleague within the organisation who's not typically involved in the work, but nonetheless a colleague. There's still, there, a

risk of groupthink, yes? Which is something of which, as a profession, naturally, we need to be aware. What this does is slightly different, it's coming at it more holistically. It's after the event. It's not looking at the work as it's being done. It's looking at the standards of the profession as a whole, and in a position to present that bit more in terms of detached feedback. We think there ought to be value in that conversation, also.

Stephen Makin: How do you address the challenge of timing in making the review timely? If it's too late, it's too late.

Ben Kemp: May I, Des?

The Chair: Yes, let's finish.

Ben Kemp: It may be too late for that individual piece of work and that isn't what monitoring is about. However, coming back to what we were saying earlier, in a world where currently we only have a disciplinary scheme to react when things have gone wrong, monitoring is rather more timely than discipline if it pre-empts the issues that would otherwise escalate that.

The Chair: I think, if I may just add to that very quickly, this is where, I think, one needs to look at the balance of Categories A, B and C. Clearly there is some overlap between peer review, work review, APS X2 and the need for that to be done' hot' rather than 'cold' and that's an important aspect in terms of, as it were, the profession's quality assurance, if I can use that phrase loosely. But, what I think I'm right in saying, it was Ben who made the point earlier on in his presentation, he used the word 'demonstration'. At the heart of this proposition that's come into consultation: Regulation Board has put a challenge. How do we demonstrate that all is well with the quality of actuarial work? Part of the rationale or the reasoning of Regulation Board, in that sense, is that we say the present arrangement, where the likes of a PRA or a TPR [The Pensions Regulator] are doing something different, rather than looking at the quality of the individual actuary work, there's almost a, if you will 'gap,' I use that word loosely, in terms of the empirical evidence available to us for the profession to demonstrate all is well, or there is an issue there. And at the minute, we've got the relatively crude tool of disciplinary. We're saying we need something more nuanced and we're suggesting that, in terms of the way civic society is operating, and society's expectations of you as a profession, there is an obligation that we have to demonstrate that all is well. It's no longer enough, we suggest to you, that we say to everybody "don't worry, you can trust us, we're a profession," whether that's right or wrong.

Stephen Makin: I had a second question . . .

The Chair: I know, you had a second question, so go ahead.

Stephen Makin: . . . which is much easier and much more functional. What do you think this is going to mean in terms of resourcing within the Institute and Faculty [of Actuaries]? I'm thinking about the breadth and depth of skills and availability of skills to do it. One point, second point, is: who pays for that?

The Chair: Yes, it's a very, very good point, because whatever one might think about the pros and cons of this, this is an enterprise that is challenging. It is going to be demanding if it were to go ahead as it currently stands. Emma?

Emma Gilpin: Yes. Ben's already mentioned the cost piece, which I think is seen as part of the same cost. In terms of the resource, we have to look at the specifics about that and until we've finalised what this looks like we don't exactly know what we need in terms of resource. The current proposal is that we will recruit some actuaries to come and work for the IFoA to carry out this review work. Now, obviously there'll need to be actuaries of sufficient experience and seniority to go and do this as a meaningful review. We'll have to think about how that balances across the review teams. It may be that we have some more senior people supported by junior actuaries to actually support their work. The detail of that, again, we need to land on the final proposal before we come to specifics, but it's certainly proposed that they will either be employed by the IFoA or contracted to them, but it's not proposed we're going to use

other actuarial services. We're not instructing actuarial firms to come and do this review for us, and we need to get that resource into the IFoA, because we don't currently have that as part of the Executive and also, it's not planned that this would be a volunteer based review piece.

Stephen Makin: Sorry, Ben, could you go over again about the costs and who pays for it?

Ben Kemp: Sorry, would you mind saying that again? I didn't catch that.

Stephen Makin: Could you go over the costs again or who would we expect to pay for it? I think you addressed it earlier, but I've forgotten.

The Chair: Yes, let's do this quickly, because I'd like to move the microphone around, Stephen, if you don't mind after this.

Ben Kemp: Two very quick points, building on what Emma said, addenda to what Emma said, which is look we take it very seriously in terms of this resource that, this regime, this initiative will succeed or fail on the basis of the credibility of the monitoring team. There's got to be a very serious team in terms of its credibility. Secondly, we've got to manage any question of commercial sensitivity, hence the approach that Emma outlined. In terms of cost, what we've said, on the analysis we have done so far, the basis of the proposal as proposed so far, is that we do not anticipate that we would need to increase subs, or Practising Certificate fees specifically, as a result of this proposal. Now, we do review those every year and we set out our financial statements, as you know, we publish those. But, we do not anticipate having to do that. That is, in part, significantly in part, because the FRC has committed, publicly, to making a significant contribution to the operation of this regime, were it to go ahead. Is that alright?

The Chair: Okay. Now, clearly it is, again, worth stressing that given the significance, as Ben mentioned of the FRC public commitment to contribute, the Kingman review and the future of FRC is important here. We're clearly going to have to consider what the implications of any recommendations from Kingman could or could not be, but as things stand the proposal makes clear that we're not anticipating any need for changes/increases driven by this proposition in relation to PC fees or the general subscription rates. Okay? Who wants to go next? Sorry, (inaudible) I do apologise (inaudible).

Harry Taylor: Good evening. My name's Harry Taylor. My company is Harry Taylor Consulting Ltd, which has been running for thirteen years. It's what you'd call a small, niche consultancy operating in wider fields. I agree with all the points that Stephen Richards made very ably.

I guess my question, in a nutshell is, is this the thin end of the wedge? I'll explain why I have a concern, if this is indeed the thin end of the wedge. I think it's a pertinent question because, as a good actuary, you should not be looking at what happens next year, or in two years' time, but what the world will look like in five or ten or fifteen years' time, okay? If anyone cares to peer review that, then feel free. Okay, so a number of points - my business is characterised, and has been since I set it up, by being able to create and deliver innovation, and leveraging the very broad and deep experience that I've had over a long career covering marketing, proposition development, and operations. My skill set is very unusual. The assignments and projects that I do for clients, a very broad range of clients, are very context specific and by that I mean there's a very specific budget, a very specific time scale, and a very specific set of internal resource available. My role is to co-create solutions, very fast, for clients, so it's very niche and it was something that I did when I was working in big businesses and most of you will appreciate that that is a particular type of management consulting that sometimes is used externally, sometimes used internally.

It's not primarily actuarial work *per se*, so that's why, if we got down the route of compulsory site visits for people who were not Practise Certificate holders, I would have grave concerns. I'd have grave concerns for a number of reasons. One, there's a huge amount of personal intellectual property attached to what I do and the way I do it that I would be very unwilling to share with anyone else. That in itself raises questions of the ability of other people to review what I do and the way I do it. The second issue is one around confidentiality. Again, as a sole practitioner, and given the nature of the work that I undertake for clients, I can assure you absolutely none of them would want to share any of the information that they

share with me, with anyone else. These NDAs [Nondisclosure Agreements] are very, very tight and very, very strict, so I'd echo exactly what Stephen says. I think that's the nub of the issue here. If it was to be that this is the thin end of wedge, because you see the approach that's being taken, and narrowing it down to these compulsory site visits to Practising Certificate holders, I think is fine and fits with all the rationale that you see. I think that can work, because the work of a Practising Certificate holder is clearly defined as actuarial work and there is a lot of infrastructure around it to support exactly what has to be done. Essentially, it's very process driven and the question is “has the process been adhered to and have the actual parameter values selected within a broadly acceptable range of limits”. That doesn't apply to anything that I do, and nor does it apply to anything that Stephen does, so those would be my main concerns. To recap, is this the thin end of the wedge? If so, I have grave concerns. If not, that's fine, as long as it's not compulsory to participate in Category B or Category C. As I say, the primary issue is around confidentiality and intellectual property for me. Therefore, the ability for anyone to reasonably review what I do, because the people who really review what I do are my clients, and they decide whether they're happy or not.

The Chair: Okay. Right, Ben “thin end of the wedge,” and I guess before Ben opens it's worth reiterating the point that I was making to Stephen, and I want to be very clear here. The current proposition in relation to Category A activity is not, it seems to me, going to bite on the type of work that you described. We've got to be very careful about that. Obviously fact specific, but in terms of my interchange with Stephen, it seemed to me that Stephen's description of some of the work that he was talking about is not going to trigger Category A activity. But, your point then becomes “well, this is thin end of wedge and your intention is to go further”. Ben?

Ben Kemp: Thank you. Thanks, Harry. Look, you're an actuary and you look to future. I'm a lawyer and I'm naturally very cautious, yes? So, is this the thin edge of the wedge? We do not see this as the thin end of the wedge. Can I predict what will happen in ten, fifteen, twenty years’ time? Of course I can't. The environment is changing, has changed so rapidly since I have been at the IFoA, but we do not envisage that this is thin end of the wedge in any sense. This is the basis of an analysis to what we think is appropriate in terms of a balanced and proportionate approach. Actually, I support all of the reasons why this is appropriate, all the reasons you gave as to why this is appropriate in relation to PC holders. Actually, the only reasoning that didn't resonate with me actually, if I may say so, and with respect, was your argument around confidentiality and commercial sensitivity. I don't think those, and actually as a matter of UK law, I don't think those are really recognised as an inhibitor to appropriate public interest regulation. On the other hand, I don't think that there is an analysis that I can see which would justify a Category A approach or a mechanism by which we could do it in relation to wider fields outside PC roles. Does that make sense? That would be how I might answer your question.

The Chair: Okay, and I know, Shane, you want to come in and comment too?

Shane O'Dea: Yes. (inaudible) point that I made about a second pair of eyes, because the context of this isn't really the same as what other people might be thinking about when they're reviewing or looking at the output. In a sense, and I don't want to misspeak for what the details of these reviews will be, but personally, I don't really see that the exact nature of the business or the intellectual property, is of any real interest in this at all. It's a side issue, because it's about principles. So, how do you demonstrate that a piece of actuarial work, and I accept that your work may not be actuarial, and by the FRC's definition of actuarial work, it doesn't sound like it would be, but how do you demonstrate quality of work? Well, as I've said, the TAS has been quite sensible. You look at the data, you make assumptions, you use models, you document it, and you communicate it. If somebody's coming in to review according to that criteria, it doesn't really matter if you're talking about umbrellas or the latest in IT developments. You can demonstrate compliance in a very generic way and the principles behind it are to enable actuaries to fall back on these principles and say “this is how I tackle a problem, this is the control cycle that I use”. If the work is really complex, or prone to errors, or I'm unfamiliar with it, I get somebody else to have a look at it proportionately. I don't really feel confidentiality - I know it's an issue, - but I don't think it's the nub of it. I don't think they have to come away with reports and say they're doing this job, it’s about principles I think.

The Chair: Okay, I'd like to try and squeeze as many questions in as possible. I think we have a question

on this table in the middle here?

Derek Pike: My name's Derek Pike. Ben stressed, several times in his presentation, that the monitoring would be risk-based and targeted, but it wasn't clear to me how they're going to decide on that. What is a high-risk work? Is it work by a less experienced actuary or one nearing retirement? Is work of your sole practitioner riskier than in a large firm? Are some areas of practice higher risk? Do we need more research? I suggest that the risk has, like other risks, two dimensions. There's the possible frequency of something going wrong and there's the impact if something does go wrong. Now, the impact, we can probably sit down and discuss what would be a high impact error, but I think it's much more difficult to see where the higher frequency work is going on and perhaps we need to do more research in that.

The Chair: Ben, can you take that?

Ben Kemp: Yes, let me have a go at that. Joe, I think, was it?

Derek Pike: No: Derek.

Ben Kemp: Derek, sorry. I've mis-noted your name. Derek, look, great questions and I'm not going to be able to manage a comprehensive answer to that, but let me try and give you a little bit more clarity to how we've approached the concept of ‘risk-based’ and ‘targeting’ in terms of the proposal so far. There are different Categories of monitoring obviously.

In terms of Category B, if I may start with that, the Thematic Reviews: we will be specifically targeting, identifying, issues where we have information to suggest that there are particular possible concerns, or question marks, around particular types of work or specific unknowns where that particular type of work or the particular type of issue raises a relevance from a public interest point of view. And that information, informing that analysis, will come from a whole range of sources, be that Practice Boards, be that from Members, be that through the disciplinary scheme, or be that from other regulatory bodies/professional bodies.

In terms of Category A, look, you raised some really interesting questions and it's possible to debate at length where one should focus one's regulatory attention. Do you focus your attention on large multinational organisations because the potential impact if things go wrong is so much greater, or do you focus on smaller entities because they may not have the same impact, but they have less resource and the potential for perhaps increased frequency of things going wrong may be greater? I don't know. You can have that argument, and we do have that argument and debate. What we've done in terms of Category A monitoring is to take a slightly different approach actually. Bearing in mind that, we are trying to address an absence of information, that's the primary regulatory objective, if you will. What we've done is to say well there will be different situations where we have more or less information already, and we may get that information from a range of different sources: more or less basis for comfort, for reassurance; and, more or less understanding of how a particular practitioner or entity is already working. We may get that information, or that comfort or that reassurance, from the fact they participate in the Quality Assurance Scheme and we have a relationship with them through that. We may get that information, or that reassurance, from the fact that the particular individual is already subject to the supervisory oversight of the PRA, or through the Pensions Regulator. We may know that they're already subject to a degree of rigour through internal or external audit, and we can apply, as we've attempted at this stage, relatively crudely and high level analysis, an analysis to all of those sorts of considerations in determining how frequently, and to some extent how intensely, we would do our own monitoring. That's how we've approached it so far.

The Chair: John, I think you were going to come in.

John Jenkins: I wonder, Derek, whether you're aware that there is an appendix in the document [Consultation Paper] on the risk rating system, which you might not have been able to look at yet? There is APPENDIX 3, which sets out three steps to, effectively, risk categorisation which determines the frequency of the review. In addition to what Ben has said, have a look at APPENDIX 3 of the document

[Consultation Paper].

The Chair: Which I think goes to the heart of the distinction between Category A and Category B/C about which Ben was speaking. It's pages 23 and 24 in the consultation document. Now, it's probably worth stressing again that, we're alive to the point you're making. There may be better ways of approaching this. There may be alternatives. There may be significant enhancements to that proposition in Table A3.1, as it happens. We're very, very keen to have feedback and comments through the consultation process on those types of issues. Who wants to go next?

John Taylor: Thanks. Hi, my name's John Taylor. I'm a Partner at Hymans Robertson and President Elect, this year, for the IFoA. I just wanted not to ask any further questions of the panel, but maybe just share with the audience a little bit of a[n IFoA] Council's perspective on this topic, because we're very much aware that as a profession we have the right and privilege to self-regulate and not all professions start from that place. I think we'd be asking ourselves “what does it mean to regulate a profession,” and I think I would argue it's almost self-evident that some form of monitoring is integral to the role of a regulator, and it's hard to think of any regulator in the UK that doesn't perform some form of monitoring. From a first principles point of view I think that seems pretty clear, but almost beyond that we've been challenging ourselves: what would others expect of us as we regulate the profession? The scrutiny that regulators are under has just risen over years and years, and if something was to go wrong within the actuarial profession, another Morris [Review] for example, and it was found that we were not executing our right to self-regulate properly, then there may well be a risk that someone else regulates the profession for us. I think, in terms of another perspective, in the business case, it's not necessarily “we do this or we don't,” the question is “if we don't do this, do we run the risk that someone else who doesn't know the profession nearly as well as we do ends up regulating us”. That's very much a perspective that's been brought to bear. Now, having said that, I do work with a number of Practising Certificate holders and I'm very well aware of the need for proportionality. I work in wider fields myself, and it's a key priority for Council that the profession extends into wider fields, and continues to thrive. It's not in our interest to impede the work of pioneers like Stephen and Harry in this arena. I think the proposals, as they currently stand, do not impede those practitioners and I would make sure that any scope-creep in time does not impede wider fields either. So, I hope that perspective helps a little bit as a driver behind this. Thank you.

The Chair: John, thank you for that. Is there anyone else with a point to make? We can probably squeeze one more contribution in. Yes. Crisply, if you don't mind.

Harry Taylor: Yes. Just a question. It's Harry Taylor again. Have you thought through when this goes public, and it will go public, because it will happen, there's an inevitability about it, the kind of questions that will be asked in the public domain? Like “oh, if you'd had this in place would Equitable Life never had happened”. There'll be a list of another half a dozen that you could come up with. Have you thought through that? Because I think when this starts to get root fed, out into the public, and financial commentators become aware that this consultation is taking place, these questions will arise and it'll be smart to have the answers to them before they get asked.

The Chair: Yes, we had given that some thought. John, I think you're going to come in?

John Jenkins: (inaudible) I think that's a very, very sensible point. I don't think we could ever answer any of those definitively, but as a Life Actuarial Practitioner, had something like this been in force, or even APS X2 been in force, would Equitable Life had happened? It is possible that it wouldn't. I think the life practitioners know that Equitable had a very specific way of doing things, which wasn't shared by the rest of the industry, or by the rest of the population of appointed actuaries at the time. Quite possibly, a monitoring visit might have said “guys, do you realise you're doing something which nobody else is doing, are you really sure”. Actually, the example you've flushed out there, might well be a good example of what might have been prevented by a slightly wider look at what a company was doing. We are focussing on insurance here this evening.

The Chair: Okay, John, thank you for that. I'm conscious that the clock has beaten us here, so can I do three things? First of all, can I thank all of you for giving up your time after a busy working day to be here,

and in particular I want to thank you for all of your contributions. May I remind you, as Shane said in his presentation, that the consultation remains open until 28 September? We are very, very keen indeed to receive as many contributions and thoughts and ideas as possible. As I mentioned, I think to some of our first two or three speakers, we're very keen as well to be informed and to receive contributions from third parties, if you will, so, smaller insurance companies, whatever it might be, because all of those points that were mentioned by those first two or three speakers are things that we're very alive to. They are really very important issues, issues that affect both the public interest and the profession. The greater the richness, the diversity, of the response to that consultation the more informed we hope to be. The final thing that I wanted to do was to ask you to join me in thanking my colleagues who have presented or spoken on the panel for their work in trying to attempt to deal with all of your various points. So, let's show appreciation in the usual way. Thank you all very much. I look forward to your many thoughtful comments by way of response before 28 September. Thank you.