

**ANNUAL GENERAL MEETING
OF
THE INSTITUTE OF ACTUARIES**

[The Institute of Actuaries, 8 July 1998]

**1. PRESENTATION OF THE ANNUAL REPORT
BY THE RETIRING PRESIDENT,
MR D. G. R. FERGUSON**

Last year has been another year of progress for the Institute. It is also a year for rejoicing.

You will find in the Annual Report a summary of a phenomenal amount of activities carried out on behalf of members by our 7 Boards and 62 Committees, most of them operating jointly on behalf of both the Faculty and the Institute. This is evidence of a healthy profession with an active membership, as anyone who has attended only a fraction of the 34 conferences and 8 sessional meetings held during the year can testify. In addition to this burgeoning CPD activity, over 4,000 examinations were passed by students examined by over 200 examiners, and, while the median time to qualify is still 6 years, over 40% of students entering the profession now qualify within 5 years, and the new education strategy is designed, *inter alia*, to improve those statistics still further. The introduction of the 200, 300 and 400 series of examinations will happen next year, and the revision of the Dip Act Tech into the new 100 series a year later. We owe thanks to all those who have made this possible.

I have no doubt that the new education strategy is essential to our plans for a radical increase in the number of entrants to the profession, as we seek to expand our horizons. We have made significant progress with the major universities with whom we are establishing special relationships. I very much hope that this will soon lead to an expansion of actuarial content in various university degrees, and that this will lead to a high proportion of new entrants to the profession gaining exemption from all but the final Fellowship examination while at university, before too long.

In the next few years we shall have to address the funding of these university programmes, and I believe that the profession should prepare itself for an increasing budget to support university education of new members in future. University education is now the standard entry route in South Africa, Australia and Canada, and supplementing the income of lecturers and other university support already accounts for 30% of the budget of the Australian Institute, and a significant part of the Actuarial Society of South Africa budget.

The Association of British Insurers and Scottish life offices have supported

City University and Heriot-Watt University in the past, and commercial sponsorship can also play a part.

I have dwelt on the university initiative, because the last 2 years have convinced me of its importance to the future of the profession and because I am acutely aware how much still needs to be done to get the ideas to take root. I am pleased that Paul Thornton has accepted my offer to continue to support the initiative during his Presidency.

I am grateful to Roy Brimblecombe for pursuing another initiative which can help. He has presented proposals to the Faculty and Institute Management Committee for the establishment of an Educational and Research Foundation. They were well received, and plans are now proceeding to establish this charitable trust. It will have many demands on its funds, but support for universities could be one of them.

I am pleased that good progress has been made with some of the other initiatives of my Presidency, and know that, before Howard Webb completes what he expects to be his final year on Council, he has set himself objectives to wrap up the introduction of the new membership categories, including Honorary Fellows, and to give appropriate prominence to the duty of members to act in the public interest when the new Memorandum of Actuarial Practice is finally approved.

In the interests of time, I shall not single out reference to the work of the four practice Boards, but simply pay tribute to the enormous amount of work and effort contributed by the Boards and by the Committees who serve those Boards. As you can see from the Report, much progress has been achieved, we are making progress on all fronts, and going backwards on none.

I said, a moment ago, that this was a year of progress, but also a year for rejoicing. One hundred and fifty years is a good excuse for a party, and we shall have one this evening, our 150th birthday. This anniversary has been a great opportunity to raise our profile, and we are doing so with an ongoing programme of events. The International Congress in Birmingham was a highlight, with 1,000 actuaries from over 60 countries participating and enjoying the scientific and social content; we have the exhibition in Staple Inn; and there have been various other activities, including the revival, after an interval of 300 years, of the annual Staple Inn Reading by the Master of Gray's Inn. As you know, Staple Inn was a daughter Inn of Gray's Inn for 350 years before the Institute's tenancy began in 1887.

I now call on our Honorary Treasurer, Bernard Brindley, to present the Accounts.

2. SPEECH BY THE NEW PRESIDENT,
MR P. N. THORNTON,
INCLUDING THE VOTE OF THANKS TO THE RETIRING PRESIDENT,
MR D. G. R. FERGUSON

I take the opportunity to say a few words: firstly, about the formation of the Institute 150 years ago; secondly, to pay my own tribute to Duncan's achievements over the past two years; and thirdly, on how I would like to see the profession set its course for the period of my Presidency.

On this day 150 years ago, around sixty actuaries, including a deputation from Scotland, gathered together for the purpose of establishing a "scientific and practical association amongst the actuaries, secretaries and managers of the life assurance societies of Great Britain". A committee of 15 had put forward a proposed 'plan' for an Institute of Actuaries, which was then discussed clause by clause and adopted, with minor modifications. This would be rather lengthy to recite, but it is interesting to recall the main objects of the Institute as they were subsequently adopted :

"The Institute of Actuaries of Great Britain and Ireland is an Association founded for the purpose of elevating the attainments and status, and promoting the general efficiency of all who are engaged in occupations connected with the pursuits of an Actuary; and for the extension and improvement of the data and methods of the science which has its origin in the application of the doctrine of probabilities to the affairs of life, and from which Life Assurance, Annuity, Reversionary Interest and other analogous Institutions derive their principles of operation. It embraces as its peculiar province of inquiry, all monetary questions involving a consideration of the separate or combined effects of Interest and Probability."

Amongst the original objects of the Institute was also included :

"The settlement of points of professional and official usage and protection generally to the members of the profession and the public".

It is also notable that the meeting included a special vote of thanks to the Scottish deputation, who had been active in promoting the idea of an association of actuaries in London.

Even 150 years ago, we can see one of the issues which concerns us today, namely the public-interest role of the profession, and also the close co-operation which existed, from the outset, between English and Scottish actuaries.

If these are features which have *not* changed, there is at least one that has. The annual subscription for a Fellow in 1848 was 3 guineas!

The birth of the Institute was not without its difficulties, however, and it was formed without the support of a small, but influential, group of actuaries who, shortly after, formed The Actuaries' Club, a split which was not finally resolved until 1884, when the Institute and The Actuaries' Club joined in seeking our Royal Charter.

The next general meeting of the Institute took place on 14 October 1848, at

which meeting 78 Fellows and 53 Associates were enrolled. It was at this meeting that John Finlaison was elected President. Just as today's Annual General Meeting is on the 150th Anniversary of the first general meeting, my Presidential Address will be on the 150th Anniversary of John Finlaison's election as the first President.

Turning to more recent history, there are three issues which have featured prominently on Duncan's agenda, which I would like to refer to, as they will also feature strongly on mine.

The first of these concerns the public interest. Duncan is not the first President to be concerned about the public interest. Indeed, as I have mentioned, it was included in the objects of the Institute 150 years ago. Duncan has, however, ensured that, during his period in office, Council's attention has been repeatedly drawn to the need for the profession to serve the public interest. I doubt if there are many members who would resist the notion that the profession should serve the public interest, but I know that a number have concerns about the part the individual actuary is expected to play in this.

My own view is that the existence of the profession is most certainly in the public interest, and that it is incumbent upon us to ensure that actuaries are educated and trained to a high degree of technical competence and required to behave with a high standard of professional integrity and ethics.

Furthermore, it is increasingly clear that the Councils believe that they have a responsibility to ensure that members do not *fail* to act in a way which serves the public interest. At the Joint Council meeting in May 1998, there was much discussion about how we should do more than merely react to events as narrow technical experts, but should seek more actively to have a positive influence on general developments in our areas of knowledge.

The difficulty, however, lies not so much in identifying what the profession *as a whole* should do, as in how the *individual* actuary should be expected to behave. We have already left behind the simple notion that the actuary merely has to serve his client or employer to the best of his ability. We have accepted roles as Appointed Actuaries and Scheme Actuaries, and as signatories to Statutory Certificates, which take us well beyond that simple view of life and into the realms of accepting responsibility to others beyond our immediate client or employer. To go *too far* in the direction of requiring the individual actuary to consider issues of public interest in going about his normal work, however, could place the individual actuary in a position which inhibits, rather than enhances, the advice that he gives. There is therefore a careful balance to be struck. To be quite specific, further work will need to be done on the precise wording of the proposed Professional Conduct Standard to find the right point of balance.

A second area where Duncan has been active is in encouraging the extension of actuarial teaching in the universities. I fully endorse the steps which have been taken in this direction, and would wish to see them enthusiastically continued. We have, I feel, allowed the growth of the profession to be dictated too much by the major employers of actuaries, i.e. the insurance companies and consulting

firms, who recruit and train actuaries in accordance with their business requirements. This is, of course, entirely appropriate, but one effect has been that it has not encouraged the profession to develop its role outside the traditional areas. For example, the banks do not, as yet, set out to recruit and train actuaries, and yet banking would appear to be an obvious area in which actuaries could make a contribution to the management of a financial risk.

Even 150 years ago this potential was recognised, but has somehow not been fulfilled. In other countries, where the more usual route to qualification is through university training, there is clear evidence of graduates taking their actuarial training into the broader finance and banking area. This happens in France and Spain, in Australia and Canada and Mexico, and I am convinced that we should do the same.

We are fortunate that we already have a number of universities with an established track record, notably Heriot-Watt, LSE, The City, Southampton and Kent, but we will need others to join them. There is serious interest now being shown by Warwick and York, and we need to give them all the support that we can.

A third area where Duncan has worked hard on our behalf is in raising the profile of the profession. The rate at which press releases are issued has shown a dramatic increase over the past two years, and, generally, awareness of the actuarial profession has steadily been raised. The various events around the 150th Anniversary have provided a good opportunity to advertise ourselves, and, indeed, the reason why we are meeting in this hall (The Chartered Insurance Institute Hall) is because Staple Inn Hall is currently filled with our 150th Anniversary Exhibition.

Again, although this is not a new theme for Presidents, we must continue to devote significant energy to raising our profile and explaining what actuaries do. We need to do this, not only to earn the trust and respect of those who rely on our advice, but also to ensure that we do not miss the opportunity of bringing our actuarial skills to bear on the wider variety of business problems to which we could make a valuable contribution.

In all of these areas Duncan has achieved a great deal, and it will be my aim to continue to build on his and his predecessors' good work.

Turning now to the future, I do believe that, as a profession, we have been *forward looking* and *ready to make changes* in order to be ready for the challenges of the future. The changes introduced in the new education syllabus next year, for example, are a major step towards ensuring that the next generation of actuaries will be well equipped to tackle a wide range of financial problems. The focus first placed on health and care in John Martin's Presidency is now bearing fruit, with the second annual Health Care Conference last week, attended by 120 actuaries, including some from overseas.

Furthermore, thanks to some groundwork by Chris Daykin a few years ago, we already have a planning process through which the Boards and Committees are required to identify their objectives, and then can be judged on their achievement.

For us to set the *right* objectives in the short term, however, we must have a very clear idea of where we want the profession to be in the years ahead. Only then can we ensure that we take the right steps *now* to get us there, and that we deal with any issues which could be standing in the way. Also, it is essential that, not only the Councils, but the *whole membership* are fully in support of the sense of direction which the profession takes. With this in mind, I have, together with the President of the Faculty, launched a 'Vision and Values' project. This will initially involve Council members and some others close to Council, but will then involve the membership at large in the early part of 1999.

The purpose of this project is to arrive at a clear vision of the future profession and a clear statement of the values for which we stand, and, at the same time, to see what it is that we need to *do* or need to *change* in order to fulfil them. I look forward to your contribution to making the future profession a strong and healthy one.

Even these brief remarks would not be complete without a reference to international matters — and this is a good place to make one. We have, over the last 150 years, earned and maintained a prominent place in the international actuarial community — for which we owe a debt to numerous of my predecessors. The International Congress which we hosted in Birmingham last month is the latest contribution, and we owe special thanks to Hugh Scurfield, David Wilkie, Kevin McBrien and many others for all their hard work in making this one of the most successful congresses for years.

I will be very keen to maintain our place in the world, and we have a superb opportunity to do so over the next two years, with the reorganisation which has taken place of the International Actuarial Association.

Before drawing this 150th Annual General Meeting to a close, I would like to place on record my appreciation of the great honour which has been conferred upon me in becoming your President, and the support of my partners in enabling me to do it. I regard this as a great privilege, and it is a role which I hope to perform with due respect for the past, but with an open and responsive approach to the future.