

Professionalism Committee
Thursday, 31 May 2018, 8:30 -12:30
The Estrel Berlin Hotel, Germany
Room Estrel Saal A

The attendance list can be found at the end of these minutes.

1. Welcome and introductions

Yvonne Lynch, Vice Chair, conveyed regrets from the Chair, David Martin, who was unable to attend the meeting due to health reasons. Yvonne chaired the meeting on David's request. Yvonne welcomed the attendees and new members and conducted a roll call. The attendance list is at the end of these minutes.

2. Approval of agenda

The Agenda was approved without amendments.

3. [Minutes of the meeting in Chicago](#)

[Minutes of the conference call on 9 February 2018](#)

[Minutes of the conference call on 27 April 2018](#)

These minutes were approved as presented.

4. Matters arising from the previous meeting

i. [PC workplan for 2018](#)

Yvonne went over the items in PC workplan for 2018 noting two potential items for completion in Berlin – namely, (i) decision on whether to review the IAA Code of Conduct provisions and (ii) the ICA 2018 sessions on professionalism. The workplan will be updated for completed items after Berlin (*done and attached*). The new format includes the identification of risk factors for the Committee. There was a call for suggestions for risk factors before the Berlin meetings. However, no responses were received. A brief discussion followed with the identification of the following risk factors and mitigation efforts:

- a. Potential lack of oversight on the monitoring of compliance with the due process for ISAPs: mitigation action – for each ISAP, the Committee appoints a two-member task force to monitor compliance.
- b. Risk of IAA requirements for Code of Conduct being not fit for purpose: mitigation action – PC checked and reviewed the current CoC provisions.

Action: Yvonne requested members to give this more thought and suggest potential risk factors at the next meeting.

- ii. [Action Items – Summary](#)
Was noted.
- iii. Update on IAIS project on the relationship between the auditor and the actuary. Ralph Blanchard and Peter Withey had volunteered to work on this. Highlights of the most recent IAIS AAWG (Accounting & Auditing WG) call:
 - The AAWG is preparing a revised ICP 20 (Public Disclosure) for public consultation early summer.
 - When that is done the AAWG will start to address audit quality issues, including IFRS 17 considerations. That is when the IAA's PC involvement with their work will probably start.
 - They are also following what other standard setters are doing (e.g., the IASB)
 - Other future projects involve assisting on ICS efforts and the ComFrame consultation (with public consultation starting sometime in August), as well as revisiting ICP 14 – but only after work on ICS 2.0 is done.
- iv. Items to add to or delete from Workplan
None identified.

5. Study of disciplinary schemes with reference to CoC

- i. [Presentation by Canadian Institute of Actuaries](#)
Jason Vary of the Canadian Institute of Actuaries (CIA) made a comprehensive presentation on the disciplinary process of the CIA. He presented statistics of the cases reported since 1992 and stated that reporting of criminal convictions was introduced in 2016.
- ii. [Presentation by the Institute and Faculty of Actuaries](#) (UK)
Ben Kemp, General Counsel of the IFoA, presented the disciplinary process of the IFoA. In his presentation Ben explained the IFoA's definition of misconduct, how the disciplinary process interacts with that of the FRC, and the investigation process, and he shared some statistics. Ben mentioned several challenges faced by the IFoA. A video clip was shared by e-mail with the PC subsequently.

Yvonne thanked Jason and Ben for their useful presentations, both of which generated lively discussion.

Action: Mexico and Finland offered to present their disciplinary processes at the next meeting. Australia and South Africa will present thereafter at the meeting in Washington DC.

6. PC Responsibilities under Due Process for ISAPs

- i. **Verbal report from Chair of ASC**
Chair of the ASC, Godfrey Perrott, gave a brief update on the status of ISAPs currently in development.

- ISAP 1 – The exposure draft (ED) of a revised version was published on 29 June 2017, comment deadline was 31 October 2017. The ASC received 14 comment letters. TF completed its work and recommended that the ASC approve the revised version and proceed to final review. The ASC is reviewing the definition of “report” and expects to publish a final review package in June.
- ISAP 4 - ED published 27 Feb 2018, comment deadline 30 June 2018.
- ISAP 6 - ED published 17 October 2017, comment deadline was 28 Feb 2018. 11 comment letters were received. The TF is revising the draft in light of these comments. The ASC hopes to publish a final review package in July which will allow for adoption by Council in Mexico City. No substantial changes have resulted after the consultation.
- ISAP 7 - No change. Still suspended pending IAIS action.

Godfrey added that the ASC has no new ISAPs in the pipeline and will be soliciting suggestions for new ISAP topics, especially from the small and medium size associations. The ASC is especially interested in thoughts from members who have started to implement actuarial standards or who are considering doing so. To help stimulate ideas the ASC is compiling a list of topics of existing standards of several well-developed standard-setters.

Yvonne thanked Godfrey for the update.

ii. **Updates from Due Process Task Forces for all ISAPs**

ISAP 1 review - Mary Frances Miller and Jose Luis Lobera
Nothing further to report since the last conference call.

ISAP 4 – Masaaki Yoshimura and Jason Vary
Jason Vary reported that the ED was published, and that the TF is monitoring.

ISAP 6 - José Luis Lobera Tarmo Koll
José Luis Lobera was in agreement with Godfrey’s update and had nothing to add.

ISAP 7 - Thomas Béhar and Nikolay Gorbachev
Currently suspended.

Action: The TFs were requested to submit the update using the due process monitoring template, to the extent completed.

iii. **Process for collecting information from FMAs regarding action taken on ISAPs**

- a. Update from the Task Force comprising Birgit Kaiser – PC (Lead), Mark Freedman – PC, Marius Du Toit – ASC, Godfrey Perrott – ASC, Dave Pelletier – SSRT

Birgit presented the document with the [draft proposal](#) stating that responding to the survey was not mandatory, and that FMAs may refrain from responding

to the survey. The TF's proposal is to engage the PC members to seek feedback from their local associations/standard setting bodies regarding the action taken on ISAPs. Birgit stated that a lot of time, effort and resources are committed by the IAA to develop model standards and that the intent of the proposed survey is to seek feedback to see if the FMAs find these ISAPs to be useful, what can be improved etc. - in general, to seek feedback to improve the ISAP development process. She stated that it is in the PC's terms of reference to monitor experience with the application and implementation of ISAPs and the Due Process for their development, and to make recommendations to the Executive Committee or Council, as appropriate. Going forward, the PC does not intend to use the annual confirmation form to seek feedback on ISAPs.

Tom Wildsmith, of the American Academy of Actuaries sitting in for Cecil Bykerk for part of the meeting (due to Cecil's attendance of the Audit and Finance Committee), stated that the Academy does not agree with the proposed approach because, in their view, it simply takes some of the questions on the annual Confirmation Form, to which the Academy also objected, and proposes to ask them of FMAs through the Professionalism Committee. He said that this is not acceptable because the IAA has no authority to monitor the standard setting activities of FMAs. The Academy supports the development of ISAPs because it supports the IAA's outreach and provision of resources to those developing associations which might benefit from the expertise of more fully developed standard setters. Mark Freedman, representative from the Society of Actuaries proposed postponing discussion of the item until the next full IAA meeting in Mexico City to explore the possibility of revising the survey so that it would be conducted, if at all, only for member associations which currently utilize the ISAPs. The Academy agreed to this compromise proposal. However, in a lively discussion several members expressed their preference for moving ahead with a non-mandatory survey via the PC membership to collect information from FMAs regarding action taken on ISAPs and their usefulness to standard setters.

Yvonne noted that the proposed survey (which in her view went further than simply taking some questions from the annual Confirmation Form) has been debated over several PC meetings, providing ample time for PC members to comment on the proposal and offer concrete alternatives (mindful of the PC's information-gathering role, as per its terms of reference), if they wished to do so. She said that she sensed from the discussion that most PC members did not want to delay further and therefore she asked members to indicate by a show of hands whether they were in favor of a motion that the PC approves the proposed non-mandatory survey; she also invited any members who would prefer that the matter be carried forward to the next meeting (as proposed by Mr. Freedman) to abstain from the vote so that the level of support for that alternative could be determined.

The motion was approved with a significant majority - 15 votes in favor, 1 against and 3 abstentions.

Action: Birgit will prepare a final version of the survey. Members of the Committee will be requested to follow up with their associations to complete the survey in due course. The PC leadership will formulate a proposal on how to solicit responses from associations that don't have a representative on the PC, and also the frequency of the survey.

- b. [2017 update on actions taken by FMAs](#) – Birgit presented the update.

7. IANs

i. [Statement of Intent for IANs](#)

This was included in the agenda to create awareness and was noted without discussion.

ii. Definition of an IAN

Yvonne gave the background on this item and explained concerns raised even after the discussion of the topic at the last meeting.

Yvonne commented that there is still a lack of clarity/agreement on the purpose of an IAN and invited discussion on the proposed definition. A good discussion followed, with the following comments:

- The definition should be clear about the IAN being non-binding.
- The label “model” is preferred, and reference to “generally accepted practice” should be avoided because it gives the IANs a status higher than that intended.
- There should be a clear distinction between an IAN and other educational documents. The proposed definition doesn't say what makes an educational document an IAN.
- IANs should not interpret the ISAPs. Standards should be written clearly such that they don't need interpretation.
- IANs would be useful in developing/emerging practice areas, they would not be as useful in developed areas of practice where there is a lot of educational material already available.
- A question was raised as to whether an actuary is expected to be aware of IANs. Yvonne commented that that would depend on how individual associations chose to communicate and position IANs to their members.
- American Academy of Actuary's Guidelines for Developing Practice Notes which are available on their website might serve as useful reference <http://www.actuary.org/content/guidelines-developing-practice-notes-0>.

Action: Yvonne will continue to work with the TF to create a final proposal considering the comments received at the meeting. The proposal will be shared with the PC well in advance of the meetings in Mexico with the intent of seeking approval in Mexico. Yvonne requested the members to give it due attention when the proposed final definition is shared and prepare to vote on it in Mexico.

iii. PC review of draft IANs

Ralph gave a brief update on the PC review of the IAN 100 on IFRS 17. A discussion draft of the IAN was shared with the Insurance Accounting Committee and its Education and Practice sub-committee in March 2018. The current due process is silent on whether or not a discussion draft can be shared for comment in advance of the exposure draft. This is a matter for consideration when reviewing the due process. For IAN 100 this matter will be taken up with the EC.

Later note: The EC and the Insurance Accounting Committee decided to share the discussion draft of IAN 100 in advance of a later official exposure draft with a suitable caveat, making it clear that the draft should be considered a work in progress. It is issued in advance to the IAA member associations in order to stimulate discussion - since many companies have already begun work on implementation of IFRS 17, the IAA believes that issuance of the discussion draft at this time to member associations will better benefit affected actuaries rather than

waiting until an official exposure draft is ready. The discussion draft was issued to the member associations on 12 June 2018. The exposure draft will follow later, with all the intended chapters included.

- iv. Due process for IANs - review
This item will progress once the IAN definition is finalized.

8. Educational material on professionalism for AWB

A quick update was given. The goal is to provide educational material to small, developing or emerging associations. The proposed medium is a webinar with a regional focus. First region selected is Eastern Europe, with a webinar focused on motor insurance. The contributors are Richard Galbraith, Renata de Leers, Ralph, Vladimir. Case studies are being developed. Basic principles of the message have been agreed. Presenter identified as Vladimir. First draft of slide deck to be developed by Richard.

Action: update to be provided at the next meeting.

9. ICA 2018 program

Birgit gave an update on the scheduled sessions relevant to professionalism and encouraged members to attend them. Yvonne noted that the congress program, both in respect of professionalism sessions and otherwise, is very impressive and she congratulated the German association on putting it together.

10. Update on Inclusive Insurance

Peter Withey reported that the Microinsurance Working Group (MiWG) has completed the draft IAA paper titled Proportionate Actuarial Services in Inclusive Insurance Markets, along with an associated risk assessment tool that would accompany this paper. The draft paper and the risk assessment tool have been submitted to the Scientific Committee for review and approval. The same will be distributed to the Communications Committee for a final review. This is a project in collaboration with the IAIS. The IAIS is developing a paper in parallel titled Proportionate Prudential Requirements in Inclusive Insurance Markets. The IAA paper, the toolkit and the IAIS paper will be published together later in the year 2018.

11. Review of IAA Code of Conduct requirements

Jason Vary reported that the TF (comprising of José Luis Lobera, Paul Kollmer-Dorsey, Mark Stocker, Jason Vary and Ernst Visser) reviewed the AAE code, the Canadian Institute of Actuaries' Rules of Professional Conduct, the U.S. actuarial profession's "unified" Code of Professional Conduct, and the U.K. Institute and Faculty of Actuaries' consultation paper from October 2017 on the proposed changes to their Code, and the IAA's requirements relating to codes of conduct, and prepared the [report](#) circulated with the agenda. The TF concluded that no change is necessary to the IAA's code of conduct requirements as a result of this review.

Yvonne responded to some of the comments on the AAE Code in the task force report. She explained that there is a qualifier in the section of the Code on communications as, for example, it

may reasonably be considered disproportionate for an employed actuary to repeatedly tell his employer in what capacity he is acting. On providing professional services where there is a potential or actual conflict of interest, she noted that, under the IAA CoC provisions, an FMA may require an actuary to refrain from providing services unless the client and principals give express permission, but the FMA is not obliged to do so. She also noted that the IAA does not define "shall" in the Internal Regulations but it is defined in ISAP 1 as having the same meaning as "should" (i.e. essentially "comply or explain"); thus, the use of "should" in the AAE Code is consistent with the use of "shall" in the IAA CoC provisions.

After a brief discussion the TF's conclusion was accepted and it was concluded that no further work needs to be done on this item. Yvonne thanked Jason and the TF for their comprehensive review.

12. Other matters

Paul Kollmer-Dorsey of the American Academy of Actuaries raised a question regarding the reference in the Chicago PC meeting minutes to Professionalism Guideline 2 (PG2) (concerning principles for the governance of international actuarial work) and asked when the PC will review it under the Framework for the Production of Professionalism Guidelines approved by Council in Chicago.

As per the [Chicago meeting minutes](#) David Martin had clarified at that meeting that the PG had been approved by Council, but at that meeting he stated that it will be the first Professionalism Guideline to be reviewed by the PC at a future date under the approved framework document. Paul flagged that we need to ensure that we do not lose sight of this task and we should note it in work plans for attention at a future date.

13. Next meeting:

Next face to face meeting: Mexico City, Mexico — November 27–December 2, 2018

A conference call will be scheduled well before the meeting in Mexico to follow up on the action items and plan for the meeting in Mexico.

The meeting concluded with Yvonne thanking all those who attended.

Attendance List:

Members

Ralph Blanchard
Yvonne Lynch
Alexey Arzhanov
Petr Bohumský
Vladimir Bubalov
Malcolm Campbell
Mark Freedman
Bozenna Hinton
Birgit Kaiser
Toshiyuki Kinugasa
Tarmo Koll
Harri Kuosmanen
José Luis Lobera
Mark Stocker
Jason Vary
Ernst Visser
Peter Withey

Amali Seneviratne

Observers

Shawna Ackerman
Steve Alpert
Conrad Backeberg
Bob Beuerlein
Simon Curtis
Renata De Leers
Mary Downs
Yosuke Fujisawa
Richard Galbraith
Andrea Gluyas
Elayne Grace
Akihiro Hotta
Ben Kemp
Paul Kollmer-Dorsey
Ikuo Kudoh
Helge-Ivar Magnussen
Greg Martin
Michael McDougall
Irina Melnikova
José Mendinhos
Ann Muldoon
Tomio Murata
Roseanne Murphy Harris
Tomáš Osicka

Co-Vice-Chairperson
Co-Vice-Chairperson; Chair for this meeting
Russian Guild of Actuaries
Česká Společnost Aktuárů
Macedonian Actuarial Association
Svenska Aktuarietföreningen
Society of Actuaries
Actuaries Institute Australia
Deutsche Aktuarvereinigung e. V. (DAV)
Japanese Society of Certified Pension Actuaries
Eesti Aktuaaride Liit
Suomen Aktuaariyhdistys
Colegio Nacional de Actuarios A. C.
Institute and Faculty of Actuaries
Canadian Institute of Actuaries
Het Koninklijk Actuarieel Genootschap
Actuarial Society of South Africa

IAA Staff - Director, Technical Activities

American Academy of Actuaries
American Academy of Actuaries
Actuarial Society of South Africa
Chairperson, Branding and Communications
Canadian Institute of Actuaries
Executive Director, AWB
American Academy of Actuaries
Institute of Actuaries of Japan
Institute and Faculty of Actuaries
New Zealand Society of Actuaries
Actuaries Institute Australia
Japanese Society of Certified Pension Actuaries
Institute and Faculty of Actuaries
American Academy of Actuaries
Institute of Actuaries of Japan
Den Norske Aktuarforening
Actuaries Institute Australia
Chairperson, Membership
Russian Guild of Actuaries
Instituto dos Actuários Portugueses
Chairperson, Round Table Standard Setters
Co-Vice-Chairperson, Accreditation
Actuarial Society of South Africa
Slovenska Spoločnosť Aktuarov

Gábor Pásztor
Dave Pelletier
Godfrey Perrott
Emma Potter
Jeffrey Schlinsog
Henry Siegel
Patricia Teufel
Tom Wildsmith
Karen Williams
Lan Wu
Daniel Ye

Magyar Aktuárius Társaság
Canadian Institute of Actuaries
Chairperson, Actuarial Standards
Institute and Faculty of Actuaries
American Academy of Actuaries
American Academy of Actuaries
Casualty Actuarial Society
American Academy of Actuaries
Society of Actuaries
China Association of Actuaries
Actuarial Institute of Chinese Taipei