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Basis for conclusions

General Actuarial Practice (GCASP1/ESAP1)

An exposure draft of Groupe Consultatif Actuarial Standard of Practice 1 (GCASP1) on General Actuarial Practice was issued on 1 November 2013, with a comment period lasting until 1 March 2014.

Comments were received from 8 respondents, including five member associations, the CRO Forum, UK Financial Reporting Council (FRC) and consulting firm Mercers. A complete list of the respondents is provided at Annex 1.

Main considerations

The proposed GCASP1 (now to be renamed ESAP1) was intended to be a clone of ISAP1 (General Actuarial Practice) issued as a model standard by the International Actuarial Association (IAA). Although from one point of view this represents duplication of what has already been done by the IAA, the view taken by the Standards, Freedoms and Professionalism Committee (SFPC), on the recommendation of the Standards Project Team (SPT), was that it was desirable for the model standards issued by the Actuarial Association of Europe to include such a standard on general actuarial practice for greater completeness when more European-specific standards were developed.

Observations

- Although there will be the appearance of duplication in issuing ESAP1 when ISAP1 already exists, this will assist presentationally in regard to the AAE having a coherent set of standards.
- There is no need for any confusion or duplication in practice, as both ESAP1 and ISAP1 are model standards and what matters is the standards which member associations issue for the purpose of compliance by their members. As explained further below, member associations which assert adoption of or congruence with one or other of ESAP1 and ISAP1 will be able also automatically to assert that their standards are congruent with the other international standard.

Responses to exposure of a draft of GCASP1/ESAP1

The majority of the responses to the consultation on the exposure draft were in favour of the AAE adopting it as a model standard and supported the concept of 1) the AAE issuing such a model standard, even though ISAP1 had already been promulgated by the IAA, and 2) maintaining the principle of keeping GCASP1/ESAP1 as closely in line with ISAP1 as possible.

Some concern was expressed by UK respondents, including the Institute and Faculty of Actuaries, the UK Financial Reporting Council and the consulting firm Mercers, about the possibility of

confusion and/or the creation of additional layers of regulation, through having such a model standard issued by the AAE in addition to the virtually identical one issued by the IAA.

The FRC went further than this is suggesting that a separate AAE model standard might be justified if it went further than the IAA model standard, but not if it was identical.

Conclusions

The SPT has concluded that the AAE should issue ESAP1 in a form as identical as possible to ISAP1 and that it should be updated as necessary so as to keep it in line with the current version of ISAP1. If additional standards of general actuarial practice are determined to be necessary in the European context, then they should be the subject of one or more separate model standards.

Whilst it hardly needs to be emphasised again, ESAP1 is intended only as a model standard and member associations will determine how to respond.

As stated in the Preface to the model standard, the Actuarial Association of Europe (AAE) encourages member associations and other relevant actuarial standard-setting bodies in Europe to consider taking one of the following courses of action:

- Adopting ESAP1 as a standard with or without modification, where items covered in ESAP1 are not currently contained in existing actuarial standards, or where such portions of existing standards are to be withdrawn;
- Endorsing ESAP1 as a standard as an alternative to existing standards;
- Modifying existing standards to obtain substantial consistency with ESAP1;
- Confirming that ISAP1 has already been adopted; or
- Confirming that existing standards are already substantially consistent with ESAP1.

To this we would add, for the avoidance of doubt, that:

1. Whilst ESAP1 and ISAP1 are model standards, individual actuaries may elect, or be required by a relevant actuarial regulator, to use ESAP1 or ISAP1, or one or more local standards which are equivalent to ESAP1 or ISAP1. In such situations compliance with ISAP1 will be treated, by the individual or regulator, as ‘deemed compliance’ with ESAP1 (and vice versa).
2. Where a member association of the AAE adopts or endorses either ISAP1 or ESAP1 this can be assumed to imply adoption or endorsement of the other.
3. Member associations which have declared that their own standards are substantially consistent with ISAP1 will, without further action, be deemed to have done so also in respect of ESAP1 (and vice versa).

These principles will be further emphasised in the Preface to the final standard.

The Standards Project Team is grateful to all those who took the time to respond to the consultation on the exposure draft.

Chris Daykin Brussels, 14 April 2014
Convenor, Standards Project Team

ANNEX

List of respondents to exposure draft of GCASP1/ESAP1

External stakeholders

UK Financial Reporting Council
CRO Forum
Mercers

Member Associations of the Actuarial Association of Europe

Het Koninklijk Actuarieel Genootschap
Institute and Faculty of Actuaries
Society of Actuaries in Ireland
Association Suisse des Actuaires
Istituto Italiano degli Attuari