IAA Standards

Drafted by the Actuarial Standards Committee (ASC)

These slides cover - standards, ISAPs, and the ASC

- How do standards help actuaries?
- IAA strategy for

  International Standards of Actuarial Practice (ISAPs)

  and

  International Actuarial Notes (IANs)
- ISAPs are model standards – what does this mean?
- ASC activity to date and planned

Why ISAPs are useful to actuaries

- Cornerstones of good governance of the profession are:
  - (local) **Codes of Professional Conduct,**
  - (local) **Professional Standards of Qualification** and
  - (local) **Professional Standards of Practice**
- **Other professions** have got their act together globally
- **G20** demanding standards for all professions
- Facilitate **convergence** in actuarial standards
- Increase public **confidence** in actuarial services
- **Self-regulation** better than externally imposed regulation

IAA strategy on actuarial standards

IAA Strategic Objective 3 (of 6)

Establish, maintain and promote common standards of actuarial education and common principles of professional conduct. **Promote the development and issuance of actuarial standards** in the jurisdictions of all Full Member Associations, and the **global convergence of actuarial standards**.

Objectives for ISAPs

- Widely accepted as a basis for convergence by local standard-setters
- Recognized by the parties who rely on actuarial standards such IASB, IAIS, IOSCO and the local regulators and audit firms
- Widely seen as contributing to the public good
- Promote high quality actuarial practice

ISAP Content & Guidance

- Needs to have widespread practical relevance to actuarial work
- Existing pronouncements by any supranational organization do not already provide sufficient guidance
- Guidance can usually be stated as "the actuary should …"
  - Failure to comply with "must" would lead to disciplinary action
  - "may" when an activity is appropriate in certain circumstances
- Principles-based rather than prescriptive (i.e. "what" not "how")
- Not restrict practice inappropriately relative to a non-actuary
- Not inhibit development & use of new techniques or methods
- Not shift responsibility inappropriately from principal to actuary
- Not contain educational material (reserved for IANs)

ISAPs are model standards

Council decision (October 2010, Vienna)

- Based on the principle of subsidiarity
- Approach of "Medium Convergence" chosen:
  - Full - single set of globally mandatorily applicable standards
  - Strong - only minor modifications model standards allowed
  - Medium - congruence with model standards
  - Weak - national standards, but conflicts avoided
  - None - diverse and possibly contradictory national standards

IAA encourages FMAs to achieve "substantial consistency" with ISAPs

- There are several ways of doing so

ISAPs -achieving substantial consistency

- **Adopting** an ISAP as a standard with only the modifications in the Drafting Notes;
- **Customizing** an ISAP by revising the text of the ISAP to the extent deemed appropriate while ensuring substantially consistent with it;
- **Endorsing** an ISAP by declaring that it is appropriate for use in certain clearly defined circumstances;
- **Modifying** existing standards to obtain substantial consistency with an ISAP; or
- **Confirming** that existing standards are substantially consistent.

"Substantial consistency" is achieved with an ISAP if:

- There are no material gaps in the standard(s) in respect of the principles set out in the ISAP; and
- The standard or set of standards does not contradict the ISAP.

Apart from ISAPs there are also IANs

International Actuarial Notes (IANs) are

- **Educational** in nature;
- Promulgated by the **technical committes of the IAA** (not the ASC)
- **Professionalism Committee** has oversight responsibility for IANs

IAA and ASC (completed) activity to date

A brief history of IAA standards

- **Before 2010:**
  As from 2000: IAA develops 12 IASPs; all advisory/educational
- **After 2010:**
  2010: Interim Actuarial Standards Subcommittee established
  Terms of Reference for IASSC approved
  2011: Strategic Objective 3 approved
  2012: Due Process adopted
  ISAP 1 (General Actuarial Practice) adopted
  IASSC renamed Actuarial Standards Committee
  2013: ISAP 1 reformatted
  ISAP 2 (Social Security) adopted
  EC's Strategic Action Plan for ISAPs approved
  2014: Revised Due Process approved
  2015: ISAP 3 (IAS 19 Employee Benefits) adopted

The Future

- **Immediate and medium term:**
  2016: ISAP 1A (Governance of Models)
  2017: ISAP 4 (IFRS X Insurance Contracts) plus related IAN
  2016: ISAP 5&6 (Enterprise Risk Management) plus related IAN
  2017: ISAP 7 ("Current Estimates" – IAIS Capital Standards)

- **Raising Profile of ISAPs:**
  Increase level of interaction between ASC and FMAs
  Run webcasts upon ISAP ratification
  Defining and monitoring "success"

- **Longer Term:**
  A single set of globally applicable standards is improbable because
  - Legal systems are country specific
  - Liability of actuaries is country specific
  - Expectations of consumers vary by country

Criteria …

… for topics to be considered for ISAPs

- Will serve the public interest or good
- Are in a recognized or emerging area of actuarial practice
- There is an expectation that a sufficient number of FMAs or standard setters will find the ISAP useful
- Need to justify the work involved in producing the ISAP

… for topics to be included in ISAPs

- ASC has developed a "Criteria" paper (see website) for testing what issue should be taken up in an ISAP and what not

Due Process for ISAPs

- Provides governance and a high level of transparency
- Allows the IAA to proactively identify the need for new ISAPs (or revision of existing ISAPs) and to respond rapidly when development (or revision) is approved
- Intends to give **users and end-users** of actuarial services
  - confidence in quality and suitability of ISAPs
  - confidence in the process of production of ISAPs
- Intends **FMAs**, **standard setters** and **other interested parties**
  - to recognize the value of ISAPs
  - to be fully engaged where appropriate in the development
- Intends actuaries to have confidence in the professional and commercial suitability and applicability of ISAPs
- Provides ample opportunity for FMA comment before action is taken

Due Process: key points

- **Any party** may propose a topic for a new ISAP
- Before work on an ISAP can commence, it must first be on the **strategic action plan for ISAPs** that Council approves
- A **Statement of Intent** for a new ISAP is exposed for comment, then (after producing **report** on action taken) finalized and approved

  (**Approval process**: ASC drafts, PC audits DP adherence, EC approves and Council ratifies)
- **Exposure Draft(s)** of ISAP are exposed for comment
- ASC reviews comments and produces **report** on action taken
- **Final draft** ISAP and **report** are exposed for final comment
- **Final ISAP** is recommended by EC and adopted by Council (by an affirmative vote of at least 80%)

Actuarial Standards Committee

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EC liaison:	Masaaki Yoshimura (Japan)
IAA staff liaison:	Amali Seneviratne

Actuarial Standards Committee

Membership Protocol Established

- To achieve a reasonable balance by:
  - practice area
  - territory
  - size of home association
  - nature of employment
  - experience
- Include members with experience of the varying forms of regulatory framework for actuarial standards which exist and experience in writing actuarial standards
- Terms of office are an initial 3 year-term, renewable up to a maximum of 6 years
- Total membership of the committee between 9 and 12
- Current representation is: Europe: **5**; North America: **3**;
  Asia, Australia and South Africa: **1** each