

AAE SPRING MEETING (PARIS, MARCH 2015) - STANDARDS, FREEDOMS AND PROFESSIONALISM COMMITTEE

INSTITUTE AND FACULTY OF ACTUARIES (IFoA) - BRIEF UPDATE

General background

The IFoA is responsible for the regulation, in the public interest, of all of its members worldwide. It is subject to independent oversight, in the exercise of its regulatory functions in relation to the UK, by the Financial Reporting Council (FRC). The FRC is additionally responsible for the setting of technical standards in the UK.

The key recent IFoA developments in relation to standards are:-

New Standards Introduced

1. Actuarial Profession Standard APS X2: Review of Actuarial Work

We have now published a new standard in relation to the review of actuarial work. It is known as APS X2 Review of Actuarial Work and will come into force on 1 July 2015. It will apply to all of our members in all practice areas and is not limited in any way by geography.

The APS requires members to consider whether it would be appropriate and proportionate to apply 'work review' to actuarial work for which they are responsible and to give consideration, in particular, as to whether that should take the form of 'independent peer review'. It further provides that, where they determine that to apply such a review would be appropriate and proportionate, they should apply that review process (i.e. there is a presumption that it will be applied).

The concept of 'work review' here is intended to involve a spectrum of different types of review processes, with independent peer review as one form of work review.

The introduction of these requirements is intended to be substantially consistent with the provisions in ISAP 1. The term 'independent peer review' used in APS X2 has been used to describe the review process called 'peer review' in ISAP 1. The decision to use different terminology reflects the fact that there are a variety of uses of the term 'peer review' in the UK, often with different meanings. There was a concern that using that term might lead to confusion.

The new standard is accompanied by a guidance document and there is also a specific guidance document for pension scheme actuaries to manage the transition from applying review under APS P2 to APS X2.

We will also withdraw the existing APS P2: Compliance Review – Pensions that imposes specific requirements upon pension scheme actuaries at the same time that APS X2 is introduced. This will mean that from 1 July 2015 there will be one standard on review, which is principles-based and applies to IFoA members in all practice areas.

2. Actuarial Profession Standard APS X3: Actuary as an Expert in Legal Proceedings

A new standard has also been introduced in relation to Members carrying out expert work (as expert witnesses or expert advisers) in relation to legal proceedings. This came into effect on 1 January 2015.

The new standard is known as APS X3: Actuary as an Expert in Legal Proceedings and imposes requirements in relation to instructions to act, their independence and objectivity,

contingency fee arrangements and compliance with the rules and procedures of the proceedings in question.

A detailed guide has also been produced to assist Members involved in that work.

Other developments in relation to standards

3. Actuarial Profession Standard APS X1: Applying Standards to Actuarial Work

The IFoA consulted in 2014 on a proposed standard (an APS) which would clarify for members the standards that should be applied to their work and would provide that where members are carrying on work which is outside the scope of the FRC's technical standards that members should carry out their work in a way that complies with the IAA's ISAP 1 (and therefore, by implication, with ESAP 1).

The IFoA has considered the responses to the consultation and have agreed that, in principle, there is a basis for proceeding with the APS. However, it was felt that it would be sensible to delay agreement of the final wording of the APS and its publication to: (1) allow some further time for other IAA FMAs to implement ISAP1; and (2) to allow the FRC to progress their proposal to introduce the TAS 100. A communication is therefore being issued which states that it is anticipated that APS X1 will be published no later than 2016 (or earlier if the FRC's TAS 100 is published earlier).

4. Solvency II

We have completed two consultations addressing the Chief actuary and chief risk officer roles in Solvency II companies. Our proposal was to introduce a compulsory practising certificate for our members performing the Chief actuary function in a solvency II company and a voluntary practising certificate for the chief risk officer.

The consultations have now closed and, having analysed the feedback, we have decided to continue with the implementation of a PC for Chief actuary (as approved by the PRA in the UK) and are considering whether or not to introduce a voluntary regime for Chief Risk officers.

The process will be open for applications from July 2015 with full implementation from 1/1/16.

5. Quality Assurance Scheme for Organisations

At the end of 2014 we successfully completed a pilot of a new accreditation scheme for organisations. Since then we have been refining the proposed scheme in anticipation of putting a proposal for launch of a QAS to our Council for approval in early May 2015.

The QAS, if approved, would involve organisations that employ at least one of our members applying to obtain QAS status. In order to obtain that accreditation, they would need to demonstrate that they met the requirements set out in our standard APS QA1: Quality Assurance Scheme for Organisations.

This APS is intended to set out outcomes relevant to a good working environment that is conducive to the production of high quality actuarial work. This would be measured by sending out an assessment team to carry out visits who would then make recommendations to our QAS Sub-Committee.

If approved, it is hoped that the QAS will be launched in the summer with applications open from September/October 2015.

6. Actuarial Profession Standard APS Z1: Duties and Responsibilities for Actuaries Working for Trust Based Pre-Paid Funeral Plans

We recently completed a consultation on a new APS relating to actuaries working on trust-based pre-paid funeral plans. The responses to the consultation are now being considered and we hope to be able to publish the outcome of that consultation later this year.

7. Standards Framework Review Project

We are continuing work on our holistic review of the framework of our existing standards and how they fit together.

8. Skill Sets

We are undertaking an exercise to produce a framework demonstrating the skills , knowledge and competencies expected of IFoA members holding significant roles in the profession. We are nearing completion of Phase 1 of the project which covers PC holders in the pensions, life and Lloyd's practice areas. We plan to use the outcomes of the project to inform our regulatory framework and the content of our education requirements as well as assisting in ensuring the relevance of our ongoing CPD Programme.