

Who needs International Actuarial Standards?

Alf Gohdes, Lisbon

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About standards, ISAPs, and the ASC

- **How do standards help your members?**
- **The IAA issues model standards and educational notes**
 - 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**

Are Standards useful to actuaries?

Yes:

- 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

No:

- Unnecessary, additional rules, not needed before ...
- It places actuaries at a disadvantage ...



2010: IAA decides to issue model standards

If the IAA wishes to

“be recognized worldwide as a major player in the financial services industry”

and

“to promote the role, reputation and recognition of the actuarial profession in the international domain”,

... then it must take a leadership position in addressing the issue of actuarial standards.

Quotations from the Task Force’s presentation to Council in 2010



IAA strategy on actuarial standards

IAA Strategic Objective 3 (of 6)

... 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

- Model standards 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 auditors
- 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 actuarial 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”)
- Does not restrict practice inappropriately relative to a non-actuary
- Does not inhibit development and use of new techniques or methods
- Does not shift responsibility inappropriately from principal to actuary
- Does not contain educational material



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 “substantial consistency” with ISAPs

- There are several ways of doing so



Achieving “substantial consistency”

Approach

- **Adopting** an ISAP 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 substantial consistency with it;
- **Endorsing** an ISAP for local conditions by declaring that it is appropriate for use in certain 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 committees of the IAA** (not the ASC)
- Professionalism Committee has oversight responsibility for IANs

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, suitability and production process of ISAPs
- Intends Member Associations (MAs), standard setters and other interested parties to recognize the value of ISAPs and allows for engagement in their development
- Intends actuaries to have confidence in the professional and commercial suitability and applicability of ISAPs
- Provides ample opportunity for 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** that Council approves
- A **Statement of Intent** for a new ISAP is exposed for comment, then (after **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** and **final report** are recommended by EC and adopted by Council (by an affirmative vote of at least 80%)



Actuarial Standards Committee (2016)

- **Al Beer** (USA)
- **Peter Braumüller** (Austria)
- **Andrew Chamberlain** (UK)
- **Ruth Chu** (Taiwan)
- **Alf Gohdes** (Germany), Chair
- **Gábor Hanák** (Hungary)
- **Tom Karp** (Australia), Vice Chair
- **Esko Kivisaari** (Finland)
- **Luc Farmer** (Canada)
- **Godfrey Perrott** (USA), Vice Chair
- **Marius du Toit** (South Africa)

- EC liaison: **Tomio Murata** (Japan)
- IAA staff liaison: **Amali Seneviratne**



ASC activity (last six years)

- **2010:** ASC constituted
- **2011:** Due Process defined
- **2012:** ISAP 1 (General standard on actuarial services)
- **2013:** ISAP 2 (Social Security)
- **2015:** ISAP 3 (IAS 19)

ASC activity (last six months)

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- **ISAP 1A (Governance of Models)**
 - ✓ ED exposed 1. Oct – 31. Mar
 - ✓ TF / ASC currently working on comments
- **ISAP 5 (Enterprise Risk Models for Insurers)**
 - ✓ ED exposed 8. Oct – 31. Mar
 - ✓ TF / ASC currently working on comments

ASC activity (last six months)

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- **ISAP 6 (ERM Programs and IAIS Insurance Core Principles)**
 - ✓ TF / ASC working on ED
- **ISAP 7 (current estimates; IAIS capital stds)**
 - ✓ TF / ASC working on ED
- **ISAP 4 (Insurance IFRS)**
 - ✓ Probably the most extensive project
 - ✓ TF / ASC working on ED

ASC activity (last six months)

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- **Other issues**

- ✓ Held a webcast on EDs for 1A & 5
- ✓ Contributed to mitigation of risk from ISAPs
- ✓ EC: “strategic direction of ISAPs”
- ✓ PC: considering interaction with IANs
- ✓ SSRT: exchanging experiences

Plans for the medium term

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Expected adoption

- May 2017 : IASP 1A
- May 2017 : ISAP 5

Estimated adoption

- Nov 2017 : ISAP 6
- July 2018 : ISAP 7
- July 2018 : ISAP 4



Plans for the medium term

2/2

Raising Profile of ISAPs by

- Increasing interaction with MAs – ensuring availability
- Running webcasts after ED issuance and ISAP approval
- Defining and monitoring “success”

Watch out for

- 2nd Standards seminar in spring 2017

QUESTIONS

