

# **International Standards of Actuarial Practice**

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# Overview

- IAA's strategy for ISAPs
- ISAPs versus IANs
- Objective, dual roles of ISAPs
- Due process and Response to a new ISAP
- Actuarial Standards Committee (ASC)
- ISAPs in place and underway

Source: IAA ASC chair, Dave Pelletier/Professionalism chair, Peter Doyle

# What is the IAA's strategy for standards?

## **Strategic Objective 3**

- 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.

# ISAPs versus IANs

- International Standards of Actuarial Practice (ISAPs) are intended to serve as **model** standards for use by standard-setters around the world.
- International Actuarial Notes (IANs) are educational documents on an actuarial subject that has been adopted by the IAA in order to advance the understanding of the subject in question. A set of IANs will often be developed in support of an ISAP.

# Objectives for ISAPs

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

# Dual role of ISAPs

1. To serve as **model** standards for use by standard-setters around the world
2. To serve as standards for use on assignments where the terms of engagement specify that the work is to be carried out in accordance with these ISAPs

# Due Process for ISAPs

- The due process for ISAPs has a clear governance structure and a high level of transparency.
- Input is sought at every stage from all stakeholders, including full member associations of the IAA and supra-national bodies.

# Due Process: key points

- Any party may propose a topic for a new ISAP
- The IAA Council (representing all member associations) approves the strategic action plan for ISAPs
- A Statement of Intent is developed for a new ISAP
- Exposure Draft(s) of the ISAP circulated for comment
- A report on the responses to the ED and a proposed final ISAP is published for a brief “fatal flaw” review
- A final draft ISAP is submitted for approval
- The final ISAP is approved by the IAA Council



# Response to a new ISAP

- ISAP is widely publicized
- All member associations of the IAA are to consider the new ISAP and formulate their response to it:
  - Adopting the ISAP (as written or with minimal modification); or
  - Confirmation that own standards are (or will be) substantially consistent with the ISAP; or
  - No comment or no action or still in progress.

# Actuarial Standards Committee

- Al Beer (USA)
- Andrew Chamberlain (UK)
- Ruth Chu (Taiwan)\*
- Alf Gohdes (Germany), *Vice-chair*
- Gábor Hanák (Hungary)
- Tom Karp (Australia)
- Esko Kivisaari (Finland)
- Ryoichi Nakamura (Japan)\*\*
- Dave Pelletier (Canada), *Chair*
- Godfrey Perrott (USA), *Vice-chair*
- Francis Ruygt (Netherlands)
- Jesús Zúñiga (Mexico)
- *IAA staff liaison*: Amali Seneviratne

\*Effective 2014

\*\*2011-2013

# ASC roles

- Maintain framework for scope and architecture of standards
- Prepare Statements of Intent, Exposure Drafts, and final versions, for/of ISAPS
- Report to Professionalism Committee on how Due Process has been followed, and keep Professionalism Committee informed at each stage
- Provide periodic review of ISAPs
- Liaise with other committees
- Maintain a workplan on development of ISAPs

# ISAPs in place and underway

## Approved

- Glossary
- ISAP 1 General
- ISAP 2 Social Security

## In process

- ISAP 3 – IAS 19 – Yasuyuki Fujii (Japan), *chair*
- ISAP [4] – Insurance Contracts IFRS – Micheline Dionne (Canada), *chair*
- ISAPs [5] and [6] – Insurer ERM – Dave Ingram (USA), *chair*
- ISAPs [7] ... – “current estimates” and more re IAIS capital standards – Andrew Chamberlain (UK), *chair*

# ISAP 1 –General Actuarial Practice

- Approved by IAA Council, November 2012
- Content:
  - Acceptance of assignment
  - Knowledge of circumstances
  - Reliance
  - Materiality
  - Data quality
  - Process management
  - Assumptions and methods
  - Responsibility for them
  - Peer review
  - Documentation
  - Reporting
  - Deviation from guidance

# ISAP 2 – Financial Analysis of Social Security Programs

- Approved by IAA Council, October 2013
- Content:
  - Data
  - Assumptions
  - Methodology consistent with financing method
  - Co-operation with independent expert reviewer
  - Communication
  - Appendix with possible items in actuary's report

# ISAP 3 – Actuarial work in relation to IAS 19

## Employee Benefits

- October 2013 – Exposure draft published
- March 2014 – End of comment period
- September 2014 – ASC approval of proposed final ISAP and of report on comments received
- October-November 2014 – Review of proposed final ISAP by FMAs/commenters
- First half 2015 – Final ISAP, EC approval, Council vote (Zurich)

# ISAP [4] – IFRS X – Insurance Contracts

- November 2013 – Draft SOI published
- September 2014 – Final SOI approved by Council
- Targeting 2017 for Council approval of ISAP
- Schedule depends in part on IASB progress with the IFRS X (17?) itself
- To be accompanied by IANs produced by Insurance Accounting Committee



# ISAPs [5] and [6] on insurer ERM

- 2011 – Draft SOI on ERM published, but not proceeded with following comments received – scope felt too broad
- January 2014 – Council e-vote to take up ERM ISAP again
- April 2014 – Draft SOIs published for comment, for two ISAPs on actuarial advice with respect to:
  - Insurer enterprise risk models (ISAP [5])
  - Insurer ERM practices intended to comply with regulations consistent with ICP 8 or ICP 16 (ISAP [6])
- September 2014 – Final SOIs approved by Council
- Targeting 2016 for Council approval of ISAP
- Expected to be accompanied by an IAN(s) produced by Enterprise and Financial Risk Committee

# ISAP [7] – “Current estimates” and other matters in relation to the IAIS capital standards

- October 2013 – IAIS announcement re Basic Capital Requirement and Insurance Capital Standard, applying to global systemically important insurers (G-SIIs) and internationally active insurance groups (IAIGs), respectively
- July 2014 – Draft SOI published, 60-day comment period
- September 2014 – ASC approval of proposed final SOI and report on comments
- October-November 2014 – EC approval and initiation of Council e-vote for ratification
- Targeting 2017 for Council approval of ISAP
- Inter-relationship with ISAP [4] on IFRS X
- Parallel work by the Insurance Regulation Committee

# Seminar on standards in Zurich

- Objective: Support Strategic Objective 3
  - “... Promote the development and issuance of actuarial standards in the jurisdictions of all Full Member Associations, and the global convergence of actuarial standards...”
- Target audience: Associations without standards or process of developing them, or in early stages
- Content:
  - Standards generally and ISAPs
  - Professionalism Committee’s survey on ISAP usage to date
  - Experiences of existing standard-setters
  - Views from participants on what support can best be provided
- Date (to be confirmed): Thursday, 9 April 2015 (pm)

# Q & A

**Thanks for your attention!**