

IAA Standards of Practice

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What I'll cover

- ✦ IAA strategy for
 - ✦ International Standards of Actuarial Practice (ISAPs) and
 - ✦ International Actuarial Notes (IANs)
- ✦ Due process within the IAA
- ✦ The role of ISAPs
- ✦ Activity to date



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.**



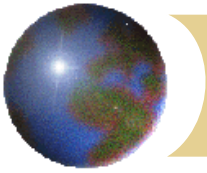
ISAPs and IANs

- ❖ 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
- ✦ A key purpose of ISAPs: to promote high quality actuarial practice.



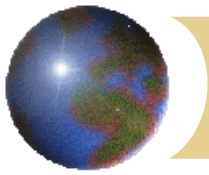
Due Process for ISAPs

- ⊕ 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.



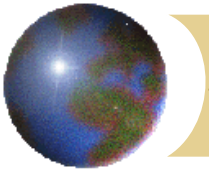
Due Process: key points

- ✦ Any party may propose a topic for a new ISAP
- ✦ The IAA Council approves the strategic action plan for ISAPs
- ✦ A Statement of Intent for a new ISAP is circulated for comment, then finalized and approved
- ✦ Exposure Draft(s) of the ISAP are circulated for comment
- ✦ A report is published on the responses to the ED
- ✦ A final draft ISAP is submitted for approval
- ✦ The final ISAP is approved by the IAA Council



Dual role of ISAPs

1. To serve as **model** standards for use by standard-setters around the world, who are encouraged to:
 - ❑ adopt them
 - ❑ endorse them
 - ❑ modify existing standards to achieve substantial consistency with them
 - ❑ confirm substantial consistency of existing standards



Dual role of ISAPs (cont'd)

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



Actuarial Standards Committee

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- ✦ Andrew Chamberlain (UK)
- ✦ Ruth Chu (Taiwan)*
- ✦ Alf Gohdes (Germany),
Vice-chair
- ✦ Gábor Hanák (Hungary)
- ✦ Tom Karp (Australia)
- ✦ Esko Kivisaari (Finland)
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- ✦ Dave Pelletier (Canada),
Chair
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- ✦ *IAA staff liaison: Amali
Seneviratne*

*Effective 2014

**2011-2013



ISAPs in place and underway

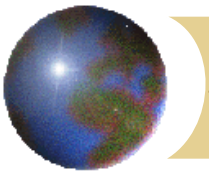
Approved

- ✦ Glossary
- ✦ ISAP 1 General
- ✦ ISAP 2 Social Security

In process

- ✦ IAS 19 Employee benefits
- ✦ IFRS X Insurance Contracts
- ✦ ERM (Enterprise Risk Management)
- ✦ IAIS's proposed BCR* & ICS*

*Basic Capital Requirement and Insurance Capital Standard, in process of development by International Association of Insurance Supervisors



ISAP 1 – General Actuarial Practice

- ⊕ 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

- ✦ 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 Practice in relation to IAS

19 Employee Benefits

- ✿ October 2013 – Exposure Draft published
- ✿ March 2014 – End of comment period
- ✿ April 2015 – Targeted date for final approval
- ✿ Task Force:

Jacque Friedland
(Canada)
Yas Fujii (Japan), *Chair*
Alf Gohdes (Germany),
ASC Liaison
Gary Hibbard (UK)

Pari Kandhai (Netherlands)
Esko Kivisaari (Finland)
Mary Frances Miller (USA)
Heidi Rackley (USA)
Anna Selivanova (Russia)
IAA staff: Amali Seneviratne

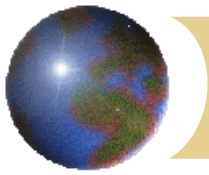


ISAP [4] – Actuarial Practice in relation to IFRS X Insurance Contracts

- ⊕ November 2013 – Draft SOI published
- ⊕ February 2014 – End of comment period
- ⊕ Spring 2017 – Targeted date for final approval
- ⊕ Task Force:

Bob Buchanan (Australia)
Guy Castagnoli
(Switzerland)
Micheline Dionne (Canada),
Chair
Gabor Hanak (Hungary),
ASC liaison

Jim Milholland (USA)
Yoshio Nakamura (Japan)
Frances Ruygt
(Netherlands)
Derek Wright (UK)
Matthias Zerbst (Germany)
IAA staff: Amali Seneviratne



ISAP(s) on ERM

- ⊕ Draft SOI published in 2011, but not proceeded with following comments received
- ⊕ Council e-vote decision January 2014 to take up ERM ISAP again
- ⊕ New draft SOI targeted for spring 2014
- ⊕ Potentially two ISAPs
 - ⊕ Use of internal models and stress tests to assess solvency and produce risk metrics for ERM programs within insurance entities
 - ⊕ Assessment of the compliance of ERM programs of insurance entities with regulations consistent with ICP 8 and ICP 16



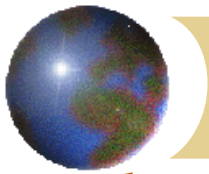
ISAP(s) on IAIS's Proposed Basic Capital Requirement and Insurance Capital Standard

- ✦ IAIS announcement in October on proposed development of BCR and ICS for application to global systemically important insurers (G-SIIs) and internationally active insurance groups (IAIGs)
- ✦ With respect to the BCR, possible role of ISAPs in arriving at “current estimate liabilities” (expected values, without margins)
- ✦ In early stages of development



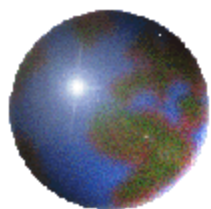
Member association activity to date

- ✦ Early days – being reported on currently in questionnaire by the Professionalism Committee for member associations
- ✦ With respect to ISAP 1, based on limited information:
 - ✦ Actuarial Association of Europe (EU) – adopting
 - ✦ Canada – modifying existing standards to achieve substantial consistency
 - ✦ South Africa – in process of considering
 - ✦ Catalonia, France, Germany – currently translating
 - ✦ Some associations don't yet have process for adoption of standards
 - ✦ Others to report on questionnaire now being completed



What does the future hold?

- ⊕ A set of ISAPs covering most actuarial work
- ⊕ Adoption with minimal modification by some associations/jurisdictions over next few years
- ⊕ Adoption over time by others
- ⊕ Certification of substantial consistency of standards by others, in some cases moving towards ISAPs themselves as they become more complete
- ⊕ But ever achieve IFRS-like consistency?



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