Agenda

- Standards, ISAPs and the ASC
- Discussion: Views of Member Associations

----------Drinks – Nibbles – Networking----------
Standards, ISAPs, and the ASC

- Are Standards useful to your members?
- IAA strategy for
  - International Standards of Actuarial Practice (ISAPs) and
  - International Actuarial Notes (IANs)
- ISAPs are model standards – what does this mean?
- ASC activity: completed and planned
Are Standards useful to your members?

No:

➢ “We have survived without them to this point”
➢ “Additional work adds costs to us and our clients”
➢ “Standards put us at a competitive disadvantage with other professions”

Yes:

➢ The Cornerstones of good governance of the profession are:
  ▪ (local) Codes of Professional Conduct
  ▪ (local) Professional Standards of Qualification and
  ▪ (local) Professional Standards of Practice
➢ G20 demanding standards for all professions
➢ Increase public confidence in actuarial services
➢ Self-regulation better than externally imposed regulation
IAA Strategy on Actuarial 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”.

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 as IASB, IAIS, IOSCO and the local regulators and audit firms
- Widely seen as contributing to the public good
- Promote high quality actuarial practice
ISAPs are “Model” Standards

- Based on the principle of subsidiarity

Council decision (October 2010, Vienna)
The IAA Principle of Subsidiarity

Interpretation Document for the Principle of Subsidiarity
Approved 10 September 2012

The IAA will restrict its activities to strategies and programmes which require international co-ordination or direction, or can be handled more efficiently across national and regional boundaries.

It will not become involved with actions at the level of the Member Associations or regional groups of actuarial associations, except at the express invitation of such an association or group.

The IAA will therefore take any measures necessary to avoid duplication or overlap with the activities of Member Associations or regional groups of actuarial associations.
ISAPs are “Model” Standards

From the Preface of all ISAPs:

“This ISAP is a model standard of actuarial practice and, as such, is not binding on any actuary.”
Based on the principle of subsidiarity

Potential options for a vision of “convergence”:

- **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

Approach of “Medium Convergence” was approved by Council

The IAA encourages “substantial consistency”

This may be accomplished in a number of ways.
Achieving “substantial consistency”

Suggested approaches proposed in ISAP Preface

➢ **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.

ISAPs suggest that “substantial consistency” is achieved 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.
ISAP Content & Guidance

➢ Should 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”)

➢ Should not restrict practice relative to a non-actuary

➢ Should not inhibit development and use of new techniques or methods

➢ Should not shift responsibility from principal to actuary

➢ Should not contain purely educational material
Apart from ISAPs there are also IANs

International Actuarial Notes (IANs)

- **Educational** in nature
- Promulgated by the **technical committees of the IAA** (not the ASC)
- Professionalism Committee has oversight responsibility for IANs
The History of IAA Standards Work

2010: ➢ Interim Actuarial Standards Subcommittee established  
       ➢ Terms of Reference for IASSC approved  
       ➢ Strategic Objective 3 approved

2011:  ➢ Due Process adopted

2012:  ➢ ISAP 1 (General Actuarial Practice) adopted  
       ➢ IASSC renamed Actuarial Standards Committee (ASC)

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

2016:  ➢ ISAP 1A (Governance of Models) adopted  
       ➢ ISAP 5 (Insurer Enterprise Risk Models) adopted
The Future

ISAPs Under Development (with expected completion dates)

2019:
➢ ISAP 6 (Enterprise Risk Management Programs and IAIS Insurance Core Principles)
➢ ISAP 7 (“Current estimates” and other matters in relation to the IAIS capital standards)
➢ ISAP 1 Update and possible merger with ISAP 1A

2018:
➢ ISAP 6 (Enterprise Risk Management Programs and IAIS Insurance Core Principles)
➢ ISAP 7 (“Current estimates” and other matters in relation to the IAIS capital standards)
➢ Conformance changes to ISAPs 1, 2 and 3 and the Glossary

2017:
➢ ISAP 6 (Enterprise Risk Management Programs and IAIS Insurance Core Principles)
➢ ISAP 7 (“Current estimates” and other matters in relation to the IAIS capital standards)
➢ ISAP 1 Update and possible merger with ISAP 1A

Raising the profile of ISAPs

➢ Increase level of interaction between ASC and FMAs
➢ Run webcasts upon ISAP ratification
➢ Defining and monitoring “success”
Criteria ...

... for topics to be considered for ISAPs

➢ Will serve the public interest
➢ 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
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 (SOI)** for a new ISAP is exposed for comment, then (after producing **report** on action taken) must be finalized and approved
- **Exposure Draft(s)** of ISAP are exposed for comment
- ASC reviews comments and produces a **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%)
General themes from MA’s feedback on Exposure Drafts and Proposed Final ISAPs

- **C:** ISAPs should be more prescriptive and deal with specific topics
- **C:** There should be better synchronization between all ISAPs
- **C:** Improve wording / clarity, enhance simplicity
- **C:** Make educational material available simultaneously with ISAPs
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Peter Braumüller (Austria)
Andrew Chamberlain (UK)
Luc Farmer (Canada)
Alf Gohdes (Germany), Chair
Gábor Hanák (Hungary)
Tom Karp (Australia), Vice Chair
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Dieter Köhnlein (Germany)
Godfrey Perrott (USA), Vice Chair
Marius du Toit (South Africa)
Lisa Wade (Barbados)

EC liaison: Tomio Murata (Japan)
IAA staff liaison: Amali Seneviratne
Actuarial Standards Committee

Membership Protocol

➢ 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, South Africa and the Caribbean: 1 each
Questions