



Institute
and Faculty
of Actuaries

Consultation: Exposure Draft of Proposed Revision to ISAP1 – General Actuarial Practice

IFoA response to Actuarial Standards Committee

9 November 2017

About the Institute and Faculty of Actuaries

The Institute and Faculty of Actuaries is the chartered professional body for actuaries in the United Kingdom. A rigorous examination system is supported by a programme of continuous professional development and a professional code of conduct supports high standards, reflecting the significant role of the Profession in society.

Actuaries' training is founded on mathematical and statistical techniques used in insurance, pension fund management and investment and then builds the management skills associated with the application of these techniques. The training includes the derivation and application of 'mortality tables' used to assess probabilities of death or survival. It also includes the financial mathematics of interest and risk associated with different investment vehicles – from simple deposits through to complex stock market derivatives.

Actuaries provide commercial, financial and prudential advice on the management of a business' assets and liabilities, especially where long term management and planning are critical to the success of any business venture. A majority of actuaries work for insurance companies or pension funds – either as their direct employees or in firms which undertake work on a consultancy basis – but they also advise individuals and offer comment on social and public interest issues. Members of the profession have a statutory role in the supervision of pension funds and life insurance companies as well as a statutory role to provide actuarial opinions for managing agents at Lloyd's.



By email

9 November 2017

Dear Mr Gohdes,

Consultation: Exposure Draft of Proposed Revision to ISAP1 – *General Actuarial Practice*

Thank you for the opportunity to comment on the Actuarial Standards Committee's (ASC) proposed changes to ISAP 1.

The Institute and Faculty of Actuaries (IFoA) has considered the proposals and would like to offer the following responses to the consultation:

Question 1 - Is the time right to merge ISAP 1A into ISAP 1?

The IFoA has some concerns about the proposals to merge ISAP 1A with ISAP 1 for the following reasons:

- i. The proposals involve amendments which materially change the substance of ISAP 1. While the IFoA is sympathetic to the ASC's desire to simplify the existing framework of model standards, it does not consider there to be a need to merge the two standards, whether now or at a later stage.
- ii. The IFoA has previously expressed concern about the practical implications of changes being made to ISAP 1 without sufficient time being allowed for IAA Member Associations to fully implement the standard as originally enacted, or otherwise take any other necessary action, as appropriate.
- iii. The timing of the proposed changes is particularly problematic for those Member Associations that do not give direct application to the IAA's model standards and have developed or modified their own standards (or are in the process of doing so) with the aim of achieving 'substantial consistency' with ISAP 1. The proposed changes are being introduced at a time where many standard-setting bodies have only recently completed taking the necessary steps to achieve 'substantial consistency', or may even still be in the process of taking such steps. Should the proposed changes be approved, these Member Associations will need to revisit (and potentially re-do) all the work they carried out to ensure substantial consistency. The IFoA considers that this practical consequence would be disproportionate to the benefits of a 'simplified' framework of model standards.
- iv. This is a particularly relevant concern for the IFoA, as ISAP 1 is referenced heavily in its new Actuarial Profession Standard, *APS X1: Applying Standards to Actuarial Work*, which came into force on 1 July 2017. If approved, the proposed changes to ISAP 1 would require the IFoA to review its conclusions about substantial consistency and also to update the materials only recently published in relation to APS X1.

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- v. The proposed changes, if approved, are likely to result in significant financial and resourcing implications for Member Associations. This comes at a time when many Member Associations have already incurred considerable costs and have spent a large amount of time either directly implementing ISAP 1 or ensuring substantial consistency with the standard.

Should the ASC decide that the proposed changes should be adopted, and the consultation feedback demonstrates overall support for the changes, the IFoA requests that the ASC consider delaying implementing the changes until a much later stage, to allow Member Associations sufficient time to complete any necessary steps to fully implement ISAP 1 or otherwise ensure substantial consistency with the standard, and to allow a period of time for any standards adopted by Member Associations to fully bed in. It also asks that there be clear version control applied to the revised version of ISAP 1 so that Member Associations can clearly state which version of ISAP 1 they are requiring members to apply.

Question 2 - Is the time right to make the other updates to ISAP 1?

For the reasons set out in question 1, above, we do not consider that it would be appropriate to make any other updates to ISAP 1 at this stage.

The ASC is invited to consider that the period for review of model standards should be different and less frequent to that applied by standards setting bodies, recognising the additional work to implement standards required by standards setting organisations. In particular, it may be more appropriate to make changes to model standards only where there is a material need to do so.

Question 3

For the reasons set out in question 1, above, we do not consider that it would be appropriate to make any other updates to ISAP 1 at this stage.

Comments on specific definitions in the Exposure Draft of the updated Glossary

As raised in the IFoA's response to the minor changes to the Glossary proposed in April 2017, there is a concern that changes should not be made to model standards (or the related glossary) except where there is a material need to do so.

Comments on the change to ISAP 2

We do not have any comments in relation to this minor change, beyond the more general comments about not making changes to model standards except where there is a material need.

We hope that this feedback is useful. If there is anything within this response that is unclear or if the ASC has any questions then please contact Michael Williams (Michael.Williams@actuaries.org.uk) for further information.

Yours sincerely,



Desmond Hudson
Chair, Regulation Board, Institute and Faculty of Actuaries