

REPORT TO COUNCIL ON AN INTERIM STRUCTURE FOR INTERNATIONAL ACTUARIAL STANDARDS (IASPs)

These proposals are for a transitional structure, which is to be reviewed by 31.12.2012, and have been agreed by the EC.

A. PROPOSED STRUCTURE

1. PROFESSIONALISM COMMITTEE

- A. That the Professionalism Committee be given oversight of actuarial standard setting activity, i.e. compliance with due process, and relabeled Professional Conduct Committee (PCC).
- B. That the PCC should review Due Process for International Actuarial Notes (IANs) and ensure compliance with due process. (It is envisaged that work on the conversion of existing IASP's 3-13 into IAN's will continue, and be subject to the reviewed process.)
- C. That the PCC should review the conclusions of the IASSC on the overall objective of international actuarial standards.

Addition to the Terms of Reference of the PCC (for consideration by the PCC and subsequent approval by the EC)

To oversee the process by which:

1. *proposals for IASPs are put forward to, and approved by, the EC;*
2. *Exposure Drafts are promulgated;*
3. *comments on Exposure Drafts are taken into account; and*
4. *final versions of proposed IASPs are issued.*

(The current Terms of Reference describe the Role of the PC as follows, and will need some adjustment:

- *To identify and discuss issues relating to the professionalism of actuaries internationally, including (but not limited to):*
 - *model standards of practice and educational notes,*
 - *education requirements,*
 - *qualifications to practice,*
 - *cross-border practice,*
 - *professional conduct, and*
 - *disciplinary processes.*
- *With due regard to subsidiarity, to develop and recommend for approval by the Council appropriate approaches for the IAA to adopt regarding these aspects of the*

professionalism of the international actuarial profession, in accordance with the expectations of actuaries by other relevant international bodies and professional forums.

- *Upon Council adoption of an approach regarding professionalism, to manage the IAA activities on behalf of the Council accordingly.*
- *To monitor experience with the application and implementation of IAA model standards of practice and educational notes, and the due process for their development, and make recommendations to the Council as appropriate.*
- *To provide guidance to member associations in relation to aspects of professionalism, including the application and implementation of IAA model standards of practice and educational notes.)*

2. INTERIM ACTUARIAL STANDARDS SUBCOMMITTEE (IASSC) OF THE EC

That an Interim Actuarial Standards Subcommittee be established, reporting to the EC.

- To be comprised of a core team of around ten people.
- To draw on the assistance of a small number of subject experts for each standard (these experts, in turn, would be expected to consult more widely as appropriate, e.g. with the Actuarial Standards Subcommittee of the Insurance Accounting Committee in the case of the IFRS4 Standard).
- The subject experts for each standard to be appointed by the EC.
- The terms of reference to be tightly written to ensure that the direction set by Council is adhered to.

Terms of Reference of the IASSC (to be reviewed by the IASSC and subsequently approved by the EC)

1. *To make the case to the EC for developing a standard for a specific purpose including a statement of the specific objective. (Initially, proposals are required for a generic standard, an IAS19 standard, a social security standard, and an enterprise risk management standard. Development of an IFRS4 standard already has approval from Council.)*
2. *To propose an overall objective of international actuarial standards, to review the existing template for IASP's and to develop a framework dealing with the scope and architecture of actuarial standards.*
3. *To work with the appointed subject experts to develop exposure drafts of such standards as may be approved by the EC.*
4. *To liaise with other committees as appropriate.*
5. *To follow due process.*

3. TASK FORCE ON DUE PROCESS FOR INTERNATIONAL ACTUARIAL STANDARDS (TFDP)

That a small Task Force be appointed, reporting to the EC before April 2011, to review Due Process for International Actuarial Standards. Some members should be chosen from the EC and PCC. Given the priorities already identified, this Task Force is to complete its work in time for discussion at the Sydney Council so as not to delay the work on writing standards.

Terms of reference of the Task Force on Due Process for International Actuarial Standards

1. *To propose a due process that will cover:*
 - a. *the proposal for development of an exposure draft of an IASP. (This should include criteria to be met similar to those in the 2004 or 2008 due process for SOI.)*
 - b. *the development of an exposure draft of an IASP.*
 - c. *the publication of exposure drafts for consultation with Full Member Associations and other interested parties including users of actuarial standards*
 - d. *resolution of conflicting views*
 - e. *the practicability of proposed IASPs*
 - f. *the finalisation and issuance of IASPs.*
 - g. *a fast track procedure for updates to IASP's*

2. *To address the appropriate links with IAIS, IASB and other external bodies, and with the Standard-Setters Round Table, and their involvement in the development and approval of IASP's.*

3. *To describe the status of IASPs. This would cover the alternatives for Member Associations of*
 - a. *adoption*
 - b. *adoption with local modification*
 - c. *confirmation of congruence of local standards*
 - d. *confirmation of steps towards future congruence*

4. *To liaise with the PCC and other committees as appropriate.*

4. INSURANCE ACCOUNTING COMMITTEE (IAC)

That the IAC reviews the terms of reference of the Actuarial Standards Subcommittee to bring them into line with the revised structure.

B. PRIORITIES

That the priorities be:

- a. IFRS4 (Insurance Accounting)
- b. Generic standard,
(a) and (b) to be produced simultaneously
- c. IAS19 (Pension Accounting)
- d. Actuarial Practice for Social Security Programs
- e. Enterprise Risk Management,
(c), (d) and (e) to be written taking into account the Generic standard

C. PRINCIPLES FOR SELECTION OF MEMBERS OF IASCC AND TASK FORCE ON DUE PROCESS OF IAS

- a. that members should, as far as possible, have direct experience of writing actuarial standards
- b. that the IASCC and the TFDP should include a member who is a member of the equivalent Groupe Consultatif committee or task force (as the Groupe is assisting with the development of standards that will apply across the large number of EU based IAA Member Associations, which is a substantial proportion of the membership of the IAA)
- c. that no individual be a member of more than one of PCC, IASCC
- d. that appointments achieve a reasonable balance of membership by practice area, nature of employment, territory, experience and size of home association, and include members with experience of the varying forms of regulatory framework for actuarial standards which exist.
- e. that appointments be supported by the relevant Member Association, but not restricted to IAA committee members; members are however appointed for their expertise and not as representatives of Member Associations.

D. APPOINTMENTS FOR THE ACTUARIAL STANDARDS SUBCOMMITTEE AND FOR THE SUBJECT SPECIALISTS

Core Team

Dave Pelletier, Chair
Al Beer
Andrew Chamberlain
Alf Gohdes
Gabor Hanak
Tom Karp
Esko Kivisaari
Ryoichi Nakamura
Godfrey Perrott
Jesus Zuniga

IFRS4 Team

Stefan Engelandner
Bob Miccolis
Jim Miholland
Yoshio Nakamura
Francis Ruygt
Derek Wright

IAS19 Team

Yasuyuki Fujii
 Pari Kandhai
 Irene Paterson
 Anna Selivanova
 Martin Stevenson
 Frank Todisco

EFR Team

Tony Coleman
 Seamus Creedon
 Dave Ingram

Social Security Team

Emile Boeke
 Rob Brown
 Florian Léger
 Martin Lunnon
 Pierre Plamondon
 Junichi Sakamoto
 Andrew Young

Generic Team

Emil Boeke
 Jacqueline Friedland
 Godfrey Perrott

E. APPOINTMENTS FOR THE TASK FORCE ON DUE PROCESS FOR ACTUARIAL STANDARDS

Fred Rowley, Chair
 Ad Kok
 Barbara Lautzenheiser
 Hillevi Mannonen
 Michael Pomery
 Masaaki Yoshimura

F. INVOLVEMENT OF EXTERNAL STAKEHOLDERS

That we will consider involving persons from outside the actuarial profession in the structure once the interim structure is in effect. Possible sources are from those involved in standard setting in IASB and IAIS, members of other professional bodies, academics or Think-tank Institutions, Consumer groups. Possible roles are:

- member of IASSC
- member of PCC
- adviser to EC
- member of an Advisory Panel

Exploratory and non-committal discussions have so far been held with one potential source of assistance.

G. CONSULTATION AND APPROVALS

- A. These proposals have been exposed to the committees affected (Enterprise and Financial Risk, Insurance Accounting, Insurance Regulation, Pensions and Employee Benefits, Social Security) for consultation, and feedback has been taken into account.
- B. An electronic motion is to be put to Council to amend Strategic Objective 3 to read

"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 FMAs, and the global convergence of actuarial standards."

It is noted that under the new governance (Article 15 of the Statutes), the Executive Committee has the authority to implement these proposals with reporting back to Council, except for seeking approval to change the Due Process which must be approved by Council.

H. ZOOMERANG QUESTIONNAIRE

That we carry out a survey of Member Associations in order to establish the strength of desire in smaller associations for a generic standard and their priorities for other standards.

18.12.2010