



Due Process for International Standards of Actuarial Practice

Introduction

The IAA develops International Standards of Actuarial Practice (ISAPs) which are model standards of practice and, as such, are not binding on any actuary.

A standard of actuarial practice is a statement of behaviour expected of actuaries operating within a specified context. The intention of a standard of actuarial practice is to achieve greater consistency of approach to actuarial practice in a given situation, so as to increase the confidence of clients and the public in the actuarial work product, but without unnecessarily constraining the exercise of actuarial judgment or creativity. It sets standards on matters such as the methodology to be employed, the approach to be used in setting assumptions, the contents of the resulting report or opinion, and the way in which the report or opinion should be presented.

1. Definition and Applicability

- 1.1. An International Standard of Actuarial Practice is a standard of actuarial practice that is developed as a model by the IAA for consideration by (1) its member associations; and/or (2) other standard-setting bodies that establish standards of practice for members of such associations.
- 1.2. Member associations and standard-setting bodies are encouraged to give serious consideration (bearing in mind the wish of the IAA to encourage convergence of standards of actuarial practice) to acting upon each ISAP in a manner that is consistent with the needs of their members or those who are subject to the body's standards.
- 1.3. ISAPs are model standards of actuarial practice and, as such, are not binding on any actuary.

2. Due Process Overview

- 2.1. There are four distinct stages of this Due Process for an ISAP:
 - based on the recommendation of the Strategic Planning Committee, approval of the strategic action plan to develop ISAPs by Council;

- approval of a Statement of Intent (SOI) by the Executive Committee, and ratification by Council based on the recommendation of the Executive Committee;
- development of an ISAP by the Actuarial Standards Committee (ASC) after consultation through one or more Exposure Drafts; and
- adoption of the ISAP by Council following recommendation by the Executive Committee, provided that the Professionalism Committee has verified to the Executive Committee that this Due Process has been complied with in all material ways.

2.2. The implementation steps that are expected to follow the completion of this Due Process are described in section 7.

3. Approval of the Strategic Plan to Develop ISAPs

- 3.1. Implementing Council decisions based on the recommendations of the Strategic Planning Committee, the Executive Committee will maintain, on a rolling basis, a strategic action plan for ISAPs. An IAA Committee, a member association or any institution may propose the development of an ISAP, in which case the Strategic Planning Committee will decide whether it should be recommended for addition by Council to the strategic action plan. In particular, the Strategic Planning Committee should consider, in light of all relevant factors in a particular instance, whether it would be more appropriate for the IAA to issue an International Actuarial Note (IAN) under the IAA's Due Process for IANs, rather than develop an ISAP.
- 3.2. The Executive Committee can request and authorise the ASC to commence work on an SOI to produce an ISAP with a particular scope and objectives, but the Executive Committee can approve an SOI and recommend it for approval by Council only if Council has already approved a strategic action plan that includes the topic for an ISAP with (in outline) the same scope and objectives.
- 3.3. If the ISAP development process has led to a proposed scope materially different from that contained in the strategic action plan (whether at the SOI development phase or ISAP development phase) and such change of scope is supported by the Executive Committee (under paragraph 2.1. or 4.1.c) of this Due Process), then the Executive Committee should communicate this to the Strategic Planning Committee and Council in a timely manner and seek ratification of the change at the next Council meeting.

4. Approval of an SOI

4.1. An SOI should include:

- a) a statement of the reason(s) why an ISAP is desirable on the particular topic (and was included in the strategic action plan);
- b) a statement of the purpose(s) of the proposed ISAP;

Possible purposes might include some of the following (the list of examples is not exhaustive):

- to increase public confidence in the work of actuaries
 - to achieve greater transparency and consistency
 - to increase the confidence of managers and regulators
 - to promote the development of the actuarial profession;
- c) a statement of:
- the scope of the proposed ISAP, describing the area of actuarial work to be covered, including the boundaries of that area
 - the actuarial roles to which it would apply
 - a high-level indication of the proposed contents;

Normally, the scope should be kept as narrow as can be reasonably achieved in order to fulfil the stated purpose(s). Once drafting of the model standard has started, potential revisions to the scope as outlined in the final SOI may be identified. Where these revisions would be deemed significant by the ASC, and subject to the Professionalism Committee providing its comments on this conclusion and/or the process by which it was reached, the ASC may recommend such a change for approval by the Executive Committee, at which point the drafting may continue based upon the revised SOI. Such revisions should be communicated to the Strategic Planning Committee and Council in a timely manner in accordance with 3.3 above. Where questions of interpretation of the SOI arise, the Executive Committee (as custodian of the scope and strategic intent) will be the key reference point;

- d) an estimation of the resources required; and
- e) a confirmation that there is no conflict with the principle of subsidiarity in regard to member associations and regional groupings of member associations.
- 4.2. The ASC will prepare a draft SOI and consult with member associations, with relevant IAA committees including the Professionalism Committee, the Strategic Planning Committee and with other stakeholders. The SOI consultation should include appropriate questions that would help to assess the demand for the proposed ISAP. Member associations will be requested to inform local actuarial standard-setting bodies. The ASC will publish a timetable for the consultation process, which will last for at least 60 days.
- 4.3. Conditions to be fulfilled for the Executive Committee to approve an SOI might also include an expectation that a significant number of member associations will give serious consideration to adopting or modifying each ISAP, taking into account all relevant circumstances (for example whether the proposed ISAP has been initiated by one of the key supranational stakeholders of the IAA or whether the proposed ISAP

will meet the expressed demand of some member associations), and that thereby, ISAPs will have a significant impact on work done by actuaries, without being unduly burdensome or in conflict with professional behaviour. However, where the reason for developing an ISAP is to assist only some member associations, this condition may not be expected to be met, but there should be sufficient demand for the ISAP to justify the work involved in developing it.

- 4.4. The ASC will submit for approval to the Executive Committee a proposed final SOI, together with a summary of the key issues emerging from the consultation process, and the responses of the ASC, which will be copied to the Professionalism Committee. This approval is subject to ratification by a vote of Council based on the recommendation of the Executive Committee.
- 4.5. The approval of an SOI by the Executive Committee requests and authorises the ASC to commence work on an ISAP with scope and objectives substantially as specified in the SOI. If Council decides not to ratify an SOI, then the approval of that SOI by the Executive Committee will be void with immediate effect. If Council decides that the SOI should be modified before being ratified, then the ASC and the Executive Committee will be invited to submit a suitably modified SOI for ratification by Council, with re-exposure (as discussed in paragraph 4.2) not necessary.
- 4.6. The Secretariat will publicise any decision to approve or modify an SOI to member associations and to appropriate external bodies, in a form to be approved by the Executive Committee. Member associations will be invited to communicate the decision to relevant national bodies such as national standard-setting bodies, regulatory authorities and applicable industry bodies.

5. Development of an ISAP

- 5.1. The ASC will develop the ISAP. The ASC may choose to start by preparing a preliminary discussion draft of the ISAP, and may initiate discussions of that draft in any manner it may choose. The ASC may take this step prior to the Executive Committee's approval of the SOI; but if the Executive Committee does not approve the SOI, or approves it with modification, the process will stop or will continue in an appropriately modified way.
- 5.2. Once the Executive Committee has approved an SOI, the ASC will begin to develop an Exposure Draft, and later the final ISAP, in accordance with this Due Process and with the ASC's own Terms of Reference.
- 5.3. The Secretariat will publish Exposure Drafts at the request of the ASC. The publication will indicate the time limit for comments. Exposure Drafts will be distributed to member associations, and published on the IAA website, with comments invited from member associations, relevant international bodies and any other interested parties. Member associations will be encouraged to consult with their own individual members, actuarial standard-setting bodies in their jurisdiction (where these are distinct from member associations) and, as appropriate, their legal advisers and applicable national bodies. The minimum exposure period for an Exposure Draft will

be 120 days for the first Exposure Draft and 60 days for each subsequent Exposure Draft.

- 5.4. At the end of the exposure period, the ASC will carefully consider the comments received and respond to the consultation by preparing a comprehensive report on the comments received and the ASC's response. The ASC may also include in its report (or if appropriate, in the drafting notes accompanying the proposed ISAP) any items which led to significant debates of options and/or divergence of views. This may assist member associations and other actuarial standard setting bodies in adopting or adapting the final ISAP for use.
- 5.5. If re-exposure is considered necessary, the ASC chair will report to the Executive Committee accordingly, inform the chair of the Professionalism Committee, and initiate a further Exposure Draft to be published on the website and distributed as laid out in paragraph 5.3 above, accompanied by the report on comments received referred to in paragraph 5.4.
- 5.6. If re-exposure is not considered necessary, the ASC will publish on the website its proposed final draft and the report on comments received, referred to in paragraph 5.4. The documents published on the website will also be provided directly to all member associations and commenters on the Exposure Draft to enable them (a) to draw attention to any unintended consequences in the final draft's wording, and (b) to determine whether their comments have been appropriately considered in the preparation of the proposed final draft. The distribution of these documents will take place not later than 75 days prior to the Council meeting at which Council adoption is being sought, with a 30-day comment deadline. Any further revisions to the proposed final standard will appear on the 30-day Council agenda.
- 5.7. During the exposure and development process described above (which may have involved one or more exposures), the chair of the ASC will keep the chair of the Professionalism Committee informed. The Professionalism Committee will carry out relevant investigations and form an opinion as to whether or not this Due Process has been complied with (subject to materiality) in the development of the ISAP.

6. Approval and Adoption of an ISAP

- 6.1. After the exposure process described above, the ASC will prepare and submit the proposed final ISAP to the Executive Committee for approval for submission to Council prior to it being placed on the Council's 30-day agenda. The Executive Committee can approve a proposed final ISAP for submission to the Council, provided that (i) in the opinion of the Executive Committee, the ISAP conforms to the relevant SOI, and (ii) the Executive Committee has received advice from the Professionalism Committee that the production of the proposed final ISAP has conformed to this Due Process (subject to materiality).
- 6.2. The Executive Committee's submission to Council for adoption will include the statement from the Professionalism Committee confirming compliance with this Due

Process in all material respects. Such adoption will require the affirmative vote of at least 80% of the votes cast. The proposed final ISAP should be part of Council's 30-day agenda. The Executive Committee has the option, having consulted the ASC, to amend the version presented to Council for voting, if technical and straightforward drafting amendments would, in their view, increase the quality of the ISAP and the likelihood of consensus being achieved at the meeting of the Council. In that case, the revised version, reflecting also any revisions resulting from the final review process described in paragraph 5.6, should be submitted to Council in time to be included on Council's 30-day agenda.

6.3. An ISAP can be issued by the IAA only if Council has adopted that ISAP in its final form.

7. Implementation of an ISAP by the IAA

- 7.1. The Secretariat will publicise any decision to adopt an ISAP to member associations and to appropriate international bodies. Member associations will be invited to communicate the decision to relevant national bodies such as national standard-setting bodies, regulatory authorities and industry bodies.
- 7.2. The IAA will encourage member associations to take appropriate actions with respect to each new ISAP unless there is a specific reason why a member association believes that local conditions do not warrant such action. Member associations will be asked to advise the Professionalism Committee of the actions that they (or standard-setting bodies that adopt standards of practice applicable to the Association's members) have taken with respect to each new ISAP, annually, at the same time as the member association confirms their compliance with IAA membership requirements.
- 7.3. The IAA will encourage member associations which have not adopted the ISAP to report to the Professionalism Committee on the differences between the ISAP and any relevant standards in their home territory. Such a report should preferably indicate the extent to which the standards in their home territory would require (or permit) actions, or would lead to results, that would be inconsistent with the ISAP.

8. Encouraging the use of Standards of Actuarial Practice

- 8.1. The IAA will develop ISAPs with the aim of achieving global convergence of standards of actuarial practice, with voluntary application. Under this approach, each full member association will be encouraged to consider whether, and if so how, to use each ISAP on a case-by-case basis.
- 8.2. The IAA will encourage relevant actuarial standard-setting bodies to maintain a set of standards that is substantially consistent with ISAPs to the extent that the content of the ISAPs is appropriate for actuaries in the standard-setter's jurisdiction. A standard or set of standards that is promulgated by an actuarial standard-setting body is considered to be substantially consistent with ISAPs if a) there are no material gaps

in the standard(s) in respect of the principles set out in the ISAPs; and b) the standard or set of standards does not contradict the guidance in ISAPs.

8.3. The IAA will seek to achieve its aim of global convergence by encouragement to work towards substantial consistency of standards of actuarial practice in all jurisdictions.

9. The role of the Professionalism Committee in the ISAP Due Process

9.1. The Professionalism Committee has the ongoing responsibility to make recommendations to Council regarding the Due Process for adopting ISAPs.

9.2. The Professionalism Committee monitors whether Due Process has been followed in the preparation of an ISAP. For this purpose, the Professionalism Committee will:

- monitor the development of an SOI or an ISAP at each stage
- through the chairperson, raise any concerns at any time with the chairperson of the ASC or Executive Committee, as appropriate, and
- report on whether (and if not to what extent) the Due Process has been followed when an ISAP is presented to Executive Committee for approval, or to Council for adoption.

9.3. The Professionalism Committee also has an overall responsibility for monitoring whether the Due Process is working well and whether it should be updated from time to time. This includes monitoring:

- how effectively the ISAPs have been promulgated and publicised;
- the actions taken by member associations with respect to each ISAP;
- whether the objectives of the ISAPs (as set out in paragraphs 4.1 and 8 above) are being met as a result of the actions taken by member associations.

9.4. The Professionalism Committee will ensure that ISAPs that have been adopted are reviewed regularly, and will work with the ASC to have the review carried out. Normally, an ISAP should be reviewed every five years; however, the Professionalism Committee may request more frequent review of an ISAP if it believes such review to be advisable.

10. Changes to Existing ISAPs

- 10.1. If a change to an existing ISAP is fundamental in nature, it will be subject to the same Due Process as a new ISAP. If there is disagreement whether a proposed change is fundamental, the final decision will rest with the Professionalism Committee, who may also recommend to the Executive Committee whether the process may commence at Section 5 of this due process or whether a new SOI is required, in which case the process must commence at Section 4 of this due process.
- 10.2. However, from time to time, it may be appropriate to make non-fundamental changes to existing ISAPs. If the ASC believes that such a minor change is not fundamental and is not controversial, it may propose to the Professionalism Committee that the change be implemented under an expedited procedure rather than through the normal Due Process. If the Professionalism Committee concurs that the change is not fundamental and not controversial, it may authorise an expedited procedure, and the Executive Committee may in its discretion rely on this expedited procedure, when approving the submission of the ISAP to Council for a vote. If such a change receives an affirmative vote of at least 80% of the votes cast, it is thereby adopted.
- 10.3. If typographical or other similar errors are discovered in an issued ISAP, the ASC can make the required corrections and submit the corrected ISAP to the Executive Committee for approval and re-issuance. Such re-issuance will not require Council approval, but will require timely communication to the Council, member associations and relevant actuarial standard setters, as well as including reference to the change on the IAA website.

11. Transition Process

If any SOI has been approved by Council under the previous Due Process, on or before the date of approval of this Due Process, then that SOI will be in all respects equivalent to an SOI approved under this Due Process, and will thereafter be subject to this Due Process. Following approval of this Due Process by Council, any such SOI and any document produced in relation to it will be treated as if they had been produced under this Due Process, and will have the same status in regard to each stage of development, exposure or approval.

12. Effective Date

The date this document was approved by Council is 13 May 2021.