Real-Life Experiences of Standard Setting

27th September 2022

Yvonne Lynch - Chair, Professionalism Committee
Birgit Kaiser - German Association of Actuaries
Lisa Wade - Caribbean Actuarial Association
• Introduction
  
  *Yvonne Lynch, Chair, IAA Professionalism Committee (Moderator)*

• **Standard Setting Experience in Germany**
  
  *Birgit Kaiser - German Association of Actuaries - DAV*

• **Standard Setting Experience in the Caribbean**
  
  *Lisa Wade - Caribbean Actuarial Association - CAA*

• Q & A
Series of virtual events:

- 7th September: Introduction to Standard Setting
  - Why? Protect the public, support actuaries
  - How? No single "correct" way . . . Don’t feel overwhelmed!
  - International Standards of Actuarial Practice (ISAPs)

www.actuaries.org . . . Committees / Professionalism / Documents

Recording of the Webinar

Presentation slides
Series of virtual events:

- 7th September: Introduction to Standard Setting
- Today: Real-Life Experiences of Standard Setting
- 25th October: Virtual workshop (07:00 – 08:15 EDT; 12:00 – 13:15 GMT)

- contact amali.seneviratne@actuaries.org not later than 3rd October
Standard Setting Experience in Germany

Birgit Kaiser - German Association of Actuaries - DAV
The German Association of Actuaries – DAV

- Professional representation of actuaries in Germany
- Established in 1993
- More than 6,000 fully-qualified members

German Institute of Pension Actuaries
- Branch association of DAV focussing on occupational pensions
- About 880 members

All members of DAV

- have a university degree in mathematics or related studies
- have completed a demanding training as „Aktuar DAV“ with examinations organised by DAV
- have at least three years of relevant professional experience, before they are admitted to DAV
- are also required to maintain their expertise through appropriate CPD training
- are obliged to comply with the DAV code of professional conduct and the disciplinary rules.
DAV is not mentioned in law

Actuaries may become Responsible Actuary (“Verantwortlicher Aktuar“ as in German Insurance Supervisory Law (VAG, § 141)) or Actuarial Function Holder (European area Solvency II regulation) without being a member of DAV

DAV, however, is recognised as the professional representation of almost all Responsible Actuaries / Actuaries in Germany

Therefore: Regular meetings with ministries, the supervisory authority BaFin and other professional and industry associations

Members employed by BaFin are involved in most committees and many working groups
DAV Code of Professional Conduct

DAV Code of Conduct

- Standards of conduct reflecting the general view on issues relating to the practice of the actuarial profession in Germany

- Art. 2: Principles of independence, integrity, personal responsibility, collegiality, conscientiousness and discretion …

- Art. 3: Obligation to comply with CPD requirements

- Art. 9: Carry out their activities in compliance with all relevant standards of actuarial practice […] are subject to the DAV disciplinary regulations and accept […] the measures imposed […]

Continuous professional development

- Content – documentation - assessment

Standards of actuarial practice

- Professional standards to ensure the serious exercise of the actuarial profession

- Fundamental principles

- Guidelines

- Advisory notes

Ensures compliance

Disciplinary regulations

Real Life Experiences of Standard Setting – slide 8
As a self-regulating profession, DAV and its members jointly define the framework conditions to which actuaries are subject in order to fulfil their responsibilities.

DAV thus issues its own code of professional conduct and sets standards of actuarial practice for its members.

In the first years (1993-1999) all standards have been approved by the yearly General Assembly; then a Due Process has been developed: after a trial period of five years (1999-2004) the process has been approved in 2004.

Disciplinary action is taken regularly, mostly due to non-compliance with CPD requirements; members are encouraged to report breaches of professional rules, but not obliged.
### Three different Levels of Standards

<table>
<thead>
<tr>
<th><strong>Fundamental principles</strong> (&quot;must comply&quot;)</th>
<th>are standards of actuarial practice, with regulations that may not be deviated from, and which are a concentration of the generally accepted rules of actuarial mathematics and of legal norms.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Guidelines</strong> (&quot;comply or explain&quot;)</td>
<td>are standards of actuarial practice, with regulations that, except in justifiable individual cases, may not be deviated from, and which standardise specific questions.</td>
</tr>
<tr>
<td><strong>Advisory notes</strong> (&quot;educational&quot;)</td>
<td>are standards of actuarial practice, which must be taken into account in actuarial considerations, but may be freely decided on within the framework of the Code of Conduct, and which deal with specific questions.</td>
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</tbody>
</table>
DAV Reports are summaries of the results of work carried out by DAV committees or working groups, the use of which may be freely decided on within the framework of the Code of Conduct, which are intended for discussion of the current state of opinion by actuaries or the general public. As work results of a single committee, they do not, for the time being, represent any recognised position within DAV and do not comprise any requirements for practice. In this respect reports are clearly distinguishable from any standards of practice.
To ensure high quality and acceptance of DAV standards of practice, the Due Process ensures that the following are involved:

- specialist knowledge of DAV expert committees, along with their respective working groups, who draft the contents of the standards of practice,

- further technical knowledge from academics, relevant professional associations, auditors, members of other professions, consumer organisations etc. and

- positive signals from supervisory authorities or ministries.

- And the Professionalism Committee which oversees the whole process.
DAV Due Process for Standards of Practice

Step 1
Preliminary Draft by Committee

Step 2
Approval by Committees* (6 weeks)

Step 3
Publication of Exposure Draft

Step 4
Feedback from members (3 months)

Step 5
Hearing / Veto**

Step 6
Final Draft

Step 7
Approval and publication by Board

Step 8
Premature termination

*) and other stakeholders as seems appropriate

**) quorum of 10 members required
In cases of urgency the Due Process can be streamlined (omission of steps 3 and 4) but then the standard will be withdrawn after 18 months if the regular Due Process is not completed during this timeframe.

All standards are to be revised after 4 years by the responsible Committee; this includes the possibility of withdrawal.

Options for implementing IAA Model Standards:

- Adopt as written / translation only
- Adapt to German statutory and regulatory requirements
- Adapt an existing DAV standard of practice
- Develop a new DAV standard of practice which takes into account the contents of the model standard
- In each case the Due Process has to be followed
## DAV Standards – Practice areas

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<thead>
<tr>
<th>No. of Fundamental Principles:</th>
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<tbody>
<tr>
<td>No. of Guidelines:</td>
<td>17</td>
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<tr>
<td>Life Insurance</td>
<td>8</td>
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<tr>
<td>Pensions</td>
<td>3</td>
</tr>
<tr>
<td>Health and Care</td>
<td>4</td>
</tr>
<tr>
<td>Non-Life Insurance</td>
<td>1</td>
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<tr>
<td>Risk Management</td>
<td>0</td>
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<tr>
<td>Investment and Finance</td>
<td>0</td>
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<tr>
<td>Accounting</td>
<td>0</td>
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<tr>
<td>Actuarial Data Science</td>
<td>0</td>
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<tr>
<td>Professionalism</td>
<td>1</td>
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# DAV Standards – Practice areas

<table>
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<tr>
<th>Practice Area</th>
<th>No. of Notes</th>
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<tbody>
<tr>
<td>Life Insurance</td>
<td>15</td>
</tr>
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<td>Pensions</td>
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</table>

- **No. Of Advisory Notes:** 44
- **No. of Reports:** 190
As a self-regulating profession, DAV and its members jointly define the framework conditions to which actuaries are subject in order to fulfil their responsibilities.

DAV therefore needs to ensure that its professional framework including code of conduct and standards are accepted by members as well as external stakeholders.

The Due Process for Setting Standards of Practice works well; an issue DAV continues to think about is enforcement and possible disciplinary action.
Standard Setting Experience in the Caribbean

Lisa Wade – The Caribbean Actuarial Association - CAA
CAA – History and Governance Overview

- Formed in December 1991
- Encourage and support the development of actuarial science in the Caribbean
- Many categories of members – Ordinary, Student, Associate and Affiliate
- Multi-jurisdictional and multiple languages
- Code of Conduct and Actuarial Standards of Practice, disciplinary process and CPD requirement
- Full Member Association of the IAA in 2009
Number of members as at June 30, 2022

- T&T: 82
- Jamaica: 59
- Canada: 37
- Barbados: 36
- USA: 24
- Other: 22
- Bahamas: 13
- Curacao: 6
- Suriname: 6
CAA is a self-regulating body with members who practice across the Caribbean.

- Code of Conduct which sets out requirements to:
  - Perform work with competence and care
  - Act in the public interest
  - Must take into account any relevant Standards of Practice issued or endorsed by the CAA
  - Members are subject to the Disciplinary Procedures of the CAA
### Main Objectives

- Comprehensive set of Actuarial Standards for regional work
- CAA recognised as the Actuarial Standard Setter for the region
- Consistent with international best practice
- Reflect local conditions

### Strategic Partners

- Caribbean Association of Insurance Regulators
- Caribbean Association of Pension Supervisors
- Insurance Association of the Caribbean
CAA – Current Standards of Practice

- APS0 – General Actuarial Practice
- APS1 – Pension Schemes: Actuarial Valuation Reports
- APS2 – The Prudential Supervision of Long-Term Insurance Business
- APS3 – Social Security Programs
- APS4 – General Insurance Unpaid Claim Estimates
- APS5 – General Insurance Premium Related Liabilities
- Glossary of Defined Terms Used in CAA Actuarial Practice Standards
Standards are not recognised by Regulators in all jurisdictions

In some countries, practising actuaries are required to be a member of the CAA

CAA is recognised as the region’s actuarial association

Engagement with key stakeholders such as governments and regulators on issues impacting financial institutions
CAA has a Due Process for the adoption of new Standards of Practice:

- Committee of subject matter experts is formed to draft the Standard or review the ISAP to make a recommendation regarding adoption

- Suggestions from key stakeholders regarding the need for a Standard are considered

- Standards are ratified by members at the Annual General Meeting
Standards help to build public trust in actuarial work

For developing actuarial associations it can be a significant resource commitment

ISAPs are a meaningful resource for developing associations in standard setting
Upcoming Workshop on Standard Setting –
Tuesday, 25 October 2022
from 07:00 to 08:15 EDT (12:00 to 13:15 GMT)
By invitation – or email amali.seneviratne@actuaries.org

Recording of the Webinar on “Introduction to Standard Setting”
held on 7 September 2022 (presentation slides).