



International Actuarial Association  
Association Actuarielle Internationale



# Introduction to Standard Setting

7<sup>th</sup> September 2022

Yvonne Lynch, Chair, Professionalism Committee

Hillevi Mannonen, Co-Vice-Chair, Actuarial  
Standards Committee

## A few housekeeping items before we begin:

1. Questions & Comments – Verbal capabilities have been turned off, however questions or comments can be submitted by clicking on the Q&A icon at the bottom of your screen. We will answer questions during the Q&A session at the end of the presentations.
2. Recording and presentation – A YouTube recording along with the presentation will be made available on the IAA website within the next day or so.



## Agenda

*Yvonne Lynch, Chair, IAA Professionalism Committee*

- Setting standards – why do it and what is involved?

*Hillevi Mannonen, Co-Vice-Chair, IAA Actuarial Standards Committee*

- International Standards of Actuarial Practice –  
Vision and Objectives, Progress and Future Plans
- International Actuarial Notes
- Specimen Actuarial Standards – a new tool?

*Q & A . . . incl. Simon Wasserman, Observer to the Professionalism Committee*



## Setting standards – why do it?

### **Protect the public:**

- Foster high quality and appropriate consistency in actuarial work
- Provide criteria and benchmarks for evaluating actuarial work
- Establish a basis for holding actuaries accountable

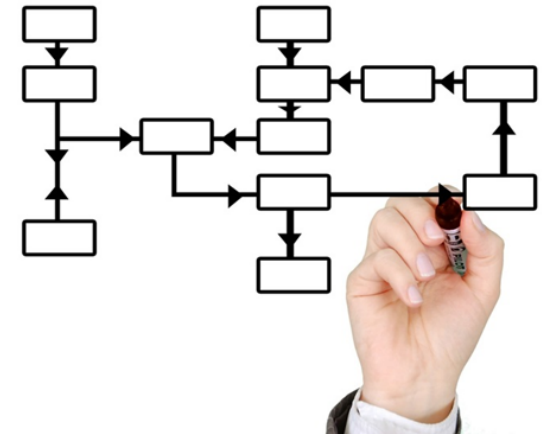
### **Support actuaries:**

- Provide guidance on appropriate professional practice
- Enhance the reputation of the profession
- Establish a basis for defending the quality of work, if challenged



# Setting standards – what is involved?

- Standard setting models
- Standard setting process
- No single or “correct” way to develop and implement standards





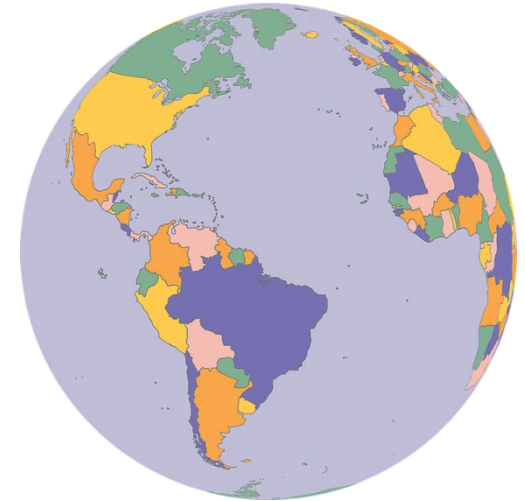
## Standard setting models

- **Self-regulation:** actuarial association establishes a process, or a separate body, to develop and promulgate standards
- **External regulation:** standards are set by an external body that operates independently of the profession (e.g. regulator, government agency)
- **Mixed model:** some standards set by actuarial association and some by external body



# What model is appropriate for your jurisdiction?

- Will it meet the needs of the users of actuarial work in your jurisdiction?
- Will it meet the needs of the actuarial profession in your jurisdiction?
- Any factors specific to your jurisdiction?





# Standard setting process – considerations

- Authority to set standards
- Organizational structure, incl. accountability / oversight
- Scope and format of standards
- Due process
- Achieving and assessing effectiveness
- Dealing with non-compliance





## Authority to set standards

- Legislation or regulatory requirements
- Association's constitution
- Compliance may be a condition of membership
- Code of Conduct



# Organizational structure

- Who will
  - Decide what standards are needed?
  - Draft the standards?
  - Approve them?
  - Provide oversight and accountability?
- Existing / new structures
- Paid resources / volunteers / both
- Non-actuaries?
- Administrative support / legal input





## Scope and format of standards

- To which area(s) will standards apply and what matters will be covered?
- How will the body of standards be structured?
- Principles-based or rules-based?
- Style and language
- Mandatory or not?



## Due Process

- Transparent procedures to develop, expose for consultation, promulgate, periodically review and update standards
- Create confidence in the independence and integrity of the standard setter



# Due Process

## IAA minimum criteria

- Proposal to consider a standard must follow an established process
- Make the proposed standard available for comment
- Consider comments received
- When adopted, the standard must be disseminated by an authority that has power to do so
- Publish standards and make them available to practicing actuaries



# Achieving and assessing effectiveness

- Promotion and education
- Post-implementation review
- Periodic review / update



## Dealing with non-compliance

- What actions can and will the association take in the event of non-compliance?
- Ensure that members understand the consequences of non-compliance



## Resources

- “[Setting Actuarial Standards](#)”, a paper published by the Standard-Setters Round Table in November 2017
- Upcoming IAA webinar (27<sup>th</sup> September): “Real-life Experiences of Standard Setting”
- Workshop (25<sup>th</sup> October) . . . . . [Amali.Seneviratne@actuaries.org](mailto:Amali.Seneviratne@actuaries.org)





## Next . . .

*Hillevi Mannonen, Co-Vice-Chair, IAA Actuarial Standards Committee*

- International Standards of Actuarial Practice –  
Vision and Objectives, Progress and Future Plans
- International Actuarial Notes
- Specimen Actuarial Standards – a new tool?



# The Vision and Objectives for International Standards of Actuarial Practice (ISAPs)

- Vision: ISAPs will be widely accepted as a basis for convergence by local standard-setters and recognised by the parties who rely on actuarial work.
- ISAPs are established to promote high quality actuarial practice globally
  - Helps to serve the public interest by benefiting users of actuarial work, regulators, and participants and beneficiaries of financial products and services, including social security programs; and
  - Benefits actuarial associations and individual actuaries by enhancing the credibility of the actuarial profession.



# What is an Actuarial Standard?

- A statement of **behaviour expected of actuaries** operating within a specific context
- **Sets a minimum standard** on matters such as
  - The methodology to be adopted,
  - The approach to be used in setting assumptions,
  - The content of a report or opinion, and
  - The way in which the report or opinion should be presented



# ISAPs are Model Standards

- The IAA develops **model standards**, International Standards of Actuarial Practice (ISAPs)
- **Model standards are just what they say**
  - Tools to assist standard-setters
  - Help Associations to avoid reinventing the wheel
  - Encourage convergence of actuarial standards
  - Not binding on any actuary
- **Actual standards are set by an authorised body e.g. your Association**
  - Apply to a specific jurisdiction
  - Are binding on actuaries working in that jurisdiction and within the scope of the standard



# Using Model Standards

- **Standard-setter may**
  - Adopt a model standard with only the modifications in the Drafting Notes
  - Customize a model standard (while ensuring substantial consistency)
  - Endorse a model standard by declaring it appropriate for use in certain circumstances
- Any of these may include translation of the model
- **Other options**
  - Modify existing standards
  - Confirm that existing standards are substantially consistent



# Think Globally – Regulate Locally

- General criteria to develop ISAPs include
  - An ISAP on this topic will serve the public interest, or public good
  - Improve the quality and consistency of the actuarial work product
  - It is in a recognised or emerging area of actuarial practice
  - Has widespread practical relevance to actuarial work
  - A sufficient number of IAA member associations or standard setters will find an ISAP useful
  - Existing pronouncements by any supranational organization do not already provide sufficient guidance or key stakeholders are expecting the actuarial profession to develop a standard (e.g. IAIS, IASB)
- Model standards are **not** developed
  - If the topic is country specific or has limited applicability and
  - a model standard would not add value to actuarial work in the broader scale



# IAA Model Standards

**ISAP1** General Actuarial Practice (2012...2019)

ISAP1A Governance of Modeling (2016; incorporated into ISAP 1 in 2018)

**ISAP2** Social Security (2013...2018)

**ISAP3** IAS 19 Employee Benefits (2014...2018)

**ISAP4** IFRS 17 (2019)

**ISAP5** Insurer Enterprise Risk Models (2016...2018)

**ISAP6** Enterprise Risk Management and IAIS ICPs (2018)

**ISAP7** "Current estimates" and other matters in relation to the IAIS capital standards, currently under development

**IAA Glossary** (2012...2019)

- Currently an ISAP on climate-related risks is under consideration

- The ISAPs are reviewed at least every 5 years, currently IASPs 5 & 6



# International Actuarial Notes

- The IAA also develops International Actuarial Notes (IANs)
- **An IAN is an educational document** that provides information on current or emerging practices in relation to an international actuarial topic
- It serves to familiarize actuaries with approaches that might be taken and to demonstrate how the actuarial profession might approach the topic
- **An IAN does not impose any obligation on any IAA Member Association or any individual actuary**
- IAA has issued IAN 100 on matters relating to IFRS 17





# Specimen Actuarial Standards

- The IAA is considering developing Specimen Actuarial Standards (SASs)
- Many IAA Member Associations do not have a set of actuarial practice standards of their own
- For such associations, adoption of ISAPs does not necessarily create a set of standards that is needed, as ISAPs are related to globally relevant issues
- As response to these needs, the Actuarial Standards Committee and the Advice & Assistance Committee have worked out the concept of SASs



## Specimen Actuarial Standards (cont.)

- SASs would be specimen standards on more generic topics of traditional actuarial work
- They would be a base from which an association can produce standards in its own jurisdiction, with modifications to suit local circumstances as needed
- Initial thinking shows, e.g., a potential need for SASs in the following areas:
  - pension funding;
  - insurance reserving; and
  - balancing interests in life assurance participating policies
- The ASC would develop the SASs (based on demand from Member Associations)
- The IAA is seeking to understand its Member Associations' needs and expectations, including support for the idea of developing SASs.





## Some Useful Links

- IAA [International Standards of Practice \(ISAPs\) webpage](#) (incl. Due Process)
- IAA document outlining the proposed [Specimen Actuarial Standards](#)
- IAA webpage on [International Actuarial Notes](#) (incl. Due Process)
- IAA [Vision Statement for ISAPs and for Due Process](#)
- IAA [Statement of Objectives for ISAPs](#)
- IAA Professionalism Guideline on [Principles of Professionalism](#)
- Standard-Setters Round Table paper on [Setting Actuarial Standards](#)