Disclaimer

I am expressing my personal views. While I am a vice chair of the IAA Actuarial Standards Committee, and have asked various people to review this presentation, the views I will express are my own. They are not a statement of the views of the IAA.
International Actuarial Standards

- History of Standards Development
- Current Situation
- What does the future hold?
- Why should we care?
History
History of Standards Development

- Professional Standards
- National Standards
- Supranational standards
- IAA Progress
Hippocratic Oath (~420 BC)

- I will prescribe regimens for the good of my patients according to my ability and my judgment, and never do harm to anyone.
- I will not cut for stone, even for patients in whom the disease is manifest; I will leave this operation to be performed by practitioners, specialists in this art.
- In every house where I come I will enter only for the good of my patients, keeping myself far from all intentional ill-doing and all seduction and especially from the pleasures of love with women or men, be they free or slaves.
- All that may come to my knowledge in the exercise of my profession or in daily commerce with men, which ought not to be spread abroad, I will keep secret and will never reveal.
# Partial National History

<table>
<thead>
<tr>
<th>Country</th>
<th>Code of conduct</th>
<th>Actuarial Standards</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>1976</td>
<td>1982</td>
<td>Financial Condition examinations of Insurance Companies</td>
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<tr>
<td>Canada</td>
<td></td>
<td>1979</td>
<td></td>
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<td>Ireland</td>
<td>1993</td>
<td>1994</td>
<td>DB Pension reports</td>
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<td>Mexico</td>
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<td>2001</td>
<td></td>
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<tr>
<td>UK</td>
<td></td>
<td>1975</td>
<td>Long term insurance business</td>
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<tr>
<td>US</td>
<td>1956</td>
<td>1986</td>
<td>Non guaranteed elements of life insurance policies</td>
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</tbody>
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Supranational Standards

- IAA started developing IASPs in 2000
- GC started developing European Solvency II standards in 2011
IAA 2000

4 levels of model standards:
1. Mandatory on all actuaries (required adoption by all Member Associations)
2. Mandatory on any actuary asserting compliance
3. Advisory (either comply, or state rationale and implication of non compliance)
4. Educational – not binding in any way.

Only level 4 IASPs (Educational) were adopted (12 altogether)
IAA 2008 Version

IAA recognized in 2007 that it could not realistically expect all members to adopt binding standards.

Revised ISAPs (2008)

- Levels 1 and 2 abandoned
- Level 3 renamed International Actuarial Standards of Practice (ISAPs). Still model standards.
- Level 4 renamed to IANs (International Actuarial Notes)
IAA 2010

- Appointed New Committee to Propose Standards
- Actuarial Standards Committee (originally IASSC)
- Model standards renamed ISAPs for clarity
Current Situation
Vision for ISAPs

- ISAPs will be widely seen as contributing to the public good, by enhancing user's confidence in actuarial work.
- ISAPs will be widely accepted as a basis for convergence by local standard-setters.
- ISAPs will be recognized by the parties who rely on actuarial standards such as IAIS, IOSCO, IASB, national regulators and audit firms.
The purpose of ISAPs is to promote high quality actuarial practice. High quality actuarial practice:

- Helps 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.
Characteristics of high quality actuarial practice include:

- **Professionalism** – providing work that is rigorous, objective, soundly-based, and reflective of current thinking and practices;
- **Consistency** – providing users of the actuarial work product with confidence that practice is consistent across clients subject to similar requirements;
- **Usefulness** – adding substantial value to financial and risk analysis; and
- **Clarity** – clearly articulated and understandable.
History and Status of ISAPs

- ISAP 1 – General
- ISAP 2 – Social Security
- ERM
- ISAP 3 – IAS 19 (employee benefits)
- ISAP 4 – IFRS (insurance)
ISAP 1 General Practice

- Statement of intent  Oct 2010
- Exposure Draft  Jul 2011
- Adoption  Nov 2012
ISAP 2 Social Security

- Statement of intent Oct 2011
- Exposure Draft Oct 2012
- Adoption Oct 2013
ERM ISAP

- Draft statement of intent: Mar 2012
- Proposal for ISAP withdrawn: Nov 2012
- Proposal reactivated: Oct 2013
- Statement of intent approved: [Apr 2015]
- Exposure Draft: [July 2015]
- Adoption: [Sep 2016]
ISAP 3 (IAS 19)

- Statement of intent approved: Mar 2013
- Exposure Draft: [Oct 2013]
- Adoption: [Apr 2015]
ISAP 4 Insurance IFRS

- Statement of intent [Mar 2015]
- Exposure Draft [Aug 2015]
- Adoption [May 2017]
Future
What does the future hold?

- Likely
- Possible
- Unlikely
What is likely

- A set of ISAPs (model standards) covering most actuarial work
- Adoption (with minimal modification) of ISAPs by smaller members associations (e.g. Catalonia, Caribbean, South Africa)
- Adoption of ISAP 1 by Groupe Consultatif
What is possible

- Adoption by one or more larger FMAs
  - Canada is quite likely
  - UK is a possibility
What is unlikely

- Global actuarial standard setter
- Oversight entity including non actuaries
Why does it matter?
Advantages of Convergence

- G20 is demanding common standards of all professions
- If we do not make reasonable progress ourselves, someone else may impose common standards on us
- Convergence facilitates:
  - Cross Border work
  - Cross Border migration
  - Sharing ideas and best practices
Improbability of Uniform Standards

- Legal systems are country specific
- Liability of actuaries is country specific
- Expectations of consumers varies by country
Realistic Objective

- Countries will move towards standards that are “are substantially consistent with each ISAP.”
What Next?