IAA Standards Seminar
– Zurich, Thursday 9th April 2015 –

Actuarial Standards Committee
Agenda

- About standards, ISAPs and the ASC
- Survey of how ISAPs are being dealt with

Break

Discussion: Views of Member Associations

Drinks – Nibbles – Networking
About standards, ISAPs, and the ASC

- How do standards help your members?
- IAA strategy for
  - International Standards of Actuarial Practice (ISAPs) and
  - International Actuarial Notes (IANs)
- ISAPs are model standards – what does this mean?
- ASC activity to date and planned
Are ISAPs useful to your members?

Yes, because:

- Cornerstones of good governance of the profession are:
  - (local) Codes of Professional Conduct
  - (local) Professional Standards of Qualification and
  - (local) Professional Standards of Practice
- Other professions have got their act together globally
- G20 demanding standards for all professions
- Facilitate convergence in actuarial standards
- Increase public confidence in actuarial services
- Self-regulation better than externally imposed regulation

No, because:

- Unnecessary, additional layer of rules, not needed before ...
If the IAA wishes to

“be recognized worldwide as a major player in the financial services industry”

and

“to promote the role, reputation and recognition of the actuarial profession in the international domain”,

... then it must take a leadership position in addressing the issue of actuarial standards.

Quotations from Hillevi Mannonen’s presentation to Council in 2010
IAA strategy on actuarial standards

**IAA Strategic Objective 3 (of 6)**

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 Full Member Associations, and the **global convergence of actuarial standards**.

**Objectives for ISAPs**

- Widely accepted as a basis for convergence by local standard-setters
- Recognized by the parties who rely on actuarial standards such as IASB, IAIS, IOSCO and the local regulators and audit firms
- Widely seen as contributing to the public good
- Promote high quality actuarial practice
ISAP Content & Guidance

- Needs to have widespread practical relevance to actuarial work
- Existing pronouncements by any supranational organization do not already provide sufficient guidance
- Guidance can usually be stated as “the actuary should ...”
  - Failure to comply with “must” would lead to disciplinary action
  - “May” when an activity is appropriate in certain circumstances
- Principles-based rather than prescriptive (i.e. “what” not “how”)
- Not restrict practice inappropriately relative to a non-actuary
- Not inhibit development & use of new techniques or methods
- Not shift responsibility inappropriately from principal to actuary
- Not contain educational material (reserved for IANs)
ISAPs are model standards

Council decision (October 2010, Vienna)

- Based on the principle of subsidiarity
- Approach of “Medium Convergence” chosen:
  - **Full** - single set of globally mandatorily applicable standards
  - **Strong** - only minor modifications model standards allowed
  - **Medium** - congruence with model standards
  - **Weak** - national standards, but conflicts avoided
  - **None** - diverse and possibly contradictory national standards

IAA encourages FMAs to achieve “substantial consistency” with ISAPs
- There are several ways of doing so
### Achieving “substantial consistency”

#### Clarified approach (subject to Council approval in Zurich)

- **Adopting** an ISAP as a standard with only the modifications in the Drafting Notes;
- **Customizing** an ISAP by revising the text of the ISAP to the extent deemed appropriate while ensuring substantially consistent with it;
- **Endorsing** an ISAP by declaring that it is appropriate for use in certain clearly defined circumstances;
- **Modifying** existing standards to obtain substantial consistency with an ISAP; or
- **Confirming** that existing standards are substantially consistent.

#### “Substantial consistency” is achieved with an ISAP if:

- There are no material gaps in the standard(s) in respect of the principles set out in the ISAP; and
- The standard or set of standards does not contradict the ISAP.
Apart from ISAPs there are also IANs

International Actuarial Notes (IANs) are

- **Educational** in nature
- Promulgated by the **technical committees of the IAA** (not the ASC)
- Professionalism Committee has oversight responsibility for IANs
A brief history of IAA standards

Before 2010:
- As from 2000: IAA develops 12 IASPs; all advisory / educational

After 2010:

2010:
- Interim Actuarial Standards Subcommittee established Terms of Reference for IASSC approved

2011:
- Strategic Objective 3 approved

2012:
- Due Process adopted
- ISAP 1 (General Actuarial Practice) adopted
- IASSC renamed Actuarial Standards Committee

2013:
- ISAP 1 reformatted
- ISAP 2 (Social Security) adopted
- EC’s Strategic Action Plan for ISAPs approved

2014:
- Revised Due Process approved

(Completed) activity to date
The Future

Immediate and medium term

2015:
- ISAP 3 (IAS 19, Accounting for Employee Benefits) to be adopted

2017:
- ISAP 4 (IFRS X, Accounting for Insurance Contracts)

2018:
- ISAP 5 & 6 (Enterprise Risk Management)
- ISAP 7 (“Current Estimates” – IAIS Capital Standards)

Raising profile of ISAPs

- Increase level of interaction between ASC and FMAs
- Run webcasts upon ISAP ratification
- Defining and monitoring “success”

Longer term

- A single set of uniform standards is improbable because
  - Legal systems are country specific
  - Liability of actuaries is country specific
  - Expectations of consumers vary by country
Criteria ...

... for topics to be considered for ISAPs

- Will serve the public interest or good
- Are in a recognized or emerging area of actuarial practice
- There is an expectation that a sufficient number of FMAs or standard setters will find the ISAP useful
- Need to justify the work involved in producing the ISAP

... for topics to be included in ISAPs

- ASC has developed a “Criteria” paper (see website) for testing what issue should be taken up in an ISAP and what not
Due Process for ISAPs

- Provides governance and a high level of transparency
- Allows the IAA to proactively identify the need for new ISAPs (or revision of existing ISAPs) and to respond rapidly when development (or revision) is approved
- Intends to give users and end-users of actuarial services
  - confidence in quality and suitability of ISAPs
  - confidence in the process of production of ISAPs
- Intends FMAs, standard setters and other interested parties
  - to recognize the value of ISAPs
  - to be fully engaged where appropriate in the development
- Intends actuaries to have confidence in the professional and commercial suitability and applicability of ISAPs
- Provides ample opportunity for FMA comment before action is taken
Due Process: key points

- **Any party** may propose a topic for a new ISAP.
- Before work on an ISAP can commence, it must first be on the **strategic action plan** that Council approves.
- A **Statement of Intent** for a new ISAP is exposed for comment, then (after producing **report** on action taken) finalized and approved.
  
  (Approval process: ASC drafts, PC audits DP adherence, EC approves and Council ratifies)

- **Exposure Draft(s)** of ISAP are exposed for comment.
- ASC reviews comments and produces **report** on action taken.
- **Final draft** ISAP and **report** are exposed for final comment.
- **Final ISAP** and **final report** are recommended by EC and adopted by Council (by an affirmative vote of at least 80%).
### Actuarial Standards Committee

- **Al Beer** (USA)
- **Peter Braumüller** (Austria)
- **Andrew Chamberlain** (UK)
- **Ruth Chu** (Taiwan)
- **Alf Gohdes** (Germany), Chair
- **Gábor Hanák** (Hungary)
- **Tom Karp** (Australia), Vice Chair
- **Esko Kivisaari** (Finland)
- **Dave Pelletier** (Canada)
- **Godfrey Perrott** (USA), Vice Chair
- **Marius du Toit** (South Africa)

**EC liaison:**
**Masaaki Yoshimura** (Japan)

**IAA staff liaison:**
**Amali Seneviratne**
Actuarial Standards Committee

Membership Protocol Established

- To achieve a reasonable balance by:
  - Practice area
  - Territory
  - Size of home association
  - Nature of employment
  - Experience
- Include members with experience of the varying forms of regulatory framework for actuarial standards which exist and experience in writing actuarial standards
- Terms of office are an initial 3 year-term, renewable up to a maximum of 6 years
- Total membership of the committee between 9 and 12

Current representation is:
- Europe: 5
- North America: 3
- Asia, Australia and South Africa: 1 each
Questions