

Standard Setters Round Table

Friday, November 18, 2016 – 14:00-15:30

Sunday, November 20, 2016 – 13:30-15:30

Westin Cape Town Hotel, Cape Town, South Africa
Minutes

The attendance list is at the end of these minutes

1. Welcome and introductions

Birgit Kaiser, Chair of SSRT, welcomed everyone to the meeting. The Chair also welcomed new members who joined the group since the last meeting - Mary Downs (American Academy of Actuaries); Helge-Ivar Magnussen (Den Norske Aktuarforening) and Irina Melnikova (Russia)

2. The agenda – Following some concerns/objections raised about the proposed in-camera session in the agenda, everyone agreed to keep both SSRT meetings open to all.

The ICA 2018 was added as a new agenda item for discussion.

3. Approval of [minutes of meeting in St. Petersburg](#) – the minutes were approved as presented.

4. Matters arising - Invitation to join the SSRT

The Chair reported that in response to the invitation sent to the Member Associations in October 2016, the American Academy of Actuaries, Den Norske Aktuarforening (Denmark) and the Russian Guild have joined the SSRT.

Members of the SSRT agree that the invitation shall be sent out once a year to all Member Associations, next time in fall 2017 well before the meetings in Chicago to allow possible additional participants to plan their itineraries accordingly (given that the SSRT meeting is usually on the day following almost all of the other committee meetings).

5. Actuarial Standards Committee (ASC) – Not taken up due to lack of time.

6. Professionalism Committee (PC) (oral report from David Martin)

Not taken up due to lack of time.

7. Topics for discussion:

- i. [Responses from FMAs for 2015](#) : Birgit reported on the current status of implementation processes regarding ISAPS 1, 2 and 3 referring to the information in the summary. Birgit noted that some countries (e.g. Bosnia, Serbia, Slovakia) have stated that they have taken other action but not specified what. Gabor Hanak, AAE representative, reported that Slovakia has adopted a substantially consistent version of ISAP 1. It was suggested that more information could be sought by reaching out to the associations for clarification. Item 7.iv will address this in more detail.

There continues to be lower responses to ISAP 2, which may be due to many jurisdictions having a low number or no practitioners in this area. Chris Daykin reported that ISAP 2 is being used and referenced by the International Social Security Association (ISSA) and the International Labour Organisation (ILO), although it is not adopted by the FMAs. Dave Pelletier noted that ISAP 2, dealing with social security and hence with the largest number

of individual stakeholders of any actuarial standards, would be all the more beneficial to jurisdictions since they now have a model standard to pick up and adapt/adopt without them having to develop a standard on a topic which has a low number of practitioners.

Canada will shortly adopt ISAP 2 translated into a format acceptable to the ASB – Canada. The adopted version will not be totally consistent with ISAP2. The most significant issue was the requirement for the actuary to give an opinion on the financial sustainability of the social security program, which ASB thought was an unfair request to make from the actuary, given that there can be many unforeseen influences over time that may affect the sustainability of the program. Having left this requirement out, a question was raised as to whether the Canadian’s can claim to have adopted a substantially consistent version of ISAP 2? What exactly does substantially consistent mean? Once again, there was an exchange of opinions on this. Is there a threshold? Does “largely” or “materially” consistent mean the same thing as being substantially consistent?

The UK is considering adopting ISAP 2. It was noted that ISAP 2 and later ISAPs rely on ISAP 1. So the adoption of other ISAPs will depend on how the FMAs have addressed ISAP 1.

ISAP 3 is relatively new, but a few FMAs have already adopted it as it is addressing actuarial services in relation to IAS 19 and thus affects a considerable number of actuaries.

The members questioned the purpose of the annual questionnaire as it incorrectly gives the appearance of a means of control for the IAA. David Martin mentioned that a few years back, the EC had considered how best to promulgate the ISAPs. One extreme would be to have all FMAs follow the ISAPs, but this is not practical given that there are differences in laws, regulations, practice, economic environments etc. around the world. There isn’t one set of rules that would fit all. The other extreme would be to let everyone do whatever they like. The ISAPs contain principles based, generally accepted good guidance. So the decision was to offer ISAPs as model standards for FMAs and standard setters to consider/reference when formulating their own local standards. While some differences are bound to exist due to local circumstances, it is expected that by and large the common practices adopted will result in a gradual convergence, where appropriate, in actuarial standards around the world over time.

The purpose of the questionnaire therefore is to find out if the ISAPs are useful to the FMAs and standard setters, how the FMAs/standard setters have addressed them, and receive feedback on the work done by the ASC. This is useful information to the IAA, the Professionalism Committee and the ASC. The questionnaire also supports the action stated under Strategic Objective 3 to “Periodically monitor activities of Full Member Associations (FMAs) with respect to these action plans. There is, however, no intention whatsoever to control Member Associations.

- ii. **Best practices regarding setting up the structure to implement standards (for the benefit of smaller associations in particular):** Yvonne Lynch presented an overview of the updated report on [best practices regarding setting up the structure to implement standards](#), considering the comments received so far. This report was prepared by a TF comprised of Yvonne (lead), Alf Gohdes, David Martin and Ann Muldoon. The TF will have further discussions at a luncheon meeting on Sunday. Yvonne invited interested persons to join the proposed joint panel of the PC and SSRT to support associations in their standard setting efforts. Yvonne will present and discuss the ideas in the paper with the Advice and Assistance Committee in Cape Town and seek their feedback.

Ann has prepared a first draft of a set of useful questions that an association could consider when setting up the structure to implement standards, with possible pointers to relevant resources. The TF will discuss the proposals with the ASC. It is hoped that these questions would be a useful element to include in the next Standards Seminar.

Following comments were noted in the discussion that ensued:

- a. Item 5.h. – “guidance” can have different meanings in different jurisdictions. E.g. in the US it means mandatory, while in the UK it means recommended but optional. Consider carefully the implications relating to terminology, particularly in light of possible translations.
- b. Provide a preamble articulating the purpose of the ISAPs. Emphasise how users and individual actuaries (i.e. members of associations) benefit from Standards. Standards are perceived as creating extra work and additional burden to the members. Emphasising the benefits will be especially useful to the medium to small associations considering the adoption of standards.
- c. The proposal should include the actions that an association would take in the case of non-compliance, once standards are adopted.

Action: An updated version to be presented at the next meeting.

iii. **Exchange of experiences among standard-setters:** [Actuaries Institute of Australia](#)

Tom Karp made an interesting presentation covering the Insurance & Superannuation Legislation & Regulation, Actuaries Institute Arrangements, Professional Practice, Professional Practice Documents and the Australian approach to addressing the ISAPs.

The Professional Standards Committee of the AIA develops Professional Standards (PSs) for Council approval. Compliance with the PSs is Mandatory. The language used is “must” (not “should” or “shall”) and only uses “may” where member has choice about an activity.

Actuaries Institute prefers strong/medium convergence with ISAPs where appropriate. ISAP 1 does not fit into the Institute’s structure of PSs. PS’s are mostly practice area based and only use “must”. The AIA intends to create a Practice Guideline that substantially follows ISAP 1 in language and content. Practice Guidelines constitute generally accepted actuarial practice, they are not Mandatory but the actuary needs to explain & document any significant departure from the guidelines.

The Chair thanked Tom for the very interesting and useful presentation.

Action: For the meeting in Budapest the Russian Guild and the Canadian ASB representatives will share their experiences.

iv. **Update/discussion on how members are dealing with implementing ISAPs in their country / region**

– This was an open discussion with Alf Gohdes, Chair of the ASC initiating the discussion reiterating the role of the ASC. Alf stated that ASC’s mandate is to develop high quality, principles based model International Actuarial Standards of Practice (ISAPs) for consideration by the member associations. The ISAPs are developed following a carefully thought out due process with many checks and balances. The ISAPs are intended to promote high quality actuarial practices globally. ISAPs, being model standards, are not binding on any actuary. Alf referenced to paragraph 1.2 in the due process which reads “Member associations and standard-setting bodies are encouraged to give serious consideration (bearing in mind the wish of the IAA to encourage convergence of actuarial standards of 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.” The IAA

encourages relevant actuarial standard-setting bodies to maintain a set of standards that is substantially consistent with the ISAPs to the extent it is appropriate for actuaries in their jurisdiction. An increasing number of people are now questioning the exact meaning of “substantial consistency”. As someone who was involved in the early discussions that took place on ISAPs in 2010, Alf stated that the EC had deliberately left the meaning of substantially consistent a bit “fuzzy” to find some middle ground between the alternative extreme choices of either saying no to standards or making them mandatory. The objective was to achieve medium convergence. Substantial consistency was intentionally intended to be fuzzy, so that each jurisdiction could define it for themselves. Having given this background, Alf opened the topic for discussion.

A lively discussion followed during which attention was drawn to the following wording in the latest version of the preface in ISAPs:

A standard or set of standards that is promulgated by a standard-setting body is considered to be substantially consistent with this ISAP if:

- *There are no material gaps in the standard(s) in respect of the principles set out in this ISAP; and*
- *The standard or set of standards does not contradict this ISAP.*

While this brings some degree of clarity, there are still open questions, e.g. are there particular elements that are more material than others? A few other questions were raised, e.g. how does one determine substantial consistency of an ISAP that has been translated and adopted in another language than English?

The SSRT discussed whether it should be deliberately left open and voluntary for each Jurisdiction to determine whether or not their standards are substantially consistent considering the local circumstances.

In this context, it would be helpful to have a clearer understanding of the objectives of the ISAPs. E.g. strategic objective 3 states convergence as an objective. If so, just sharing good practices, experiences, drafting useful guidance and leaving them for voluntary use may not be enough. If the objectives of the ISAPs were clearer, everything else should follow from that.

Members agree that discussions and sharing of experiences amongst member associations and standard setters, such as in the SSRT, may contribute to some degree of convergence over time. Countries like Colombia, Slovakia, who would not have otherwise had standards, have adopted ISAPs; and even the larger associations such as the UK and Canada have used the ISAPs to review and update their existing standards, e.g. the UK incorporated amendments to its standards during its recent review to achieve substantial consistency in the interests of supporting convergence. Overall, from the information gathered thus far the ISAPs appear to be making a positive contribution to either encourage associations to implement standards or review existing standards.

As one of the priorities/action plans under the IAA Strategic Objective 3 is monitor the FMA activities with respect to ISAPs, the SSRT discussed how the IAA could continue to gather information on how member associations are responding to the ISAPs. The current process used to gather the information via the annual confirmation form (ACF) drew some criticism due to the misconception that the decision by the FMAs on whether or not to support convergence of ISAPs was a criterion for maintaining membership along with the other requirements in the ACF. The Chair clarified that the ACF was used only as a means to gather information on a voluntary basis, and is not and has never been intended to be a

criterion for membership.. The process and the questions will be reviewed by the PC in due course and appropriate changes made in consultation with the ASC and the Accreditation Committee. For 2017, the ACF will be divided into two sections, one with mandatory questions and the other with optional questions. The questions on ISAPs will be moved to the optional section with a tick box at the beginning of the section to tick off if the information remains unchanged from the previous year.

Alf went on to present the draft questions prepared by the Working Group comprised of Alf Ann Muldoon, Tom Karp, and Dave Pelletier.

The Chair stressed that the draft questions were only meant to generate some discussion to assist the sharing of experiences of implementing model standards which was the objective agreed at the previous meeting and that they are not a proposed set of questions to be sent to the FMAs.

The SSRT is an informal forum and is not a part of the IAA. The SSRT has no authority within the IAA and can only serve as a sounding board or provide feedback on issues that concern standard setting and the ISAPs.

The SSRT discussed whether "substantial consistency" is the right metric to measure success of ISAPs and whether there could be other ways of measurement.

Insofar the draft questions are just some initial thoughts to generate a discussion. There are different issues/situations to be addressed.

- a. There are FMAs who are aiming for substantial consistency, but have difficulty understanding what it really means
- b. Some FMAs don't have a standard setting process to adopt/adapt ISAPs, and have issues relating to establishing a standard setting process.
- c. Some have adopted/adapted ISAPs within their jurisdictions and have no issues
- d. Some FMAs already have standards and do not want to declare substantial consistency or adopt/adapt ISAPs

The role of the SSRT could be to understand better some of the issues relating to the FMAs especially in groups a. and b. above and provide that feedback to the IAA.

Action: The TF was requested to review and articulate a clearer set of questions and circulate to the group. It was agreed that each member would attempt to respond to some of the questions based on the draft prepared by the group for the next meeting. In particular Canada and Russia should make use of the questions to structure their presentations at the next meeting. Case studies would be a good way to present the issues.

8. Brief country and regional updates

Several written reports were provided prior to the meeting including the following:

[AAE](#), [ASB](#), [CASB](#), [DAV Germany](#), [FRC](#), [IAJ Japan](#), [IFOA](#), [Ireland](#) , [Netherlands](#)

9. Suggestions of topics for discussion at Budapest meeting

- ICA 2018, the possibility of the SSRT making a presentation
- Presentations from Canada and Russia
- Update from the TF on best practices regarding setting up the structure to implement standards

- Update from the TF on how members are dealing with implementing ISAPs in their country / region / updated questionnaire for discussion
- Update from the ASC regarding the possible merger of ISAP 1A into ISAP 1
- Update on the PC discussion on IANs.

10. Chairperson for 2017

Birgit announced that Maryellen Coggins had agreed to take on the leadership of the SSRT in 2017. Birgit thanked Maryellen for accepting to serve as Chair and conveyed her best wishes.

11. Any other business

There being no other business, Birgit thanked the SSRT members for their cooperation and support during her tenure as Chair. The members in turn thanked the Chair for her leadership during 2016 and appreciated her efforts.

12. Next meeting: Budapest, Hungary – April 19 – 23, 2017

See next page for the attendance list.

Attendance:

Members		Part 1	Part 2
Birgit Kaiser	Chairperson	√	√
Thomas Béhar	Institut des Actuaire, France	√	
Maryellen Coggins	Actuarial Standards Board - US	√	√
Mary Downs	American Academy of Actuaries	√	√
Alfred Gohdes	Chair, IAA Actuarial Standards Committee	√	√
Gábor Hanák	Actuarial Association of Europe	√	√
Tom Karp	Actuaries Institute Australia	√	√
Ikuo Kudoh	Institute of Actuaries of Japan	√	√
Yvonne Lynch	Society of Actuaries in Ireland	√	√
Helge-Ivar Magnussen	Den Norske Aktuarforening	√	√
David Martin	Chair, IAA Professionalism Committee	√	√
Michael McDougall	Actuarial Society of South Africa	√	√
Irina Melnikova	Russian Guild of Actuaries	√	√
Ann Muldoon	Financial Reporting Council - UK	√	√
Dave Pelletier	Actuarial Standards Board (Canada)	√	√
Ernst Visser	Het Koninklijk Actuarieel Genootschap	√	
Observers			
Morteza Aalabaf-Sabaghi	ECO College of Insurance	√	
Ayse Arik	Actuarial Society of Turkey	√	
Al Beer	American Academy of Actuaries	√	√
Orhun Emre Çelik	Actuarial Society of Turkey	√	
Kudzai Chigiji	IACA	√	
Chris Daykin	Institute and Faculty of Actuaries	√	
Nick Dexter	Institute and Faculty of Actuaries	√	
Stephen Hadrill	Financial Reporting Council - UK		√
Ben Kemp	Institute and Faculty of Actuaries	√	
Paul Kollmer-Dorsey	American Academy of Actuaries	√	√
John Kuo	Actuarial Institute of Chinese Taipei	√	
Sam Liu	Actuarial Institute of Chinese Taipei	√	
Jim McGinnity	American Academy of Actuaries	√	
Daniel MacKenzie	Canadian Institute of Actuaries	√	
Hillevi Mannonen	Suomen Aktuaariyhdistys, Finland	√	
Christopher Townsend	Canadian Institute of Actuaries	√	
Lisa Wade	Caribbean Actuarial Association	√	
Masaaki Yoshimura	Institute of Actuaries of Japan	√	
Staff Liaison			
Amali Seneviratne	Director, Technical Activities, IAA	√	√