

Standard Setters' Roundtable

26 May 2012 (13:00 – 17:00)

Los Angeles, United States

Minutes

Attendance:

Members

Godfrey Perrott	SSRT Chair, US ASB representative
Chris Daykin	Chair, Standards Project Team, Groupe Consultatif
Peter Doyle	Chairperson, IAA Professionalism Committee
John Instance	Financial Reporting Council (UK) (representing Paul Kennedy)
Thomas Karp	Professional Standards Committee, Actuaries Institute Australia
Ad Kok	Het Actuarieel Genootschap
David Martin	Institute and Faculty of Actuaries (UK)
Yosuke Nakano	General Secretary, Institute of Actuaries of Japan
Dave Pelletier	Chairman, Actuarial Standards Board (Canada)
Jesus Zuniga	President, Colegio Nacional de Actuarios A.C
Amali Seneviratne	IAA Secretariat Support

Apologies

Thomas Behar	Immediate Past President, Institut des Actuaire, France
Hansjorg Furrer	Schweizerische Aktuarvereinigung (SAV)
Michael Rosenberg	Deutsche Aktuarvereinigung e.V. (DAV)

Interested Persons

Albert J Beer	Vice chair, Actuarial Standards Board, United States
Félix Arias Bergadá	Col.legi d'Actuaris de Catalunya
Emil Boeke	Actuarial Society of South Africa
Mary Downs	Legal Counsel, Actuarial Standards Board (United States) and Executive Director, American Academy of Actuaries

Barbara Lautzenheiser Co-Vice Chairperson, IAA Professionalism Committee
Cathy Lyn Caribbean Actuarial Association
John Leo Maroney International Association of Insurance Supervisors
[Unnamed person]

Agenda item 1:

The meeting commenced at 1:30 p.m. with lunch made available at the meeting.

Agenda item 2:

Godfrey Perrott, Chair of the Standard Setters' Roundtable (SSRT) welcomed members and observers to the meeting.

Agenda item 3:

The agenda for the meeting was approved without amendment.

Agenda item 4:

The report on principles for setting mortality assumptions was accepted and the Chair thanked Chris Daykin for preparing the report. Amali will post the report on the IAA website under "Documents" in the SSRT webpage. **Note - this has been done.**

Agenda item 5:

John Instance agreed to review all of the general (P&C) assumption survey material and report back by 30 June with a recommended disposition.

Agenda item 6:

The SSRT's responses to the TFPS Zoomerang survey were discussed.

Agenda item 7:

TFPS Commentary, TFPS Council Questions and Summary of Survey Results were presented and noted. No comment.

Agenda item 8:

The role the SSRT should play in helping the IAA implement the Permanent Structure was discussed.

The SSRT would welcome being invited to give advice. There is no formal link between the IAA and the SSRT, but a view of the SSRT would be welcome to the IAA.

The SSRT saw its role as an informal discussion forum. However when the IAA actually produces standards, the SSRT may be able to give feedback how associations might actually implement them.

It would be useful to circulate drafts of standards to the SSRT as well. Associations should assist in getting drafts out to local standard setters where different from the association.

There is a lack of clarity/agreement within the IAA on the purpose of standards. “Public interest” is not universally supported as the *raison d’être* of standards. Why should a member association buy into new standards if its systems seem to be operating well. Differences rest on belief systems.

The SSRT does not necessarily represent all standards setters in the world. Some are not represented. Is there a secretariat for standard setters which can be used as contact points? There is an IAA email list for SSRT – but it may not be sufficiently wide. There are 5 “interested persons” on the list in addition to the 13 members.

The members of the SSRT represent their bodies. However the group would lose something if members had to leave the SSRT when they rotate out of their role. The member organizations must decide on their representatives.

Members use this forum to share war stories as standard setters, so it may inhibit the functioning of the SSRT if the group becomes too large. This is why membership is by invitation.

There should be a list of standard setters (which may differ from the mailing list of the SSRT). We should ask all FMA’s to add names to the standard setters list. **[Chair will pursue.]**

Views on whether an Actuarial Standards Advisory Board (ASAB) is a good or bad idea were discussed in light of deliberations at the Council Meeting in the morning.

Some possible arguments against establishing an ASAB with external stakeholders were identified as fear of the unknown, a perception that the Standards are only for actuaries, the danger of involving external parties without a clear vision (similar to letting the camel’s nose into the tent ,once you invite outsiders in it is very hard to ask them to leave).

The chair invited John Maroney (IAIS) to comment from an outsider’s (and possible ASAB member’s) perspective addressing the role an advisory board might play.

John said:

The ASAB structure should be aimed at getting advice, rather than direction

There was a natural synergy that could be achieved

The IAIS would like there to be high quality actuarial standards

The issues the IAA is facing are similar to those the IAIS has faced. The IAA may be able to learn from the experience of the IAIS.

IAIS stakeholders

The IAA is a self-governing body, and the IAIS will not be prescriptive.

The IAA should preferably do something that is visible (within limited resources)

The ISAPs themselves are the actual issue, irrespective of any advisory or governing board.

The insurance accounting standard is in limbo, waiting on the IFRS standard.

The professions could take a lead in setting technical reserves.

It is difficult for the regulators and professions to take the first step. We are both waiting for the IASB.

First I have to say that this is the most reasoned discussion of ASAB I have seen. Neither side is shouting; both sides are listening to the other.

Continuing discussions on SSRT's role in helping the IAA implement the Permanent Structure it was agreed that SSRT can give advice to the IASSC and share experiences of how standard setters dealt with any standards imposed from outside.

- In Australia the standards support the statutory roles. The Australian standard setter cannot really do anything until they see what the IAA standards look like
- The SSRT can give indications on whether they may "endorse" or whatever words (congruence, medium convergence, etc) are used in the congruence viewpoint document, usually they may try to handle inconsistencies between the IAA standard and the local standards
- the US ASB pointed out that some aspects of the IAA draft ISAP 1 conflict with their own standards
- one area where there may be endorsement is where individuals work outside the UK and thus outside the BAS remit (which only covers local work), and the decision tree may indicate that IAA standards must apply
- there may be merit in measuring the success of IAA standards by the percentage of FMA's which do not have their own standards who adopt the ISAPs.
- another use may be in countries without a member association in which actuaries do work
- South Africa has its own extensive standards, but nothing on Social Security, so would welcome the IAA Social Security standard
- always picking the most stringent standard may not be a suitable solution
- what SSRT could bring to the discussion is experience in finding and using external people
- one suggestion may be to pick what is deemed the best existing standard from the IAA FMAs, and adopt it as the IAA standard. However it may be difficult to find standards which are not heavily influenced by local legislation
- the IASSC takes the reverse approach and borrows heavily from current standards of FMAs.
- most FMAs are more worried about their own areas and members, rather than the altruistic angle

Agenda item 9

IASSC report – The IASSC is working with the EC to craft a workable strategic plan and interpretation of due process. We will need to balance the desire of the EC to retain a measure of control with the need to move SOIs and ISAPs along at an appropriate rate. The checklist in Due Process sets out what material the EC and Council will be seeking in making their assessment.

The ERM SOI may be a tricky one to move through the system. It may take 18 months to get an SOI approved, before work on the actual standard can proceed!

An “advisory board” may be good at giving input into considering the need for an ISAP. The Australians also had problems in getting things going, but once a few standards are out there, it becomes easier

The number and length of meetings are problems

Translation has been referred back to the EC; initially the ISAPs will be in English only. Chris noted that the GC plans to publish standards only in English and French – local associations then will have to handle translation into their own language.

Agenda item 10

Purpose of the SSRT:

Sounding board for the IASSC

Meeting appeared to be more useful than usual, partly because the IAA is now moving ahead with standards.

Consider reaching out to FMAs with no standards, and giving help of a practical nature.

SSRT can possibly start to develop the concept of an ASAB (Advisory Board)

Agenda item 11

Council topics: no items were raised

Agenda item 12

Style guides: What may be recommended to the IASSC? Australia has an own internal style guide, with a template. The USA used to have its own 30 page style guide, it now a 3 page guide overlaid on the Chicago style guide). Canada has a 3 page style guide.

Agenda item 13

Standards for actuarial work concerning ERM:

- The USA has something out for comment.
- The BAS Is not planning an ERM standard. The UK is not planning an ERM standard. Deemed too early for a standard. It may be useful to first pass through the IAN stage before tackling an ISAP.
- Since non-actuaries work in the field, it may become economically burdensome (“level playing fields” argument).
- The USA ASB would expect a second exposure draft of the ERM SOI.
- GC would not issue a generic ERM standard, but filing a standard for actuarial work in the risk management function would enhance the actuaries’ standing.
- In Australia standards support the statutory role of actuaries (and ERM is not yet a statutory role). Much of risk management is already in current standards, so it will not

be keen to push for an ERM standard. The SOI not clear enough yet for Australia to support an ERM standard.

- In South Africa ERM is an emerging field (mainly in banking) and at this stage an IAN may be more useful than a standard.
- In the Netherlands there is a rfp out on what needs to be done in ORSA work.

Agenda item 14

Impact assessment and compliance monitoring of standards:

- BAS/FRC (UK) is doing a survey of user experience 2 years after the standards were issued.
- Australia: standards for statutory roles, and guidance for the other roles. The regulator manages compliance. A Professional Standards Council was created after a corporate failure (HIH), and they are trying to monitor compliance.
- In Canada compliance is monitored once every 7 years. There is a peer review process for insurance work. Pensions work is also monitored.
- In the UK peer review was considered. Only pensions introduced peer review, described as “hot” (before the report is delivered) and “cold” (after the report has been delivered). “Reviewing actuaries” were introduced in life insurance and Lloyds; there is also intensive regulatory scrutiny, so they have not gone down the peer review route. (In UK the pension regulator does not monitor compliance!)
- Discipline: If bad behaviour is identified, there is feedback to the guidance

Agenda item 15

Country reports:

Japan – nothing significant to report since last meeting

UK FRC: BAS role in setting standards is going over to the FRC.

Netherlands: Effect of introduction of Solvency II is unclear, and turf battles with auditors is going on.

USA: Actuaries relying on (a) models and (b) other experts. Abdicating responsibility - get a “reliance letter” to force the person you are relying on, to apply his/her mind.

UK I&F: Guidance on conflicts of interest and how to deal with it. “Decision tree” developments.

Australia: Superannuation financial condition reporting developments.

GC: Standard on actuarial function reporting for Solvency II. Waiting for ISAP 1 from the IAA, and may adopt it. Possible guidance and standards in risk management. Standards may enhance the standing of the actuarial profession.

IAIS: Revision of the Insurance Core Principles is out. The Comframe project consultation document should be out by July 2012.

Agenda item 16 (addition)

We discussed the possibility of a joint meeting in Nassau with Cathy Lyn from Jamaica. It might be difficult, especially if the IASSC meeting is 8 hours long.

Bahamas has two standards (Life & Pensions) and a draft one on General Insurance, and is working on discount rates. There will be meetings on standards at the parallel Caribbean conference. Must be simple and effective – and useful for local industry. Coverage is low because pension reform a few years ago closed down 100 pension schemes.

It was proposed to offer a session on standard setting at ICA 2014 in Washington.

Meeting adjourned at 4:30 pm.

Clarifying Note

The IASSC advised us that discussion draft and final SOIs, exposure drafts, and comments received on exposure drafts are all posted to the IAA website and are public. They may be shared with anyone. The preferred way is to forward the URL, or to download the pdf file from the website. They may be found under Publications/Standards and Actuarial Notes.