

Standard Setters Round Table

Sunday, April 12, 2015 - 09:00-13:00
Renaissance Zurich Tower Hotel, Zürich, Switzerland

Minutes

The attendance list is at the end of these minutes.

1. Welcome and Introductions

The Chair, Yvonne Lynch welcomed everyone to the meeting and made a particular mention to the two new members Chang Wong Im from the Institute of Actuaries of Korea and Stuart Leckie from the Actuarial Society of Hong Kong. Introductions were then made by everyone around the table.

2. Approval of Agenda

Yvonne presented the agenda and made some minor changes to the order of a couple of items due to time constraints for some attendees. No other changes or additions were suggested and the agenda was accepted as presented.

3. Approval of minutes of the meeting in London

Yvonne requested feedback regarding the last meeting held in London by asking if the minutes were an accurate record of the discussions that took place. Everyone agreed with what was written and the minutes were then approved by all present with no changes.

4. Matters Arising

Yvonne informed members that, as well as the actuarial associations in Korea and Hong Kong, the Instituto de Actuarios Españoles (in Spain) had been invited to appoint a representative to the Round Table. However, they had not responded back to date. It was agreed that another letter would be sent to them after the Zurich meetings to follow-up but that no further action would be taken if they did not respond as it will be the third invitation sent to them.

It was also suggested and agreed that it be made clearer to Council attendees that observers, especially those from smaller associations, are welcome to attend the SSRT meetings, and participate as appropriate.

There was some discussion on the need to have 3 votes at Council in order to become a member and Yvonne suggested that this discussion be continued when addressing the next topic regarding Membership and tying into the Terms of Reference.

5. Proposal on Membership

It was agreed to amend the wording on “Membership” in the Terms of Reference as follows:

- Delete “, plus, for the time being, the President of the IAA”.
- Add, as a new second sentence: “The representative of the IAA should be the acting Chairperson, or designate, of the Actuarial Standards Committee.”
- Delete “non-renewable”, to allow the possibility that a Chairperson might perform that function again in the future.
- Add a new final sentence: “A retiring Chairperson is not eligible for re-election until a period of 12 months has passed since the end of his or her term of office.”

Yvonne then welcomed Alf Gohdes, Chairperson of the Actuarial Standards Committee, as a member of the Round Table.

6. Actuarial Standards Committee (ASC) oral report from Alf Gohdes

Alf briefly reviewed what had been developed and presented to Council the day previous. He confirmed that much work had been accomplished including the final steps of developing ISAP 3 which took a gestation period of four years before being finally approved yesterday at Council. He also confirmed that much work has been done by the committees and task forces in the production and development of ISAPs 4, 5, 6 and 7 and are all moving forward. The first Standards Seminar was held on Thursday afternoon which went quite well. The ASC has identified the need for general guidance on Governance of Models and a task force is already working on a draft SOI for an ISAP. It is likely to be a short document (less than 3 pages) and will be associated with ISAP 1. An updated ASC work schedule will be circulated after the Zurich meetings for reference and information.

The status on the completion date for the Standard on Governance of Models was requested. Alf informed that Godfrey Perrott was heading that project with the completion timeline still under discussion. The EC has in principle approved the development of an ISAP on Governance of Models and requested the ASC to move forward on this. The Strategic Action Plan will be amended before issuing the Statement Of Intent. Members agreed there was somewhat of an urgency to put this particular standard in place as soon as possible as other work is dependent upon its completion.

7. International Standards of Actuarial Practice, update on responses from FMAs

Consideration of each ISAP in effect or currently proposed – update for 2014

David Martin reviewed the slides that he presented to the Actuarial Standards Seminar. He referred to 2 surveys that were sent out (in 2013 and 2014 respectively) that addressed how members were dealing with the adoption of ISAPs. He informed that there was a response rate of 75% of FMAs in 2014 (90% in 2013) but that many did not respond to the question as to whether or not they informed their members about ISAP 1 and/or ISAP 2. It appears, however, that just over half of the associations did inform their members about ISAPs and he believes that overall, approximately half of all actuaries around the world have now heard about ISAPs. Responses received do show an overall improvement between each year. He concluded by informing that he believes that things are moving in the right direction and that data shows that at least half of associations are now dealing with ISAPs. This was felt to be positive considering there are 5 more ISAPs in progress.

Yvonne wondered whether the IAA should collect and show information on how associations varied in terms of how they adopted/adapted ISAPs (e.g. is peer review included in the association's version, is that version applicable to actuaries in non-traditional roles etc). Birgit Kaiser suggested that this discussion be added to the next meeting in Vancouver. It was agreed to keep members informed of the questionnaire results but that it be kept brief and high level. This discussion will be added to the Fall meeting agenda.

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

David gave a brief update on the PC activities and discussion topics at the meeting in Zurich. #

He informed that the Working Group on the Governance of International Actuarial Work was looking at whether FMAs have the power to discipline actuaries located outside their geographical/national boundaries. The survey that was conducted on this topic, confirmed that there are a number of associations that are not able to carry out disciplinary action across borders. The next step is to review the survey results and see what conclusions may be drawn and what actions may be taken, if any.

Other work in progress includes monitoring that the development of ISAPs 4, 5, 6 and 7 is in compliance with the due process and monitoring compliance with the due process for IANs.

The PC Task Force on Business Ethics and Public Interest proposed several recommendations including setting up an Ethics Board for the IAA. It was decided however that setting up such a Board was much too large an undertaking at this time.

The PC will be considering a proposal to have a class of PC documents, developed via an agreed process, on professional matters, with the suggested name of "Professionalism Guidelines".

The Education Committee task force on Educating Future Actuaries presented their report at the PC meeting. The PC will be looking at the Professionalism areas of the Education Syllabus. The longest and most controversial discussion was on professional issues in non-traditional areas. A Working Group was appointed to do further work on this topic and report back at the next meeting.

9. Topics for Discussion:

i. SSRT Terms of Reference (agreed in 2010) - Are the stated "Mission and Purpose" and "Role" still appropriate?

Dave Pelletier led the discussion on this topic, referencing suggested changes to the ToR that he had circulated by email in advance.

Participants discussed the "mission and purpose" of the Round Table (section 2 of the ToR). This led to discussion of what the IAA is trying to achieve in relation to international standards. The expression "substantial consistency" has been used in this context. Mary Downs, observer from the American Academy of Actuaries, said that the Academy has issues with this expression, which does not properly reflect what the American actuarial bodies understood the aim of model standards to be when they

agreed to support and participate in their development. Following a discussion, it was agreed that the SSRT's focus should be on fostering "appropriate convergence" of standards. Yvonne suggested that a proposal on amended ToR wording be brought to the next meeting, where it can be discussed further as necessary.

With regard to "roles" (section 3 of the ToR), suggestions included the following:

- It is not the SSRT's role to "identify the purpose of actuarial standards". Rather, the SSRT provides a forum for information-sharing on experiences in standard-setting.
- *"To identify common principles and practice in existing national standards and seek ways to reflect the appropriate ones in all national standards"*: Work was completed in the early days of the SSRT on identifying common principles. Nonetheless, this objective should be retained, and it may be useful to update the previous work from time to time.
- *"gaps which could be filled by common standards"*: examples should be generic rather than specific.
- *"provide a forum for exchange of experiences . . ." and "act as a sounding board for the IAA's Actuarial Standards Committee"*: these could probably be merged, and should be moved to the top of the list.

Dave, Yvonne, Birgit, Bob, John and Tom will work on the wording and provide another draft for review by email. This item will then be added to the next agenda for further discussion at the next meeting.

ii. Briefing from the UK Financial Reporting Council on its approach to developing its proposed Technical Actuarial Standard 100, Principles for Actuarial Work, including consideration for consistency with ISAP 1.

John Instance briefly recapped the progression of work on the review of technical standards from 2009 to 2011. A post-implementation review was conducted in 2012 which then led to a proposal on the revision to framework on technical standards which was conducted last year. The revised framework means that they will be consolidating their generic standards into one similar to ISAP 1 which is called TAS100. Once that is done, they will have extended the generic standards to include all areas of actuarial work and also simplified their standards resulting in shortening them significantly. Revisions are expected to be completed and accepted by the end of 2016, at which stage their standards - coupled with the Institute and Faculty of Actuaries code of conduct and standards on quality assurance of actuarial work and the application of standards internationally – are expected to be substantially consistent with ISAP 1.

iii. Public pension plan funding and actuarial standards – update from ASB on responses to Request for Comments.

Bob Meilander introduced the topic by stipulating that his presentation represents his thoughts only and does not reflect the views of any affiliations/organizations such as the Actuarial Standards Board nor the US Actuarial profession.

He opened by posing several questions to the group.

- Do you have detailed descriptive standards that are not supported by any law or regulation?
- Do you have standards that stipulate you must do something in a particular way when it isn't required by any particular law or regulation?
- Do you have any standards that require the client to pay for work that the client doesn't want or need for the benefit of others?
- Do you have any standards that put the actuary in the role of a regulator?
- Do you have standards that have the actuary doing something that they are legally not allowed to do?

He assured everyone that the answers and/or reasoning for asking them would become clearer as his discussion/update progressed.

There are some public pensions in the US that have some funding issues. The primary issues were asset losses, inadequate funding and perhaps poor risk management or lack thereof. Weak actuarial work didn't seem to be a problem but actuarial recommendations were being ignored. This is not a new issue. They received much feedback on the topic, largely from actuaries and pension planners. In 2008, a public hearing was held by the American Academy of Actuaries on the issue of market value of liabilities. One result of that hearing was a request for the ASB to update its pension standards.

Much has been done since that time. One of the most significant changes was related to the actuary taking responsibility for assumptions. Prior to the change, the actuary was not required to declare whether or not he or she believed that assumptions set by a plan sponsor were reasonable if the plan sponsor is a government/public entity. Today, the actuary is required to do so.

In 2014, the ASB put out a request for comments/questionnaire on public pension plans and eventually a report based on its findings was compiled. The specific topic of the questionnaire was "*The Funding and Accounting for Public Funded Pensions*". Several questions were posed such as "If additional guidance for public pension plans is needed, where should that guidance be? Should it be a separate public standard or included in other standards? Should public pension plan standards be more detailed than they have been, as well as private plans? Should ASOPs require actuaries for public pension plans to perform additional significant work that's not requested by the principal if that work provides useful information for those that are not the intended users?" The last question could be an issue if the work performed was paid for by the beneficiary/plan members but done for the benefit of others not associated with the plan. This may be a violation of fiduciary duties.

The ASB received 60 responses for the questionnaire. The ASB set up a small task force to review and make recommendations based on the feedback received.

The Task Force and project is well under way although they don't have any concrete recommendations at this point in time. Rationale for any change will be an important part of the task force's work. Perhaps more importantly, rationale for not making suggested changes will also be an important part of its work. Another consideration for the task force and the ASB is to move forward with a public hearing on the topic. Work in this area should be completed by the Fall.

Some of the key issues that make the work of the task force difficult include the lack of regulations that can be used to support standards, a lack of consensus on what is considered to be 'appropriate work,' and the limits of a principle-based system.

In response to the question “If the issue is of such great public importance, why are there no regulations in place?”, Bob noted that there is a lot of regulation set at the state level but it varies from state to state. He also noted that there is a conflict of interest when a state regulates its own plans. The lack of regulation at the federal level is due to the US concept of separation of powers between the state and federal governments, which limits any attempt by the federal government to regulate state and local plans.

iv. Role of the actuary in independent review of another actuary’s work

Chris Daykin briefly reviewed the origin of the concept of peer review. This topic follows on discussions at the Actuarial Association of Europe (AAE) where they are considering developing additional ESAPs, which might include one on the role of an actuary in an independent review of another actuary’s work. This would be specifically in the context of Solvency II and would address a number of matters arising where contracts/agreements/financial statements do not come with a professional sign-off (and in some cases may not be subject to a requirement for review by an actuary) and where no one individual is responsible for sign-off. Should a specific standard be written to address this type of role? It would help bolster the recognition of actuaries and give more value to the agreements/statements being reviewed. They are currently in the process of formulating a Task Force to discuss and work on these ideas. They are not at a stage yet where a decision has been reached concretely on whether or not they will be implementing a standard specifically for this role. However, the AAE will be consulting with member associations and other bodies on this topic as they are very interested in knowing if any other standard setters have gone down this route and implemented a process of an actuarial review.

Yvonne reported that in Ireland, the regulator has just issued a consultation paper on the actuarial regime under Solvency II which addresses some of the duties of the actuarial function, including in relation to adequacy of technical provisions and contribution to risk management. She said that this topic could very well fit with some of their work.

There is a law in Austria that requires an auditing actuary to review and sign off the work of an actuary specifically in the area of pension funds and insurance.

In Australia there is a professional standard in place which addresses an external review by an actuary in cases where external reviews are required by legislation.

Chris concluded the discussion by reiterating that the AAE would be very interested in discussing this matter further with anyone who has experience in the area.

v. How do standard setters decide what actuarial work should be covered by standards and assess the usefulness of standards to intended users?

Yvonne introduced the topic as one for general discussion. She said that, in Ireland, standards are typically triggered by regulations and the prompt for the development of standards typically comes from the actuarial association’s own practice committees, who would highlight to what extent guidance or standards would be helpful to actuaries. The association has begun work on assessing the implications

of implementing the IAA's model standards, including the implications of extending the scope of standards in accordance with ISAP 1, and she would be interested in the experiences of other associations that are further advanced in this work. She asked for input from other representatives.

UK

John Instance informed that the users of standards may very well be the actuaries themselves, however the FRC looks at the users of actuarial services. A survey has been conducted primarily aimed at the users of actuarial services/various professionals to ask what/how they feel about actuarial work. The general feedback was quite good in several areas, though it was noted that actuaries could do more to communicate their work in less complex terms. This may become a focus of Continuing Professional Development (CPD) activities for actuaries.

US

Bob Meilander informed the US works fairly closely with the NAIC to get a number of ideas to work from there but they have developed a considerable amount of standards on their own based primarily on what actuaries do. He added that probably over half of their standards are not regulation based such as those developed for pensions. He said that although they do require regulatory support for certain aspects, they have developed standards that are needed for practice.

Australia

Tom Karp informed that in Australia there is a very close interaction between the actuary and the regulator and there is a high concentration of the regulated practice and standards. The actuarial profession has just decided to implement a process of annual certification that practice guidance remains appropriate. They are trying to put some governance around the process.

Europe

Chris informed that at the Actuarial Association of Europe, they see their users as being the member actuarial associations. Their process is similar to that of the ASC. At present they have no plans to survey users but over time will check in with the associations to see if they are getting what they need/require.

10. Brief country and regional report updates:

Representatives provided either a brief verbal or written update which are included for information:

A. Society of Actuaries in Ireland

Yvonne provided a brief verbal update on what is in progress at present in Ireland. She informed that they have had a request from the regulator to introduce guidance on several Solvency II topics including: the actuarial function report, data checking (assessing the adequacy and sufficiency of data), the actuarial opinion on underwriting policy, the actuarial opinion on reinsurance arrangements, and the actuarial function's contribution to the risk management system. In addition, the regulator has proposed additional requirements - including an actuarial opinion on the technical provisions, an actuarial opinion on certain aspects of the Own Risk and Solvency Assessment, and peer review of certain aspects of the actuarial function work - and they will have to decide what type of standards or (non-mandatory) guidance, if any, will be required for these.

Work on Solvency I standards also continues as some companies are expected to be subject to Solvency I.

On the pensions side, the Pensions Authority is considering introducing legislation on actuarial work for defined benefit (DB) pension schemes. The Authority sees DB pensions as a complex area and they want to implement a legislative framework under which trustees would be obliged to seek actuarial advice. This might include advice on funding rates, funding strategy, investment strategy and the risk management of the scheme. They want the actuary's advice to include specific actionable recommendations even, though it would be the trustee's decision as to whether or not to accept those recommendations. This work is still at an early stage and the framework still has to be worked out.

B. Actuaries Institute of Australia

Background is that the Actuaries Institute of Australia professional practice documents are structured as follows:

- Professional Standards (PS) – Compliance is mandatory; there are separate requirements in each of the traditional practice areas; requirements are heavily driven by legislated roles and responsibilities for actuaries;
- Practice Guidelines (PG) - Compliance is not mandatory – however, a member should consider explaining any significant departure and document that explanation; usually specific to a traditional practice area;
- Information Note (IN) - Compliance is not mandatory – issued simply to provide information on a particular issue; usually specific to a traditional practice area;
- Discussion Note (DN) - Compliance is not mandatory – issued simply to encourage discussion or debate on a particular issue.

Recent professional practice document activity has focussed on;

- Assessing consistency with ISAP 1 and if and how to integrate a standard on general actuarial practice into Australian actuarial standards.
 - Current thought is to introduce a new category of professional practice documents between a PS and a PG with the following characteristics:
 - Mandatory in relation to work within its scope
 - Uses “should/shall” language
 - Departures from “should/shall” actions permitted subject to disclosure of the nature, rationale and effect in the actuary's report
 - Likely strengthen ISAP 2.8.3 to require actuaries to disclose to a Principal their opinion of the appropriateness of assumptions set by the Principal, and which the actuary does not judge to be reasonable
 - Still considerable concern about the wide scope of ISAP 1 (i.e. applies to services that are based on actuarial considerations) is very wide and would capture a lot of work done by actuaries in wider fields in competition with non-actuaries
 - Feeling that reporting requirements need to be different for legislated actuarial work and other actuarial work

- Considering what to do with ISAP 2. Possibly adopt as Australia has introduced a governmental National Disability Insurance Scheme with legislation requiring a Scheme actuary and regular actuarial reports.
- Minor updating PS200 (Actuarial Advice to a Life Company or Friendly Society) to reflect changes to regulatory standards.
- Updating PS315 (External Peer Review of General Insurance Liability Valuations) to reflect changes to regulatory standards and Actuaries Institute policies.
- Updating PS400 (Investigations into the Financial Condition of Defined Benefit Superannuation Funds) to reflect changes to regulatory requirements and Actuaries Institute policies.
- Updating PS405 (Cost of Death and Disability Benefits in Superannuation Funds) to reflect changes to tax legislation and achieve better consistency with other PSs dealing with superannuation matters.
- Developing a process to obtain annual confirmation from practice committees that existing professional standards in their practice area remain relevant and are up to date.

C. Actuarial Standards Board of Canada

Developments since the SSRT meeting in September 2014 include:

- The “General” portion of the Canadian standards, and some other affected parts of the practice-specific portions of the standards were approved. While there were several aspects to this update, much of it was to largely achieve substantial consistency with ISAP 1. Two items of most interest:
 - The most significant change is to no longer to allow the actuary to “express no opinion” on the assumptions (with the exception of work done in “actuarial evidence” situations). The wording now includes:
 - “To specify that the actuary would opine that assumptions or methods specified by the actuary’s terms of engagement are appropriate if they fall within the range of accepted actuarial practice. Otherwise the actuary would report that particular assumptions or methods are not in accordance with accepted actuarial practice or that the actuary is unable to judge whether particular assumptions or methods are in accordance with accepted actuarial practice without performing substantial work. An exception to these requirements is provided for actuarial evidence (AE) work;”
 - There was considerable discomfort regarding the ISAP 1 requirement for the actuary “to consider peer review”. During the Canadian exposure process, a significant number of comments were received on this issue. For example:
 - Peer review is not a defined term, and what it entails could be interpreted differently.
 - The proposed wording could put the actuary on the defensive if they have not conducted a peer review and are questioned about it (i.e., in litigation).
 - By inference, lack of a review implies lower quality of work.
 - For AE practitioners, it is not clear whether this provision will require the peer reviewer to testify as well.
 - It is also not clear whether the standards apply only to peer reviews that are performed independently. If so, then the wording should be modified.
 - The wording also implies that a peer review is required in all cases, unless it can be shown that it is clearly inappropriate.

- It may also be perceived that the work underlying the report is to be peer reviewed as well. If this is the case, then the membership as a whole needs to opine on this topic.
- The ISAP requirements contemplate a peer reviewer who may not be an actuary, whereas the proposed standard only considers an actuary as the reviewer.
- The addition of this subsection should be to address existing concerns over peer reviews that are not happening, and not solely to comply with the ISAP.
- Language on peer review should be left out of the standards, or included in other types of guidance.

After considering these comments, the Canadian ASB elected to not include the requirement “to consider peer review”, but stated that “Consideration may be given to a stand-alone project to develop the peer review aspect of ISAP 1 at a later date.”

- Revised mortality tables and mortality improvement assumptions for determining commuted values of pension entitlements of departing plan members and in marriage breakdown situations are being promulgated, to be effective later this year. While the tables used for going-concern funding requirements of pension plans are not promulgated, the “solvency” funding requirements are linked to the commuted value basis; hence this will impact plan funding in many instances as well.
- An exposure draft of a new addition to the General portion of the standards to deal with modelling is planned to be published this month.
- Following the ASB’s Notice of Intent last year to produce a standard on social security work, in principle consistent with ISAP 2, it expects to consider an ED this month.
- Given the tightly woven, integrated nature of the Canadian standards, the ASB is considering how best to reflect the ISAPs going forward, particularly the planned ISAP 4. While with respect to ISAP 2, the ASB has opted to essentially rewrite it in “Canadian” format, for ISAP 4 it has tentatively decided to stick as much as possible with the format of ISAP 4 itself when it becomes available.
- Following an environmental scan, the ASB has identified four topics as priority areas for standards development/revision:
 - Target benefit plans (ie, plans that are similar to defined benefit plans in some respects, but with future changes in benefit levels depending upon funded status)
 - Assumptions regarding investment practices
 - ORSA / ERM
 - Consistency of approaches across practice areas.

D. German Association of Actuaries

i. DAV Standards of Practice

- In Germany, standards of practice for actuaries are set by DAV, the German association of actuaries.
- In April 2013, the DAV process for the adoption of professional standards of practice has been revised and approved by the General Assembly. After this, the Professionalism Committee has published an educational note with additional advice on what to take into account when drafting standards.

- Moreover, the Professionalism Committee has given advice on German / European antitrust regulations and how these have to be taken into account when drafting and discussing future standards.

Until today, DAV has issued 69 standards of practice:

- 15 being guidelines (i.e. standards of practice with regulations that, except in justifiable individual cases, may not be deviated from) and
- 54 being advisory notes (i.e. standards of practice that are to be taken into account in actuarial considerations, the application of which can be freely decided upon in individual cases, however, within the framework of the code of conduct).

ii. IAA Standards of Practice

ISAP 1:

- The DAV Professionalism Committee has prepared a translation in German of ISAP 1 “General Actuarial Practice”. The Professionalism Committee has agreed upon writing an adapted German DAV standard to achieve substantial consistency with ISAP 1, complementing DAV standards. Nevertheless, the acceptance of this decision has been put out to vote to all technical committees. The voting process was started in late 2014 and is expected to be completed mid-year 2015. After receiving the go-ahead in principle, the DAV expects implementation to take about a year.

ISAP 2:

- As regards ISAP 2 “Social Security” the DAV Committee on Old-Age Provisions is examining this model standard and will give a recommendation on whether and how this model standard could be adapted in order to be adopted as a DAV standard of practice.

ISAP 3:

- The DAV Pensions Committee unconditionally approved the revised final draft. The pensions’ aspects of ISAP 3 are not expected to cause significant issues in terms of being substantially consistent with the current DAV standard on IAS 19 currently being exposed to its members.

ISAP 4-7:

- DAV is actively participating in the drafting Task Forces of the ASC. Comments have been submitted by various DAV working groups on the SOIs for all these ISAPs.

E. Mexico - Colegio Nacional de Actuarios

Draft proposal of the Actuarial Standard of Practice for Actuarial Valuation of In-Force Risk Reserve for Insurances

This reserve is equivalent to the liability provision under solvency II; the Draft proposal was sent to all members as an exposure draft to be reviewed and commented, on February 11.

The revision of the current standards for Valuation of In-Force Risk Reserves for Insurance of Long and Short Term, currently in force, is necessary due to major changes introduced in the new Law on Insurance and Bonds Institutions, establishing the concepts of Best Estimate of liabilities based on the cash flows of income and expenses, as well as a risk margin.

The exposure draft can be found at:

<http://www.conac.actuarios.org.mx/BorradorPAValuacion>

This draft was developed by the Standards Committee of the Colegio Nacional de Actuarios and approved for auscultation by the Board on February 4, 2015.

Actuarial Standard of Practice for Actuarial Valuation of the Reserve for Outstanding Obligations

This reserve is equivalent to the claims reserves under solvency II; the draft proposal was sent to all members of the Colegio Nacional de Actuarios for views and comments on March 10, 2014.

This new Standard of Practice which is necessary from the entry into force of the Law on insurance and bonds in April this year, is necessary due to major changes introduced in the new the Law on Insurance and Bonds Institutions introduced in the form of Valuation and Constitution of this Liability, establishing the concept of Best Estimate of obligations based on the cash flows of income and expenses, as well as a risk margin.

The standard can be found at:

http://conac.actuarios.org.mx/Documentos/Actuarial/Estandares/Estandar_ROPC_Propuesta_CONAC.pdf

F. Actuarial Society of South Africa

ISAPS

- The Council of the Actuarial Society has approved the adoption of ISAPS 1 and ISAPS 2. ISAPS 2 largely unchanged as we had no other Social Security guidance.
- ISAPS 1 was reviewed with minor wording changes to eliminate any possible misunderstanding over definitions with existing guidance.

Standards of Actuarial Practice (SAPS)

- These are our "mandatory" guidance.
- Projects starting in practice area committees on the review of existing SAP's to ensure that they remain relevant in a post SAM environment. SAM is Solvency Assessment and Management which is our version of Solvency II which is on track for full implementation from 1 January 2016.

Actuarial Practice Notes (APN)

- These are voluntary guidance. Also being reviewed in line with SAM.

Other comment

- Guidance notes are being drafted for actuaries working in damages and compensation
- Professional matters board finalizing guidance for committee on when Practicing Certificates are required. These need to be seen in the context of the Code, existing SAPs and APNs and the Society's disciplinary process.

G. Actuarial Association of Europe

- ESAP1 was adopted by the AAE as a model standard on 3 October 2014 (as a clone of ISAP1).
- ESAP2 (Actuarial Function Reporting) has been approved for a second period of exposure starting in May 2015. We are expecting that it will be adopted by the AAE as a model standard at the end of September 2015.

- ESAP3 (actuarial work in connection with the ORSA) will be exposed in the summer of 2015. It is likely to be adopted as a model standard in the middle of 2016.
- Consideration is being given to establishing a task force to consider whether to propose a standard on independent review of another actuary's work in the context of Solvency II. The attached paper has been issued by the AAE on independent review.
- Work is underway to prepare a revised version of the AAE Code of Conduct.

H. Financial Reporting Council of the UK

Risk

- The FRC published a discussion paper in October identifying risks to the public interest to which actuarial work is relevant to the risk or to its mitigation – *Joint Forum on Actuarial Regulation: A risk perspective*.
- This was a result of collaboration between the FRC and the IFoA and the regulators who have an interest in the quality of actuarial work, the Prudential Regulation Authority (the prudential regulator responsible for insurance), the Pensions Regulator (the prudential regulator for occupational pensions) and the Financial Conduct Authority (the consumer protection and market conduct regulator).
- We are now analysing the feedback we received.
- We will be working with the IFoA to develop a joint response to these risks. We expect that this will focus on raising awareness through debate and discussion among UK actuaries under the auspices of the IFoA.
- We will also use the feedback to consider how our technical actuarial standards can be better targeted.

Standards

- We consulted in November revising our Generic Technical Actuarial Standards on Data, Modelling and Reporting. The aim is to consolidate and refine the existing standard set. The consolidated standard is written so it can be followed for any piece of actuarial work. The benefit to users of the proposed changes is that a wider range of actuarial work will meet minimum quality standards. For practitioners, the benefit is an improved, shorter and simpler set of standards.
- One by-product of the proposed changes, if they are implemented, is that we expect to be able to say that the UK technical actuarial standards are substantially consistent with the technical component of ESAP 1.
- We are now analysing responses and will provide feedback in the summer.

Survey of confidence of perceptions of actuarial quality

- Every two years we survey users of actuarial work to assess levels of confidence on key aspects of actuarial information and the profession.
- This year we surveyed:
 - 51 Insurance Executives and 23 Insurance non-executive Directors,
 - 50 Pension Scheme Trustees and 26 Pension Scheme Managers; and
 - 100 others including Investment Managers, Auditors, Company Directors, journalists and other stakeholders.

- Overall the results were good with high overall confidence in the relevance and reliability of actuarial information (over 92% of insurance and pensions users are very or fairly confident in both relevance and reliability).
- Similarly 98% of pensions and insurance users were confident in the competence and integrity of UK actuaries.
- However there are some issues on the communication of actuarial information.
 - Over 20% of insurance users lacked confidence in the clarity of actuarial information.
 - Over 20% of pensions and over 33% of insurance users were concerned that actuarial information was either unclear or ambiguous, and suggested that the language used was not as plain as it might be.
 - Almost 40% of pensions users and 55% of insurance users thought that actuarial information is presented in a more complex way than is strictly necessary.

I. Actuarial Standards Board of the US

Public Pension Concerns - As a result of concerns about the stability of public pension plans, the ASB sought additional information about attitudes surrounding the actuarial work done for these plans through a request for comment (RFC). This request was sent to a broad group including members of the actuarial profession, plan administrators, regulators, and others. About 60 comments were received and they covered a wide range of topics and suggestions. At its March meeting, the ASB approved a Task Force to sift through the comments and make recommendations, both for action and for no action, along with rationales for each.

Long Term Pension Project - Work on our long term pension standards improvement project is winding down as we have approved revised versions of most pension standards. The most recent of the approvals was ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*, which was approved in February, 2015. The only pension standard that is still a work in progress is a new standard titled *Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions*, which was exposed in February, 2015 with a comment deadline of May 29, 2015.

Modeling – As a result of comments received on the first exposure of a proposed general modeling standard the draft was revised and sent for a second exposure in January, 2015. The drafters are now considering the comments received. Note that a final revision of ASOP 38, *Catastrophe Models*, has been approved, pending final approval of the general modeling standard.

Other standards activities:

- *A final version of a new standard on Medicaid Managed-Care Capitation Rate Development and Certification was approved in March, 2015.*
- A new standard, [*Determining Minimum Value and Actuarial Value under the Affordable Care Act*](#), was exposed for comment in December, 2015.
- *A draft of a new ASOP on Principles Based Reserves for life insurance was approved for a second exposure in June, 2014 due to significant revisions made as a result comments on the first exposure. The drafters are in the process of reviewing the comments received.*
- *A draft of a new standard, Property/Casualty Ratemaking, was exposed for comment in September, 2014. The drafters are in the process of reviewing the 22 comments received.*

- *A discussion draft on Capital Adequacy Assessment is nearing completion.*
- *A draft of a revision of ASOP No. 34, Actuarial Practice Concerning Retirement Plan Benefits in Domestic Relations Actions, was exposed in September. The drafters are in the process of reviewing the comments received.*

A number of other standards are in various early stages of discussion, development or revision. Highlights include revisions to ASOP No. 5, *Incurred Health and Disability Claims* and ASOP No. 21, *Responding to or Assisting Auditors or Examiners in Connection with Financial Statements for All Practice Areas*, ASOP No. 36, *Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves*, and ASOP No. 43, *Property/Casualty Unpaid Claim Estimates*; and a new standard on *Life and Annuity Ratemaking*,

Marketing – We continue to work with the Academy on gaining wider dissemination of important ASB news using the many outlets available to them. Other initiatives include a recently launched new website, continued development of a Speakers’ Bureau, and special handling of pension issues.

11. Suggestions of topics for discussion at the Vancouver meeting

The following topics were suggested to be added to the agenda for the Fall meeting:

- Continued discussion on the Terms of Reference
- In relation to the annual questionnaire sent out to associations, what should be included about the implementation of ISAPs?
- The issues arising from the implementation of ISAPs, how associations are dealing with those and what are the lessons learned from this process.
- In relation to helping out smaller associations, it would be useful to discuss how associations go about setting up the structure to implement standards.

Yvonne thanked everyone for their participation and contributions and closed the meeting.

Please refer next page for the attendance list.

Attendance List:

Members

Yvonne Lynch, Chair [Society of Actuaries in Ireland]

Thomas Béhar	[Institut des Actuaire, France]
Chris Daykin	[Actuarial Association of Europe]
Ricardo Frischtak	[Brazilian Institute of Actuaries]
Alfred Gohdes	[Chairperson, IAA Actuarial Standards Committee]
Chang Wong Im	[Institute of Actuaries of Korea]
John Instance	[Financial Reporting Council]
Birgit Kaiser	[Deutsche Aktuarvereinigung e.V. (DAV)]
Tom Karp	[Professional Standards Committee, Actuaries Institute Australia]
Stuart Leckie	[Actuarial Society of Hong Kong]
Michael McDougall	[Actuarial Society of South Africa]
Robert Meilander	[Actuarial Standards Board (United States)]
Dave Pelletier	[Past Chairman, Actuarial Standards Board (Canada)]

Observers:

Félix Arias Bergadà
Maryellen Coggins
Mary Downs
Emma Gilpin
Gabor Hanák
Keith Jones
John Maroney
David Martin
Michael Smith
Elisa Elschner
Cathy Lyn

Amali Seneviratne IAA Secretariat