

Standard Setters Round Table

Sunday 13 October 2013 13:00-17:00

Pan-Pacific Hotel, Singapore
Room Ocean 8

Minutes

1. Welcome and introductions

The [participants](#) introduced themselves and the Chair welcomed everyone.

2. Appointment of a minute-taker – Amali Seneviratne by prior agreement.

3. Approve agenda

The agenda for the meeting was approved without amendment. The Chair informed the meeting that Peter Braumüller, Chair of the Executive Committee of the IAIS, would drop in later for a brief discussion.

4. Documentation of e-mail votes

Approval of the minutes of the meeting in The Hague on 22 May 2013 was noted for the purpose of these minutes.

5. Actuarial Standards Committee (ASC)

Dave Pelletier, Chair of the ASC, provided an update. Since all except one of those present at the SSRT had been at the Council meeting – at which Dave had given a detailed update on the activities of the ASC – his update was limited to the following:

- The ASC is developing a performance matrix to measure the success of ISAPs. The ASC is working with the Professionalism Committee to get feedback on ISAPs through the IAA annual confirmation form. Questions regarding ISAP 1 and 2 will be on the next annual confirmation form. The ASC will look to the SSRT for feedback on what is done right, what is done less well and how to improve.
- The IAIS (Peter Braumüller) had given a very strong endorsement regarding ISAP 1 and IAA standard-setting, which was very encouraging.
- New topics for ISAPs
 - ERM has been reinstated to the A list (subject to Council's approval of the EC's recommendation). Possibility of a general ERM standard as well as an ERM standard in the IAIS context of Internationally Active Insurance Groups (IAIGs).
 - Actuarial Standards in connection with the proposed IAIS Global Capital Standards

6. International Standards of Actuarial Practice:

The chair asked participants about their jurisdictions' and organisations' response to the ISAPs so far.

Responses with respect to ISAP 1 were:

- *France* – has translated ISAP 1 and is sorting out what is in the Code of Conduct (CoC) and what is in the Standard. The process in France allows a standard to be proposed only after an educational note has first been issued.
- *UK FRC* – reviewing ISAP 1 for substantial consistency with local standards. The mandatory scope of the FRC's standards (TASs) is narrower than ISAP 1 but broader adoption is encouraged, and where an individual or firm complies with the TASs they will be substantially complying with the technical requirements of ISAP 1. The FRC plans to consult in 2014 on extending the scope of mandatory application of its standards to cover all professional actuarial work.
- *UK IFoA* – still under review, looking to have substantial consistency. Peer review was not in the UK standards and has been included in the draft standard that will be consulted on shortly. The draft standard is broader in scope than the TASs issued by the FRC. Position under review in relation to actuaries working outside the UK (and therefore outside the mandatory scope of the TASs).
- *Ireland* – there is a lot of commonality with the existing local standards, but there are some gaps as well. ISAP 1 is broader in comparison. A detailed review will take more time, but it is likely that something close to ISAP 1 will be adopted.
- *Germany* – changes were made to the Due Process in order to lay down a process for considering the ISAPs and GCASPs. ISAP 1 was translated. Review is in progress, there is concern that there is an overlap with the CoC. The final outcome is not foreseeable now.
- *Japan* – has a CoC and standards for Life and Non-life practice. Adoption of ISAP 1 will take time. FSA is an oversight body.
- *Hungary* – being a small association, will follow Groupe Consultatif and probably adopt a modified version.
- *US* – ISAP 1 is consistent with the existing standards.
- *Australia* – has a lot of statutory requirements. There are actuarial standards for mandatory actuarial work and guidance for other actuarial work. There is no General Standards and the guidelines in ISAP 1 are spread across many standards. So, some work needs to be done to determine substantial consistency with ISAP 1.
- *Canada* – has issued a Notice of Intent to make some changes to the local standards to be substantially consistent with ISAP 1. Most are minor changes but one is significant.
- *Mexico* – there is some overlap with CoC. Reviewing is in progress.
- *South Africa* – David Martin reported on behalf of Peter Doyle that South Africa is looking at the replacing the UK standards that are currently being used. They are very enthusiastic to adopt ISAP 1.

- *Group Consultatif* – ISAP1 is to be turned into GCASP 1, which is almost identical to ISAP 1. The expectation is for member associations to adopt either ISAP 1 or GCASP 1. A general standard was considered necessary in addition to the standards specific to Solvency II.

With respect to ISAP 2,

- Canada will likely adapt it;
- the US believes it is already well covered by its standard ASOP 32; and
- the Groupe Consultatif does not intend to have an actuarial standard on this.
- there is nothing like ISAP 2 in the UK. FRC is generally open as to how it would respond to ISAP 2, but did not foresee any difficulties with ISAP 2;
- France, Ireland, Germany, Japan, Hungary, Australia and Mexico reported that there was not much interest in this as there were not many practitioners in these countries.

It was observed however that the objects of ISAP 2 (actuarial analyses of social security programs) have significant impact on the public, and that the availability of ISAP 2 for adoption or adaptation by local associations and standard-setters meant that they could have a standard in this important area without the usual local effort required to put together a standard.

With respect to ISAP 3 the FRC would prefer to see a clearer distinction between the substantive professional requirements being proposed in the ISAPs, and the existing requirements in IAS 19 and IFRS X, some of which are repeated in the ISAPs. However, the currently proposed content in ISAP 3 does not appear to present any problems to confirm substantial consistency. The FRC is likely to analyse the substantive additions in ISAP 3 and share the results with the IAA. Dave Pelletier observed that this will be useful feedback to the ASC; IFoA also expressed some concerns regarding the Structure of ISAP 3.

Considering the many pension actuaries in Japan, ISAP 3 is likely to be considered for adoption. The Groupe Consultatif does not intend to have an actuarial standard on this; others have not yet looked at ISAP 3.

With respect to ISAP 4, the general response was that it was too early to comment.

Suggestions for possible new topics for ISAPs included Modelling, Stress Testing, Risk Management and ORSA.

Peter Braumüller joined the meeting and gave a brief update on the activities of the IAIS. The IAIS started the ComFrame project three years ago, from the supervisory assessment perspective. It is nearing completion and will be consulted on shortly. This will be followed by field testing involving both quantitative and qualitative elements to support the project. There were mixed reactions to the capital element in ComFrame, some felt that the IAIS should be more ambitious with the capital component but others felt that it should be restricted to a framework with qualitative elements and supervisory co-operation. As a first step a simple back stop capital requirement is expected to be introduced by end of 2014. It will be simple but reflective of the risks relevant to insurance.

The development of a Global Capital Requirement Standard has an ambitious timeline. It is expected to start work on this standard in 2014. ComFrame is expected to be adopted in 2018 and applied from 2019. The Global Systemically Important Insurers (G-SII) should have higher loss absorbency in place by 2019. The ambitious plan to develop the global capital requirement standards is to have all components ready to be applied from 2019. Is it useful to do so many things in parallel? The Financial Stability Board (FSB) has stressed the importance of a comprehensive regulatory framework for the insurance industry to maintain global financial stability.

What significance do actuarial standards have? Actuarial standards are helpful in the areas of IAIS developments. Better clarity and more details on the proposed IAIS standard even in very draft form will help the IAA to understand the requirements in order to start work early, given the tight deadline. Recognition/endorsement from the IAIS for ISAPs would be helpful for the IAA.

How do Solvency II requirements integrate with the new proposals? The IAIS is aware that there are many developments around the world. Although the IAIS is working independently with the objective of achieving global stability, over time we will work towards convergence of all requirements.

The Chair thanked Peter for joining the meeting and said the IAA looked forward to continued collaboration with the IAIS.

7. Professionalism Committee

David Martin presented Peter Doyle's summary as follows:

A successful meeting had been held with 15 members and over 20 observers attending.

The task force led by David Martin had submitted their report on the governance of international actuarial work. The report was extensively discussed and well received. It was agreed that the report, after some refinements, could be used to develop a set of principles for use by IAA member associations.

The development of the PC's webpages on the IAA website was presented to the meeting. Committee documents have been grouped more logically and a new "Resources" section has been created to house a wide range of resource material on matters relating to professionalism. This section can also be used to provide advice and assistance to smaller and associate member associations.

A presentation was given by Roland van den Brink on the work of the Supranational Relations committee and the required involvement of the PC in developing and sustaining key IAA relationships.

An extensive discussion took place on the development of both International Standards of Actuarial Practice (ISAPs) and International Actuarial Notes (IANs). The chair of the Actuarial Standards Committee (ASC) attended the meeting and gave input on current developments relating to ISAPs. It was noted that the approval of ISAP 2 was on the agenda for the Council

meeting in Singapore and that the PC had reported to Council that due process had been followed in the development of this standard.

The committee agreed to communicate more clearly and widely the purpose of the IANs. The existing glossary for IANs needs to be revised. Many future IANs will likely arise directly from new ISAPS.

The task force under leadership of Ralph Blanchard reported on the review of the due process for ISAPs. The findings of this task force were being discussed at several committee meetings in Singapore. After Singapore the task force will draft any recommended changes to the due process for consideration by the PC and later the Executive Committee.

Finally, the committee discussed the proposed set of questions to be asked of member associations to establish the response to and application of ISAP 1. It was agreed that these questions should be sent to member associations at the end of 2013 together with the IAA confirmation forms.

8. Governance of Standard-setting

A *'tour de table'* was conducted with each member summarising the governance structure of their standard-setting organisation.

UK – The FRC is responsible for issuing and maintaining technical actuarial standards (TASs) and oversees the regulation of actuaries by the IFoA. The IFoA is responsible for issuing and maintaining ethical standards and the CoC. The FRC's remit is limited to the UK while IFoA is an international organisation with around 50% of its members operating outside the UK:

- The FRC Board (mostly non-actuaries) issues TASs having taken advice from an Actuarial Council. The Council has five practising actuaries and two non-practising actuaries, and three non-actuaries including the Chair. The FRC also maintains an Actuarial Stakeholder Group representing users and beneficiaries of actuarial work. The IFoA funds 10% of the FRC's costs; the insurance and pensions industries fund the rest through a voluntary levy.
- With regard to ethical standards, the Regulation Board of the IFoA is responsible for developing the standards which then have to be approved by the IFoA Council. The Chair of the Regulation Board is a non-actuary along with two other non-actuarial members.

A recent review by the FRC and IFoA (Project Capri) concluded that these arrangements are working well. However, there is a need to improve access to the monitoring activities of the UK sectoral regulators for insurance, pensions etc. The regulators have agreed to meet quarterly to coordinate the way they address public interest risks relating to actuarial work. An early project for this joint forum is a shared actuarial risk map which can help prioritise future standards. There may also be more flexibility in exceptional cases for the FRC to include ethical principles in its standards and for the IFoA to issue technical guidance subject to appropriate consultation.

US – The Actuarial Standards Board (ASB) establishes and approves standards of actuarial practice. The ASB is governed by a Board which comprises nine persons representing a broad range of backgrounds and areas of actuarial practice. The US has two kinds of Standards,

standards on general practice topics which are non-regulatory based, and standards that are regulatory based. Of the current 43 ASOPs, 26 are non-regulatory based.

Governance of the ASB is largely (but not entirely) independent of the professional bodies. The ASB budget is funded by the dues collected by the professional associations and members of the ASB are appointed by the Council of U.S. Presidents (CUSP).

ASOPs adopted by the ASB are final. Inputs to ASOPs come through the exposure draft process. Although the Board is entirely made up of actuaries, the task forces drafting standards sometimes have non-actuaries.

Canada – The Actuarial Standards Board (ASB) is independent of the Profession (CIA). The members of the ASB (all actuaries) are appointed by the Actuarial Standards Oversight Council (ASOC) which is comprised largely of non-actuaries (currently 10 of 13) with sectoral and geographical representation. Funding is entirely from the CIA. ASOC plays a governance role and ensures that due process is followed. (see also [annexure](#) for written report provided)

Australia – Notwithstanding the developments around the world, Australia continues to keep the standards development within the profession. The Professional Standards Committee is mostly actuaries from a wide range of practice areas and has an accountant and a language editor.

Germany – Similar to Australia, standards are developed by the profession and relate to regulatory requirements. In due process, early consultation with external stakeholders/regulators/insurance industry to ensure that drafting is done with the proper understanding. Only oversight is the approval of the due process by the Council of the association. Some guidelines are set by the regulator after consultation with the profession.

Mexico – See written report in the [annexure](#).

Ireland – See written report in the [annexure](#).

France – standards are developed by the profession. There is a committee and working group developing standards. Final Standards are approved by the general assembly of the association.

Japan – The association is the standard-setting body. There are two committees: one for life and one for non-life. Development of standards follows a due process with public consultation and a disclosure process. FSA carries out the scrutiny oversight. The Board of directors of the association is the highest decision making authority comprising of entirely actuaries.

Groupe Consultatif – The Standards Project Team, made up entirely of actuaries, consults on and develops standards. Due process requires the approval of the General Assembly, representing all the member associations, to place a topic for a standard on the work plan. Once the topic is in the work plan the Standards Project Team has to put forward to the Standards Freedoms and Professionalism Committee (SFPC) a proposal as to why a standard is needed and then bring forward an exposure draft for consultation. SFPC has to approve an exposure draft for consultation with member associations and with external stakeholders. The final

standard has to be approved by the General Assembly. It is a diverse process involving 33 full member and 4 observer associations.

Due to time constraints, the Chair requested members to submit by e-mail any ideas for possible future agenda items. The Chair also requested country updates to be submitted in the form of brief notes and observed that discussions had covered some of the updates.

According to the protocol established when setting up the SSRT, a Chair can serve only for a term of one year. Chris Daykin's term will finish at the end of the year. The Chair will list and circulate possible candidates to assume the role.

The next meeting will be in Washington on Thursday, 27 March 2014 from 08:00 to 12:30 am.

Annexure

Written Country updates

Canada

Developments since the SSRT meeting in May include:

- as discussed earlier in the meeting, the issuance of a Notice of Intent (NOI) to amend our standards to have them be “substantially consistent” with ISAP 1
- also as discussed earlier in the meeting, a working group is being set up to determine appropriate action with respect to ISAP 2
- approval of a considerably revised standard on “actuarial evidence” work
- approval of an expanded standard on post-employment benefits (other than pensions)
- continuing work, including a QIS, on revising the economic reinvestment assumptions utilized in insurance company valuation, with an exposure draft targeted for November. Will have potentially significant impact on life insurers.
- laying groundwork for update in mortality assumption to be used in calculation of commuted values in pension plans

Society of Actuaries in Ireland

> **ISAP 1:** We are examining our Actuarial Standards of Practice (ASPs) to see whether contradictions would arise, and what duplications would arise, if we adopted ISAP 1. This work will continue into early 2014. Our ASPs relate mainly to regulatory or statutory work, whereas the scope of ISAP 1 is broader. Once we have completed the detailed comparison with existing ASPs, we will decide what action to take, which may be to adopt ISAP 1 (or something similar) subject to member consultation.

> **Regulatory consultation:** The insurance regulator has recently published a consultation paper on "Reserving and pricing for non-life insurers and [all] reinsurers". If implemented, many of the current regulatory requirements relating to the role of a Signing Actuary will be set out in law. However, for non-life business, current regulatory requirements to be a Fellow of the Society of Actuaries in Ireland and to hold a practising certificate issued by the Society will fall away (the position for life reinsurance business is not clear). Instead, the regulator's 'fit and proper' requirements will apply, and persons taking up a Signing Actuary role will have to be pre-approved by the regulator. Periodic peer review of Signing Actuary work will become mandatory. Non-life firms that are deemed to be 'high impact' firms under the supervisory system will be obliged to put in place a Reserving Committee, which must include an Independent Non-executive Director and the Signing Actuary (and Chief Actuary if different), among others; also, for these firms, a Risk Margin report must be prepared by the Chief Risk Officer, Chief Actuary or Signing Actuary every two years. Overall, the proposals are quite far-reaching and will have significant implications for some firms and for the actuarial profession - some of the proposals are positive, others are perhaps questionable. The Society is currently considering them and will respond to the consultation. The consultation paper is available at:

<http://www.centralbank.ie/regulation/poldocs/consultation-papers/Documents/CP73/CP73%20Consultation%20on%20Requirements%20for%20Reserving%20and%20Pricing.pdf>.

> **Updates to ASPs:** During the last year, we have updated a number of ASPs relating to disclosure of product information as part of a regular maintenance programme aimed at ensuring that ASPs remain up to date. This year, we will consider certain ASPs relating to actuarial reports and mandatory compliance monitoring of pensions actuaries' statutory work. We will also consider whether changes to regulatory requirements during the transition to Solvency II have implications for ASPs.

> **CPD Scheme:** We are reviewing our CPD scheme at present. This is likely to lead to an increase in the amount of CPD required and to the introduction of specific requirements for members performing work beyond traditional actuarial work.

> **Institute & Faculty of Actuaries ethical standards:** Most of our members are also members of the Institute & Faculty of Actuaries and therefore our work on standards includes reviewing any ethical standards that they propose and responding to consultations where appropriate.

Mexico

Mexican Actuarial Standards Committee

Recent activity other than that related to International Standards of Actuarial Practice

- A new Actuarial Standard of Practice on claims reserves (including IBNR) for health insurance was exposed and comments received are now being reviewed by CONAC's board and drafting team.

Activity related to International Standards of Actuarial Practice

- Mexico's response to ISAP 1: Translated and will be soon exposed to all CONAC's members before it is adopted (translation project enclosed)
- adoption expected by 2014.

Future Mexican Actuarial Standards Activity

- Mexico's new Insurances and Bonds Law will be in force on April 2015.
- in force Mexican Actuarial Standards on insurance premiums and reserves valuation and actuarial auditing need to be reviewed and updated.
- also new standards were requested by CNSF, the insurance and bonds regulator, on stress tests and dynamic solvency test.

Mexico's Governance of Standard-setting

- Actuarial Standards Committee (ASC) reports and is accountable to the Colegio Nacional de Actuarios (CONAC) board. It is not an independent body.
- ASC membership: A president named by CONAC's president; members from CONAC's different actuarial practices, Associations and Sections that has to develop standards (up to date, only for insurances and pensions); CONAC's president as a liaison and subcommittees (actually task forces) to draft or review standards of practice, study notes or gather educational material.
- only the Insurances and Bonds Commissioner (CNSF) scrutinize standards Committee's activities, to the extent that Mexican Actuarial Standards of Practice are part of insurance and bond regulation. Other than this there is no external oversight.
- only actuaries are involved on the board.

UK (FRC)

Post-implementation review of the FRC's technical actuarial standards (TASs)

The FRC is undertaking post-implementation reviews of the TASs in pensions and insurance. Preliminary findings suggest that the TASs are broadly accepted by practitioners, and that ongoing costs are small, although there was a one-off cost when they were introduced. Users say they have noticed an improvement in the quality of communication and advice, which may be attributable to a number of factors including standards.

Pensions illustrations (AS TM1)

The FRC has reviewed the investment assumptions being used by providers (typically insurers and pension schemes) of annual statutory money purchase illustrations (SMPIs) following its decision to remove the maximum rate of 7% pa. A large number of providers are still assuming a rate of 7% pa for equity investments but the rates being used for other asset classes including Cash have fallen and are now more realistic. The FRC will consult shortly on changes to its standard to allow greater flexibility about the use of options at retirement. A full review of methods and assumptions is planned for 2014.

Review of the FRC's standards framework

As part of its planned review of the TASs, the FRC has announced that it will develop and seek views on proposals to restructure the TASs so that it has:

- high-level principles which are recognised as applicable across all professional actuarial work; and
- more narrowly focused specific standards where there is a need for additional requirements in the public interest beyond the high level principles and the requirements of the IFoA and the statutory regulators.

The FRC will also work with the IFoA to enable the IFoA to issue guidance on recommended methodologies, subject to the FRC being satisfied that this will support actuaries in following the TASs. There will also be specific provision for the FRC to include ethical and conduct matters in its principles, together with procedures and safeguards to ensure that FRC standards are fully joined up with the IFoA.

Joint Forum on Actuarial Regulation (JFAR)

The UK sectoral regulators for insurance, pensions etc. have agreed to meet quarterly with the IFoA and the FRC to coordinate the way they address public interest risks relating to actuarial work. An early project for this joint forum is a shared actuarial risk map which can help prioritise future standards.

Attendance List

Delegates

Chris Daykin	Chair (and Chairman, Standards Project Team, Groupe Consultatif)
Thomas Béhar	Institut des Actuaire
Tom Karp	Actuaries Institute Australia
Paul Kennedy	Financial Reporting Council (UK)
Yvonne Lynch	Society of Actuaries in Ireland
David Martin	Institute and Faculty of Actuaries
Yoshiaki Maebayashi	Institute of Actuaries of Japan
Robert G Meilander	Actuarial Standards Board (US)
Dave Pelletier	Actuarial Standards Board (Canada) and Chair, ASC (IAA)

Guest

Peter Braumüller	Chair of the Executive Committee of the IAIS
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Observers

Mary Downs	American Academy of Actuaries
Gábor Hanák	Groupe Consultatif Actuariel Européen/Hungarian Actuarial Society
Keith Jones	American Academy of Actuaries
Ben Kemp	Institute and Faculty of Actuaries
Dieter Köhnlein	Deutsche Aktuarvereinigung e.V. (DAV)

Staff Liaison

Amali Seneviratne	Director, Technical Activities, IAA
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