



Institute  
and Faculty  
of Actuaries

# Applying Standards

Guide on APS X1: Applying standards to  
actuarial work

by the Regulation Board

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## 1. Introduction

- 1.1. It is important that members of the Institute and Faculty of Actuaries (IFoA) are able to identify the regulatory standards which apply to their work, taking into account the type of work they are carrying out and the regulatory environment in which it will be delivered or used.
- 1.2. The IFoA has issued an Actuarial Profession Standard (APS), **APS X1 - Applying Standards to Actuarial Work**, which provides members with a framework and approach for clarifying which standards they should apply to their work.
- 1.3. The IFoA recognises that determining which standards should apply in a particular set of circumstances is not always straightforward, especially where members are involved in work overseas and might be subject to the rules and requirements of another professional body. For that reason, the IFoA has produced this non-mandatory guide to help members to understand the requirements of APS X1, provide them with practical examples and assist them in making decisions about the appropriate standards to apply.
- 1.4. An updated Standards Chart (the illustrative guidance previously produced by the IFoA and described as the Standards Decision Tree) has been prepared and is incorporated as **Appendix 1** to this Guide. This is intended to provide a visual aid to assist members in determining which standards they should apply.
- 1.5. This Guide imposes no obligation upon members over and above those embodied in APS X1. Members are additionally reminded of the obligations imposed on all members by the Actuaries' Code. This Guide does not constitute legal advice and while it may be referred to and considered in the course of disciplinary proceedings it shall not necessarily provide a defence to allegations of misconduct. While care has been taken to ensure that it is accurate, up-to-date and useful, the IFoA will not accept any legal liability in relation to its contents. The defined terms used in APS X1 apply to this Guide.

## 2. APS X1: Key Provisions and Principles

### **Background**

- 2.1. The requirements of APS X1 are intended to set out:
  - How IFoA standards (the Actuaries' Code and APSs), the International Standards of Actuarial Practice (ISAPs) including ISAP 1, standards issued by the Actuarial Association of Europe (AAE), the Financial Reporting Council's (FRC) Technical Actuarial Standards and other Recognised Standards (those issued by full International Actuarial Association (IAA) member bodies) apply to our members and their work; and
  - How members carrying out overseas work should determine which standards should apply and, in particular, how 'local' standards might be applied in addition to, or instead of, IFoA standards.
- 2.2. APS X1 has a number of particular aims:
  - To protect the public and users of actuarial work in terms of ensuring our members are applying appropriate standards to their work;

- To be proportionate and balance the need for public protection against the requirement not to apply an overly onerous burden on our members and to allow sufficient flexibility;
  - To avoid regulatory duplication and take account of other standards and requirements not issued by the IFoA, but which may still be relevant;
  - To achieve consistency in terms of the standards we expect our members to meet regardless of the environment where, or for which, their work is carried out;
  - To adopt and implement a coherent policy for the regulation of all of our members on the basis of the Equivalence principle (as set out in our [Regulatory Strategy](#)<sup>1</sup>; and
  - To recognise the importance of international actuarial standards and of our role as a full member of the IAA.
- 2.3. APS X1 applies to all members, including those members who are partially regulated<sup>2</sup>. However, there are some provisions that apply to those carrying out work which is within the geographic scope of the FRC's Technical Actuarial Standards ("UK Geographic Scope", as defined in APS X1) and other provisions that deal with the situation for members carrying out work which is outside UK Geographic Scope.
- 2.4. This reflects the fact that members carrying out work within UK Geographic Scope are subject to particular requirements to apply the FRC's Technical Actuarial Standards whereas those carrying out work which is outside UK Geographic Scope are not.
- 2.5. Where members are carrying out work which has an international dimension, there will often also be local standards that might apply or be relevant to the work.
- 2.6. APS X1 introduces a requirement that where those standards are issued by an organisation with a particular status or authority (principally full IAA member bodies or equivalent) then they should apply those standards. It also provides for members to exercise 'reasonable judgement' in considering whether there are other relevant standards.
- 2.7. This recognises that, where a member is carrying out work in or for a particular geographic or regulatory environment, it is appropriate for members to be expected to have regard to local standards that are in place and, where appropriate, to apply those standards.

***The provisions: all members***

- 2.8. The starting point for APS X1 is that all members must comply with the law that applies to the work they are undertaking. This means direct legislative requirements, as well as other regulatory requirements, which are directly enforceable by reason of national or local law.
- 2.9. Unless there are legal requirements which provide otherwise, all members are also required at all times to comply with the Actuaries' Code, regardless of where they are located or where the work is being carried out or delivered.

<sup>1</sup> <http://www.actuaries.org.uk/research-and-resources/documents/professional-regulation-executive-committee-2012-regulatory-strat-2>

<sup>2</sup> Members can apply to be 'partially regulated' where they meet certain criteria. On being granted partial regulation status those members are entitled to a reduced rate subscription and may apply the CPD requirements of their 'primary' regulator (subject to completing the IFoA's professional skills training requirements). However, those Members are still bound by the Actuaries' Code and are expected to comply with any relevant APSs.

- 2.10. To the extent that they are applicable to the work in question, members must also comply with APSs.
- 2.11. Special provision is made for those carrying out work outside UK Geographic Scope to apply Recognised Standards instead of APSs in particular circumstances. This is explained further at 2.29 below.

***The provisions: members carrying out work within UK Geographic Scope***

- 2.12. APS X1 provides explicit confirmation of the requirement that, where members are carrying out work which is within UK Geographic Scope, they must (in addition to the requirements to apply the Actuaries' Code and applicable APSs) comply with technical standards issued by the FRC.

*Summary for those carrying out work **within** UK Geographic Scope:*

- *Subject to the Code*
- *Subject to relevant APSs and FRC Technical Actuarial Standards*
- *Subject to the legal requirements of the jurisdiction in which they are working*

***The provisions: members undertaking work outside UK Geographic Scope***

**Comply with ISAP 1**

- 2.13. The APS introduces a requirement for members to ensure that work is carried out in a way that complies with the IAA international model standard: ***ISAP 1 - on general actuarial practice.***

There are a range of ways in which members may comply with this principle (the ISAP 1 principle), either by applying ISAP 1 itself, or some appropriate combination of standards which collectively, are reasonably considered to be substantially consistent with ISAP 1. This requirement can also be met by applying 'Recognised Standards' (explained in more detail below) which, when considered collectively, achieve substantial consistency with ISAP 1.

- 2.14. The result is that all IFoA members would be subject to the same minimum level of standards (those set out in ISAP 1) regardless of their practice area or the geographic location into which their work is being delivered.
- 2.15. The IAA approved ISAP 1 on 18 November 2012. ISAP 1 is a general standard intended to apply to all actuarial services performed by an actuary, except for those elements that are explicitly superseded by another standard, such as a practice-specific standard or bye-law. The purpose of ISAP 1 is to provide guidance to actuaries so that the intended users of actuarial services will have confidence that:
- Actuarial services are carried out professionally and with due care;
  - Results are relevant to their needs, are presented clearly and understandably, and are complete; and
  - Assumptions and methodology employed (including, but not limited to, models and modelling techniques) are disclosed appropriately.

- 2.16. In collaboration with the FRC, we expect in due course to be able to confirm that the existing framework of IFoA standards, including the FRC's Technical Actuarial Standards, is substantially consistent with ISAP 1.
- 2.17. Where members are carrying out work which is within UK Geographic Scope, they are required to comply with APSs and the FRC's Technical Actuarial Standards which, collectively may be considered (in the opinion of the IFoA and FRC) to be substantially consistent with ISAP 1. The aim of APS X1 is to ensure an appropriate minimum level of consistency and coherence between the standards to which all of our members are subject.

### **Recognised Standards**

- 2.18. APS X1 also makes specific provision in relation to 'Recognised Standards', which are standards issued by a 'Relevant Authority' (including a full IAA member body, a list of which can be found on the [IAA's website](#)<sup>3</sup>).
- 2.19. Firstly, where members are applying to their work Recognised Standards which, when taken as a whole, achieve 'substantial consistency' with ISAP 1 then under APS X1 they are deemed to have met the requirement to carry out work in a way that complies with ISAP 1.
- 2.20. Relevant Authorities may make a declaration to the effect that their standards framework is 'substantially consistent' with ISAP 1.
- 2.21. This means that where a member is applying the standards framework of a Relevant Authority which has confirmed that their standards are consistent with ISAP 1, then they will be assumed to have complied with the general requirement to carry out work in a way that complies with ISAP 1. Members may rely upon such a declaration in establishing their compliance with the ISAP 1 principle (although APS X1 does not presume the existence of such a declaration, nor does such a declaration require to have been made in order to satisfy the ISAP 1 principle).
- 2.22. Members are encouraged to check the websites and other publications of their local Relevant Authority to see whether they have announced or communicated a position in relation to ISAP 1.
- 2.23. Secondly, APS X1 provides that, where there is a Recognised Standard which is not inconsistent with ISAP 1 and either (i) it is 'directly applicable' or (ii) 'relevant in respect of both geography and subject matter' and would apply if the member were subject to the standards of the Relevant Authority, then they should apply that Recognised Standard.
- 2.24. This means that if the member is subject to the Recognised Standards of another Relevant Authority and they are carrying out work to which Recognised Standards apply, they should apply those Recognised Standards. This will, in many cases, be most relevant where a member has dual membership of the IFoA and another Relevant Authority and is carrying out work which is subject to the standards of the other Relevant Authority. So, for example, if an IFoA member was carrying out work in Canada and was also a member of the Canadian Institute of Actuaries (a full IAA member body) then in terms of APS X1 they should apply any Recognised Standards which apply by virtue of their membership of the Canadian body.

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<sup>3</sup> [http://www.actuaries.org/index.cfm?lang=EN&DSP=ABOUT&ACT=MEMBERS\\_FULL](http://www.actuaries.org/index.cfm?lang=EN&DSP=ABOUT&ACT=MEMBERS_FULL)

- 2.25. It also means that, even where a member is not also a member of that Relevant Authority (so where the Recognised Standard would not be directly applicable), if the Recognised Standard is relevant both in terms of subject matter (i.e. it covers the work in question) and geography then the member should apply it to the same extent that they would have had to apply it if it had been directly applicable.
- 2.26. Recognised Standards will be 'geographically relevant' where they are issued by a Relevant Authority based in another country outside the UK where the work is being delivered.
- 2.27. So, for example, the requirement in 3.4.1 would apply where a member (physically located anywhere in the world) is instructed by a South African company to provide actuarial advice in relation to products for sale in South Africa and there is a relevant Recognised Standard issued by the Actuarial Society of South Africa. However, it would not be intended to apply where a member is instructed to provide actuarial advice to a UK insurer in relation to UK products which have no connection at all to any other country and just happens to type up their report while on holiday in or secondment to South Africa.
- 2.28. It is not intended that standards which are issued by a Relevant Authority based in one country but which apply in respect of a different country (because they have a 'worldwide' application) would usually fall within the scope of being 'geographically relevant'. So for example, a relevant authority in Country X issues a standard which regulates all pensions work everywhere in the world. If it is not anticipated that someone carrying out work in Country Y would have to apply that standard by virtue of 3.4.1.
- 2.29. Where a Recognised Standard (or standards) is being applied under 3.4.1 but there is also a substantively similar APS that applies, APS X1 provides that a member may, where appropriate, apply that other Recognised Standard(s) (or part of it) in preference to equivalent or similar provisions in a relevant APS. This requires the exercise of judgement and the member must have regard to all of the relevant circumstances in which the work is undertaken.
- 2.30. It is important to note that members are still required to comply with the principles set out in the Actuaries' Code, even if a Recognised Standard is applied instead of an APS. There is no scope for any Recognised Standard to be applied in place of the Actuaries' Code.
- 2.31. Where a Recognised Standard to be applied under APS X1 includes requirements which go beyond those in ISAP 1, these should be applied in addition to those set out in ISAP 1.
- 2.32. If there is any inconsistency between Recognised Standards that might apply, APS X1 requires that members will exercise reasonable judgement to determine which to apply. This is subject, as always, to the general duty to ensure that work complies with ISAP 1.

#### **Use reasonable judgement to consider other relevant standards**

- 2.33. In addition to the general duty in relation to compliance with ISAP 1 and the specific requirements in relation to relevant Recognised Standards, APS X1 also provides that members should exercise 'reasonable judgement' to consider whether there are other relevant standards that they should be applying.

- 2.34. This might include, for example, local standards that do not fall within the definition of Recognised Standards as they are issued by a body that is not an IAA member.
- 2.35. Members are also specifically directed to think about whether there might be other IAA Standards that they should be applying.
- 2.36. This requires that members use reasonable judgement to consider which standards exist that might be relevant and members are directed to consider all of the relevant circumstances, including the factors and considerations set out at paragraph 3.4.4 of APS X1, which include:
- The context in which, and purpose for which, the work is being provided;
  - The scope of any Recognised Standards being applied and whether they cover all aspects of the work in question;
  - The general duty to ensure work is carried out in a way that complies with ISAP 1; and
  - Relevant market expectations and norms in the context in question.

Those considerations are subject always to the importance of safeguarding the interests of the user and of the public.

### **General**

- 2.37. APS X1 calls for the exercise of professional judgement, having regard to the principles set out in the standard. It does not seek to prescribe exhaustively the professional standards which must be applied, particularly in relation to work outside UK Geographic Scope. Rather, it provides a structured framework of principles within which that important decision should be made and provides an underpinning of the internationally recognised standard ISAP 1 to ensure that there is a minimum level of standards applying equally to all members.
- 2.38. If you are a member carrying out work outside UK Geographic Scope then the sort of steps that you might consider taking are:
- i. Checking whether there are local standards which fall within the definition of Recognised Standards (i.e. have they been issued by a Relevant Authority);
  - ii. If there are Recognised Standards, and those would directly apply to the work (or are otherwise relevant in terms of geography and subject matter), checking whether there is a statement from the body issuing those standards which declares that they are 'substantially consistent' with ISAP 1;
  - iii. If there is no statement from the body issuing the Recognised Standards, considering the content of the Recognised Standards and the requirements of ISAP 1 and determining whether they would be carrying out their work in a way which is substantially consistent with ISAP 1 if they applied those standards, or otherwise, as appropriate, applying ISAP 1; and
  - iv. Thinking about whether there are other relevant standards that are relevant and, if so, considering whether or not they should be applied.



Summary for those working **outside** UK Geographic Scope:

- Subject to the Code
- Subject to relevant APSs (except where applying Recognised Standard(s) instead)
- Subject to the legal requirements of jurisdiction in which they are working
- Should ensure work complies with ISAP 1
- Should apply directly applicable or relevant 'Recognised Standards' which are not inconsistent with ISAP1, including any additional requirements in 'Recognised Standards' not included in ISAP 1
- Should use reasonable judgement to consider whether any other relevant standards to be applied

**Communication with Users: all members**

2.39. Members are also reminded of their general duties in terms of open and effective communication under the Actuaries' Code (principle 5). This is reflected in the provisions of APS X1, in terms of which members are specifically required to be open with Users as to the standards which have been applied to their work. Where necessary, this may need to be set out explicitly in writing, to avoid possible confusion.

2.40. Members are also expected to be able to explain and justify the approach they have taken to the application of standards, and the judgement they have exercised, when reasonably called upon to do so by, for example, their clients, the IFoA or another relevant regulator.

**3. Worked examples**

3.1. Set out below are some worked examples designed to illustrate the practical application of APS X1.

3.2. Those reading the Guide will note that these scenarios are based on the position as at May 2014. This includes the names and status of particular membership organisations and the names and content of any standards (including APSs).

3.3. The requirements described in each scenario would apply regardless of the particular Member's category of Membership. So it would be the same outcome for student, associate, fellow, or (in future) Actuarial Analyst (recognising, of course, that it will not be appropriate for each of the roles described to be undertaken by members of each of these membership categories).

3.4. In all of the scenarios the Member is required, in terms of APS X1, to apply the Actuaries' Code and to be able to justify the standards applied.

**3.5. Scenario 1:**

A Scheme Actuary, who is a Member of the IFoA and a practising certificate holder, is carrying out funding work in respect of a UK pension scheme.

*The relevant sections of APS X1 here are sections 1, 2 and 4.*

*In terms of APS X1, this Member is required to apply the Actuaries' Code and any relevant APSs (which in this case are likely to include APS P1 and APS P2), subject to anything that is contained in the legal requirements that would apply, for example any requirements of UK pensions legislation.*

*As this is work which is being carried out which is within UK Geographic Scope, the Member will also have to apply the relevant TASs (likely to include the Generic TASs: TAS D, TAS M and TAS R and the Pensions TAS). The Member is also subject to the requirements to be open with users about the standards that have been applied in terms of paragraph 4.1 of APS X1.*

### 3.6. **Scenario 2:**

A French insurance company participates in a London markets' liabilities pool with substantial asbestos liabilities and a Member of the IFoA is asked to value its liabilities to this pool.

*The relevant sections of APS X1 here are sections 1, 2 and 4.*

*Although this work is being carried out for a company which is not a UK company and which is based in a country where there are Recognised Standards, the work is being carried out within UK Geographic Scope as it is work which relates to the UK operations of that company. This means that, in addition to applying the Actuaries' Code and any relevant APSs, the Member will also have to apply any relevant TASs to the work. There is no scope within APS X1 for applying other Recognised Standards as an alternative to any APSs that apply.*

*The Member will also have to comply with the requirement (in APS X1) to be open with users in relation to the standards that have been applied.*

*If the Member also has membership of another Relevant Authority, for example l'Institut des Actuaire (a French Relevant Authority) then they may be required to apply that body's codes and standards, if applicable, as well.*

### 3.7. **Scenario 3:**

An IFoA member is employed by an Australian insurance company to work in-house valuing liabilities in relation to Australian life insurance products.

*The relevant sections of APS X1 are sections 1, 3 and 4.*

*In this scenario the work in question is being carried out outside UK Geographic Scope, so the Member is required to apply the Actuaries' Code and any relevant APSs. The additional requirements in section 3 of APS X1 will also apply.*

*In terms of applicable APSs, if there are Recognised Standards issued by a Relevant Authority, such as the Actuaries Institute of Australia (a full IAA member organisation) and those Recognised Standards are substantively similar to relevant APSs, there is scope in terms of paragraph 3.4.2 for the Member to apply those Recognised Standards as an alternative to those APSs. While it seems unlikely that any of the existing life APSs would apply to this example (given their particular scope and their focus on UK activities) it may be that any other APSs introduced in the future might fall within the scope of that provision.*

*The Member is also under a requirement in terms of paragraph 3.2 of APS X1 to ensure that the work should be carried out in a way that complies with ISAP 1. If the Actuaries Institute of Australia has a framework of Recognised Standards which, when considered collectively, achieves substantial consistency with ISAP 1 then if the Member is applying that framework of standards they will be deemed to have met the requirements of paragraph 3.2 (by virtue of paragraph 3.3). The Member can conclude that they have met the requirement in that way either by the Institute of Actuaries of Australia making a declaration of substantial consistency with ISAP 1 or, in the absence of such a declaration, by satisfying themselves that they are substantially consistent.*

*The Member should also apply any Recognised Standards which fall within the scope of paragraph 3.4.1 of APS X1 (including any additional requirements over and above ISAP 1) and should exercise reasonable judgement to consider whether there are any other relevant standards. This might include, for example, other IAA ISAPs or any local standards which are not deemed to be 'Recognised Standards'.*

*The Member is also under the requirements contained in section 4 in terms of being open with users about the standards applied and must also be in a position to justify the standards applied to their work. This means that the Member must be able to justify their decision making in terms of the standards applied.*

### **3.8. Scenario 4**

An IFoA member is also a member of an actuarial association of another country which is a Relevant Authority and is carrying out work in relation to a reinsurer based in and regulated by one of the countries covered by that association. The association has not set any standards itself. In practice, the standards of the Canadian Institute of Actuaries or Society of Actuaries are applied to that work.

*The relevant sections of APS X1 are sections 1, 3 and 4.*

*The Member will be required to apply the Actuaries' Code and any relevant APSs.*

*The association is a Relevant Authority but does not (currently) have a framework of Recognised Standards which is substantially consistent with ISAP 1. Therefore the Member will need to meet the requirement that work is carried out in a way that complies with ISAP 1, either by applying ISAP 1 or by applying alternative appropriate standards which are substantially consistent with ISAP 1. The Member can do so by applying a combination of standards, as long as the work is carried out in a way that complies with ISAP 1.*

*If there is a practice of applying the standards of another Relevant Authority (for example, the Canadian Institute of Actuaries) which, when considered collectively, are substantially consistent with ISAP 1, then it may be that applying those standards will mean that the Member is deemed, in terms of paragraph 3.3 of APS X1, to meet the requirement to carry out work in a way that complies with ISAP 1.*

*The Member will also be required to exercise reasonable judgement in considering whether there are any other relevant standards which should be applied, and in being open with users about the standards applied and able to justify the decision to apply those standards.*

### 3.9. Scenario 5

A Member of the IFoA is preparing advice for an entity in Country A (which is outside UK Geographic Scope). In Country B (also outside UK Geographic Scope) there is a Relevant Authority which has issued a generic technical standard with unlimited geographic scope requiring its members to benchmark discount rates used in any actuarial advice against stipulated government bond yields. The Member is not a member of that Relevant Authority based in Country B but if he were to be a member of that body, he would be under a duty to apply that technical standard to the work in question, in terms of its membership requirements.

*The relevant sections of APS X1 are sections 1, 3 and 4.*

*The Member is required to apply the Actuaries' Code and any relevant APSs (subject to the scope for applying any substantively similar Recognised Standards as an alternative in terms of paragraph 3.4.2 of APS X1).*

*Even though the Member is not also a member of the Relevant Authority in Country B, paragraph 3.4.1.1 of APS X1 provides that he should apply it if it is "relevant in respect of both geography and subject matter" (assuming that to do so would not be inconsistent with ISAP1 compliance or with another Recognised Standard).*

*Although, given its generic and worldwide application, the standard might potentially be considered 'relevant' to this work, paragraph 3.4.1.1 is not intended to require members to be aware of all extra-territorial standards issued by any IAA member body anywhere in the world, but only those specific standards that are clearly relevant to the geography of the work in question. 'Geographic relevance' for the purposes of paragraph 3.4.1.1 is intended to require a direct connection between the country in which the work is being carried out and the Relevant Authority issuing the Recognised Standard.*

*This means that the Member would not generally be expected to apply an extra-territorial standard such as that issued by the Relevant Authority in Country B in this scenario unless there was some particularly close relationship between Country A and Country B that meant it was reasonable to conclude that the Recognised Standard was geographically relevant to the work.*

*The Member would nevertheless be subject to the other requirements in section 3 of APS X1 and would be required to carry out work in a way that complies with ISAP 1, to apply any other Recognised Standards that fall within the scope of paragraph 3.4.1, to exercise reasonable judgement to consider whether there are any other relevant standards that they ought to apply in terms of paragraphs 3.4.3 and 3.4.4 and to be open with users about the standards applied in terms of paragraph 4.1.*

### 3.10. Scenario 6

An IFoA Member is advising an international pension scheme regulated by the Isle of Man on funding matters. It is assumed for the purposes of this scenario that it is custom and practice in the Isle of Man to apply UK actuarial standards, including the FRC's TASs, to work carried on in that Crown Dependency. This is despite that work not technically being within the scope

and authority of TASs. There is no Relevant Authority in the Isle of Man, and no Recognised Standards.

*The relevant sections of APS X1 are sections 1, 3 and 4.*

*The Member will be under a duty to apply the Actuaries' Code and any relevant APSs. Although it may be custom and practice to apply the TASs to this work, as it does not fall within UK Geographic Scope, the provisions in section 2 of APS X1 do not apply and it is the provisions of section 3 of APS X1 that are relevant.*

*TASs would not be deemed Recognised Standards for the purposes of paragraph 3.4.1. as although the FRC is a Relevant Authority the TASs are not directly applicable or fall within the scope of being relevant in terms of geography and subject matter.*

*As there are no Recognised Standards to apply in terms of paragraph 3.4.1 of APS X1, the Member should exercise reasonable judgement to consider whether there are any relevant standards which should be applied. It may be that the Member, in exercising this reasonable judgement, decides that it is appropriate to apply the TASs, following usual custom and practice. However, the Member is still under a duty to carry out work in a way that complies with ISAP 1 (under paragraph 3.2), so will need to be satisfied that the standards applied meet that requirement, and the Member is also required to be able to justify the standards applied (or not applied) in terms of paragraph 4.2, so will need to be able to provide an objectively reasonable justification for applying those standards in preference to others.*

### 3.11. **Scenario 7**

A government actuary, who is also an IFoA Member, is tasked with setting up the actuarial function in relation to the first state pension scheme in a country where there is no Relevant Authority and where there is no adoption of another Relevant Authority's standards. There are also no other local standards that could apply.

*The relevant sections of APS X1 are sections 1, 3 and 4.*

*The Member will be under a duty to apply the Actuaries' Code and any relevant APSs.*

*In terms of paragraph 3.2 of APS X1, the work should be carried out in a way that complies with ISAP 1. So the Member is under a duty to ensure that this requirement is met in carrying out the work. The Member might determine that it is appropriate to apply the provisions of ISAP 1 itself in order to fulfil the requirements of paragraph 3.2.*

*Paragraph 3.4.3 of APS X1 requires the Member to exercise reasonable judgement to consider whether there are any relevant standards that he ought to apply. In exercising this judgement there are a number of relevant circumstances (set out in paragraph 3.4.4) to which the Member should have regard. It may be that in exercising this judgment the Member decides to apply ISAP 2 (Financial Analysis of Social Security Programs). Alternatively, or in addition, he might consider it appropriate to apply some or all of the TASs or of any set of standards that he is aware of in another country that is reasonably comparable to the country to which the work relates.*

*The Member is also under the duties set out in section 4 in terms of being open with Users and about being able to justify the standards applied.*

### 3.12. **Scenario 8**

An IFoA member is working as a pensions actuary in the Republic of Ireland (an EU country where occupational pension schemes are set up in a broadly similar way to the UK). The Society of Actuaries in Ireland, of which this Member also holds membership, has a standard in place regarding the management of conflicts of interest that may arise between advising the trustees and advising the sponsoring employer, including the use of a conflicts management plan.

*The relevant sections of APS X1 are sections 1, 3 and 4.*

*The Member will be under a duty to apply the Actuaries' Code and any relevant APSs. This would include, amongst other things, the conflicts-related provisions of APS P1.*

*As the Society of Actuaries in Ireland is a Relevant Authority for the purposes of APS X1 and the Society's standard (ASP Pen-13) would be deemed a Recognised Standard which is 'substantively similar' to the conflicts provisions of APS P1, the Member can apply ASP Pen-13 as an alternative to the relevant provisions of APS P1. However, the Member would need to continue to apply any other relevant parts of APS P1 (unless those are also considered to be appropriately covered by another Recognised Standard). Those other relevant provisions might include, for example, section 6 of APS P1 which apply the general principles of the APS to any members carrying out work in relation to pension schemes, regardless of geographic location.*

*The Member is also still subject to 3.2, in terms of work being carried out in a way that complies with ISAP 1; to 3.4.1, in terms of any other Recognised Standards that may exist; to 3.4.3 and 3.4.4, in terms of the duty to exercise reasonable judgement; and to section 4, in relation to the communication and justification of standards applied.*

### 3.13. **Scenario 9**

A member of the IFoA is carrying out work in a country (outside UK Geographic Scope) where there is a Relevant Authority which has issued a large body of Recognised Standards but they are only partially consistent with ISAP 1, as there are a number of gaps in that body's standards in terms of ISAP 1's requirements. The Member is not a member of that Relevant Authority (i.e. he does not have dual membership).

*The relevant sections of APS X1 are sections 1, 3 and 4.*

*The Member will be under a duty to apply the Actuaries' Code and any relevant APSs.*

*Paragraph 3.2 also requires that the Member carries out their work in a way that complies with ISAP 1. If simply applying the body of standards being applied by the Member would not allow him to meet that requirement (because those standards are not substantially consistent with ISAP 1), the Member will need to apply other standards that make up that 'gap'. This can be achieved in a number of ways, including by applying ISAP 1 itself. The Member is left to determine the most appropriate way to achieve that requirement, subject to the provisions in*

section 3.4.3 requiring the Member to exercise reasonable judgement in considering what other relevant standards he ought to apply.

Paragraph 3.4.1 provides that the Member should apply Recognised Standards which are directly applicable or which are 'relevant in respect of both geography and subject matter and would be applicable if the Member were subject to the jurisdiction of that Relevant Authority....'

This means that, if there are Recognised Standards which meet the test of being relevant in terms of geography and subject matter and they would have applied to the Member had he also been a member of that other Relevant Authority, then the Member should apply them if they are not inconsistent with ISAP 1.

The Member is also under the duties set out in section 4 in terms of being open with Users and about being able to justify the standards applied.

#### 3.14. **Scenario 10**

A Member lives part of the year in the south of France but continues to work remotely while there advising UK organisations on UK matters.

The relevant sections of APS X1 are sections 1, 2 and 4.

The Member will be under a duty to apply the Actuaries' Code and any relevant APSs.

As the work relates to UK operations, and UK matters, it falls within UK Geographic Scope. This means that the Member is under a duty to apply the TASs in terms of section 2 of APS X1. It also means that the requirements in section 3 do not apply, as those only apply where work is being carried on outside UK Geographic Scope.

The fact that the Member happens to be located outside the UK when carrying out this work is not relevant for these purposes.

As for all Members, this Member is also under the duties set out in section 4 in terms of being open with Users and about being able to justify the standards applied.

#### 3.15. **Scenario 11**

A Member is based in the UK but her work is provided to a large number of different users who are located around the world. The Member is aware of some of the locations in which this work will be used but she isn't sure of all of them.

The relevant sections of APS X1 are sections 1, 2, 3 and 4.

The Member will be under a duty to apply the Actuaries' Code and any relevant APSs.

In terms of the work being carried out, the Member has a professional responsibility to take steps to understand who the users of her work are and to identify the relevant countries and jurisdictions. The Member will need to understand this both for the purposes of understanding legal requirements that might apply (so, for example, whether there are legislative restrictions

on what she is doing) and in terms of the professional standards requirements under APS X1. She will require to be open with users about the standards applied to that work (section 4 of APS X1).

*It may be that the Member is carrying out work which is deemed to be carried out both within the UK and outside of it.*

*Where work is carried out within UK Geographic Scope and within the scope of the TASs then Members are under a duty to apply the TASs (in terms of paragraph 2.1).*

*However, it may be the case that if this work is also being provided in relation to non-UK operations or for reporting into another jurisdiction that it is, at the same time, work which falls into the scope of section 3 (in the context of that particular user). That would mean that the Member is under a duty to carry out work in a way that complies with ISAP 1 (paragraph 3.2). (It may be that this requirement will be satisfied in any event by her application of the TASs/ APSs.) She will also require however to apply any other Recognised Standards falling within paragraph 3.4.1 and to exercise reasonable judgement in considering whether there are other relevant standards that ought to be applied (paragraph 3.4.3).*

*If the work is to go to a range of different countries, then this might mean that there are a number of Recognised Standards that fall within the scope of paragraph 3.4.1 and/or that there might be a range of other different standards to be considered in terms of the reasonable judgement duty in paragraph 3.4.3.*

*However, there is a degree of flexibility allowed by APS X1, in a number of ways. This includes the provision in paragraph 3.4.5, relating to inconsistent Recognised Standards (which allows the member to exercise reasonable judgement in determining which to apply) and the in-built flexibility in the reasonable judgement requirements applicable to relevant standards in paragraph 3.4.4. The duty to apply Recognised Standards is also presumptive, rather than absolute (it is expressed as 'should', rather than, 'must', as defined in the preamble to the standard). While the expectation is that the Member will comply with this requirement, it is recognised that there will be some circumstances where the Member is able to justify non-compliance.*

#### **4. Contact us**

- 4.1. The content of this guide will be kept under review and for that reason we would be pleased to receive any comments you may wish to offer on it. Any comments should be directed to:

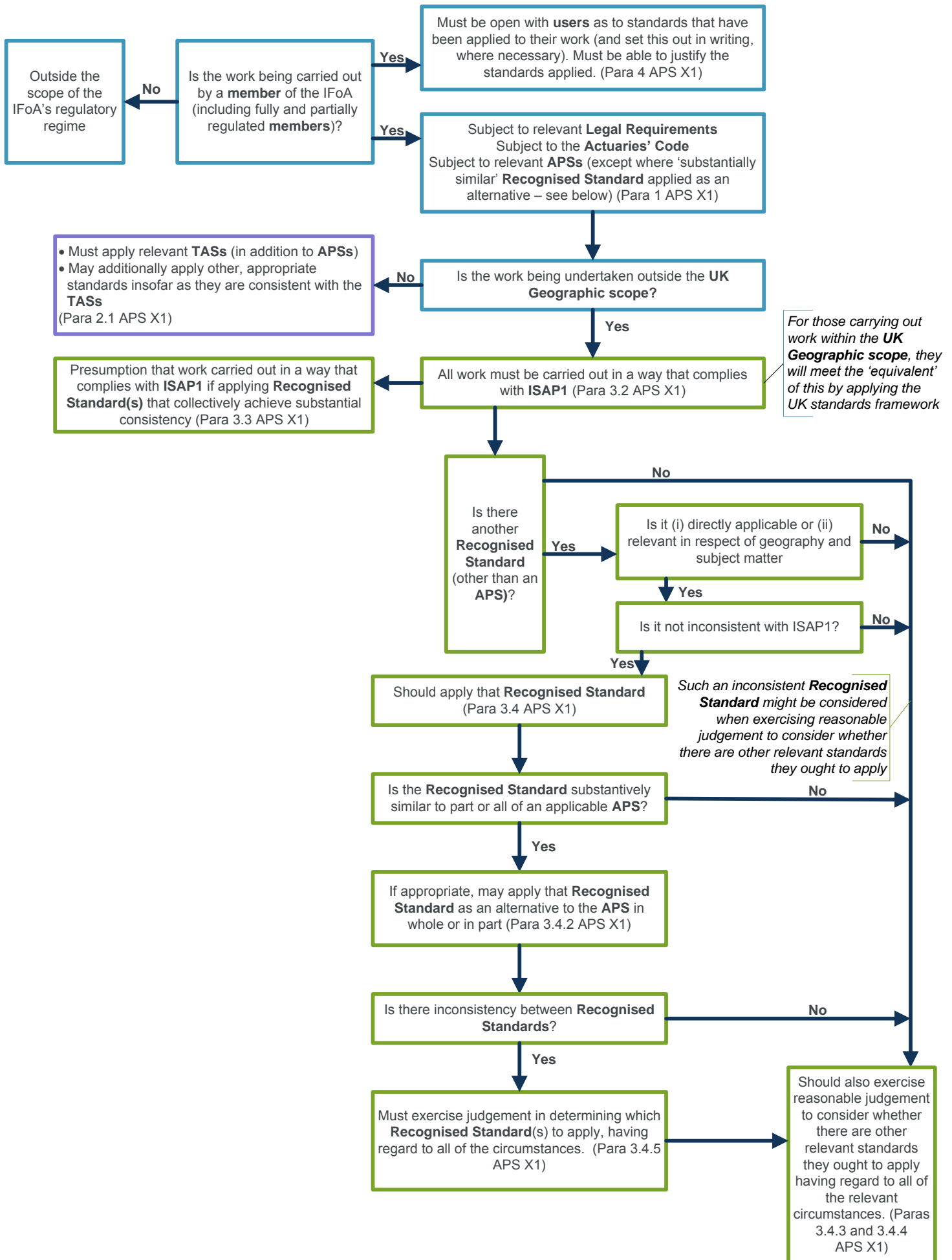
**The Institute and Faculty of Actuaries - General Counsel (Ref: APS X1)**  
**Maclaurin House**  
**18 Dublin Street**  
**Edinburgh, EH1 3PP**

or

[regulation@actuaries.org.uk](mailto:regulation@actuaries.org.uk)



# Which actuarial standards do I have to use?





## APS X1: APPLYING STANDARDS TO ACTUARIAL WORK

<b>Author:</b>	Regulation Board
<b>Status:</b>	<b>Draft</b> (to be approved under the Standards Approval Process)
<b>Version:</b>	1.0, effective from xx
<b>To be reviewed:</b>	No later than xxx
<b>Purpose:</b>	This <b>APS</b> sets out which standards are applicable to actuarial work
<b>Authority:</b>	Institute and Faculty of Actuaries
<b>Target Audience:</b>	All <b>Members</b>

### General Professional Obligations:

All **Members** are reminded of the Status and Purpose preamble to the Actuaries' Code, which states that the Code will be taken into account if a **Member's** conduct is called into question for the purposes of the Institute and Faculty of Actuaries' Disciplinary Scheme. Rule 1.6 of the Disciplinary Scheme states that Misconduct:

“means any conduct by a Member in the course of carrying out professional duties or otherwise, constituting failure by that Member to comply with the standards of behaviour, integrity or professional judgement which other Members or the public might reasonably expect of a Member, having regard to any code, standards, advice, guidance, memorandum or statement on professional conduct, practice or duties which may be given and published by the Institute and Faculty of Actuaries and/ or by the [Financial Reporting Council] (including by the former Board for Actuarial Standards) in terms thereof, and to all other relevant circumstances.”

In the event of any inconsistency between this **APS** and the Actuaries' Code, the Code prevails.

### Use of the words “must” and “should”:

This **APS** uses the word “must” to mean a specific mandatory requirement.

In contrast, this **APS** uses the word “should” to indicate that, while the presumption is that **Members** comply with the provision in question, it is recognised that there will be some circumstances in which **Members** are able to justify non-compliance.

## 1. Actuaries' Code and APSs

- 1.1. Subject to relevant **Legal Requirements**, and section 3, all **Members**, regardless of their geographic location, are subject to:-
  - 1.1.1. the **Actuaries' Code**; and
  - 1.1.2. relevant **APSs**.
- 1.2. Sections 2 and 3 set out additional obligations in relation to the application of standards.

## 2. TASs

- 2.1. **Members** must apply the **TASs** to work which is within both the **TASs'** stated scope and **UK Geographic Scope**. They may additionally apply such other standards as may be appropriate in the circumstances, provided that any such other standards, to the extent applied, are consistent with the **TASs**.

## 3. Work outside UK Geographic Scope

- 3.1. This section applies to the extent that **Members** are undertaking work which is outside **UK Geographic Scope**.
- 3.2. All work to which this section applies should be carried out in a way that complies with **ISAP1**.
- 3.3. **Members** will be deemed to have met the requirements of paragraph 3.2 if they are applying to that work **Recognised Standards** which, when considered collectively, achieve substantial consistency with **ISAP 1**.
- 3.4. In addition to 3.2, the following provisions shall apply:
  - 3.4.1. Where there is a **Recognised Standard** (not being the Actuaries' Code or an **APS**) which:
    - 3.4.1.1. is (i) directly applicable, or (ii) relevant in respect of both geography and subject matter and would be applicable if the **Member** were subject to the jurisdiction of the **Relevant Authority** that imposed the **Recognised Standard**; and
    - 3.4.1.2. is not inconsistent with **ISAP1**,

the **Member** should apply that **Recognised Standard**, including any additional requirements in that **Recognised Standard** which are not contained in **ISAP 1**.
  - 3.4.2. Where the subject matter of a **Recognised Standard** as applied by a **Member** under 3.4.1 is substantively similar to part or all of an applicable **APS** the **Member** may, if appropriate, treat that **Recognised Standard** as being an alternative to the relevant **APS** (or part of the **APS**). To the extent that the **Recognised Standard** is applied as an alternative, the requirement under paragraph 1.1.2 shall not apply.
  - 3.4.3. **Members** should also exercise reasonable judgement to consider whether there are other relevant standards that they ought to apply. In particular, members should give

consideration as to whether it would be appropriate and reasonable to apply other relevant **IAA Standards** or **AAE Standards** and, if so, apply those standards.

**3.4.4.** In exercising reasonable judgement in terms of paragraph 3.4.3, **Members** should have regard to all of the relevant circumstances, including:-

**3.4.4.1.** the context in which, and purpose for which, the work is being provided;

**3.4.4.2.** the scope of any **Recognised Standards** applied under 3.4.1 and whether they cover all aspects of the work in question;

**3.4.4.3.** the requirement of paragraph 3.2; and

**3.4.4.4.** relevant market expectations and norms in the context in question;

subject always to the importance of safeguarding the interests of the **User(s)** and of the public in relation to the work in question.

**3.4.5.** Where there is inconsistency between **Recognised Standards**, **Members** must exercise judgement in determining which **Recognised Standard(s)** to apply, having regard to all of the circumstances, including the considerations set out in paragraph 3.4.4.

#### **4. Communication and justification of the standards applied**

**4.1. Members** must be open with **User(s)** as to the standards which have been applied to their work. If necessary to avoid possible misunderstanding on the part of the **User(s)**, **Members** should set out to the **User(s)**, in writing, the standards that have and/or have not been applied.

**4.2. Members** must be able to justify the standards applied (and/or not applied) to their work, if reasonably called upon to do so.

<b>Term</b>	<b>Definition</b>
APS	Actuarial Profession Standard issued by the Institute and Faculty of Actuaries.
Actuaries' Code	The ethical code for Members issued by the Institute and Faculty of Actuaries.
AEE Standards	Standards approved by the Actuarial Association of Europe as model standards.
IAA	The International Actuarial Association.
IAA Standards	Standards approved by the IAA as model standards including ISAP 1 and any subsequent standards, as may be amended from time to time.
ISAP 1	The first International Standard of Actuarial Practice issued by the IAA.
Legal requirement	A requirement of law or regulation, imposed by a body of lawful jurisdiction and directly enforceable by reason of national or local law.
Member	A member of the Institute and Faculty of Actuaries.
Relevant Authority	A full IAA member organisation or other regulatory entity with equivalent authority to impose standards in relation to actuarial work (for the avoidance of doubt this does not include the IAA or the Actuarial Association of Europe).
Recognised Standard	Professional standard, written practice or guidance, other than a Legal Requirement, issued, given effect to, or otherwise recognised, by a Relevant Authority, and relevant to the professional and/or technical quality of actuarial work.
TAS	Technical Actuarial Standard produced by the Financial Reporting Council along with any formal written accompanying guidance issued by them, for example a Scope and Authority document.
UK Geographic Scope	Refers to work carried out in relation to the UK operations of entities, or in relation to non-UK operations to the extent that they report into the UK within the context of UK legislation or regulation.
User	The person, including a corporate entity, for whom the actuarial work is produced.



# ISAP 1

## International Standard of Actuarial Practice1

### General Actuarial Practice

**Note:** The hyperlinks in the ISAP are linked to the respective definitions in the Glossary. These links will work well if your default browser is Internet Explorer. The links may not work consistently for other browsers. Unless you know your default browser is Internet Explorer, we recommend opening the ISAP and Glossary in separate windows and cross-referencing them.

Approved by the IAA Council

18 November 2012

[Reformatted to move definitions to the Glossary – October 2013]

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## Preface

*[Drafting Notes – When an actuarial standard-setting organization adopts this standard it should:*

- 1. Replace “ISAP” throughout the document with the local standard name;*
- 2. Choose the appropriate phrase and date in paragraph 1.8;*
- 3. Choose the appropriate phrase in sub-paragraph 2.1.2.a;*
- 4. Review for, and resolve, any conflicts with the local [law](#) and code of professional conduct; and*
- 5. Delete this preface (including these drafting notes).]*

**This International Standard of Actuarial Practice (ISAP) is a model for actuarial standard-setting bodies to consider.** The International Actuarial Association ([IAA](#)) encourages relevant actuarial standard-setting bodies to consider taking one of the following courses of action, if it has been determined that this ISAP is relevant for actuaries in their jurisdiction:

- Adopting this ISAP as a standard with appropriate modification, where items covered in this ISAP are not currently contained in existing actuarial standards, or where such portions of existing actuarial standards are to be withdrawn;
- Endorsing this ISAP as a standard as an alternative to existing standards;
- Modifying existing standards to obtain substantial consistency with this ISAP; or
- Confirming that existing standards are already substantially consistent with this ISAP.

Such an adopted standard (rather than this ISAP) applies to those actuaries who are subject to such body’s standards, except as otherwise directed by such body (for example, with respect to cross-border work).

When this ISAP is translated, the adopting body should select three verbs that embody the concepts of “must”, “should”, and “may”, as described in Language, even if such verbs are not the literal translation of “must”, “should”, and “may”.

**This ISAP is not binding upon an [actuary](#) unless the [actuary](#) states that some or all of the work has been performed in compliance with this ISAP.**

This ISAP was adopted by the [IAA](#) Council in November 2012. The reformatted version (to accommodate the separate Glossary) was approved by Council in October 2013.

## Section 1. General

**1.1. Purpose** – This ISAP provides guidance to [actuaries](#) when performing [actuarial services](#) to give [intended users](#) confidence that

- [Actuarial services](#) are carried out professionally and with due care;
- The results are relevant to their needs, are presented clearly and understandably, and are complete; and
- The assumptions and methodology (including, but not limited to, models and modelling techniques) used are disclosed appropriately.

### 1.2. Scope

1.2.1. This ISAP is a general standard. It applies to all [actuarial services](#) performed by an [actuary](#) unless an element of guidance is explicitly superseded by another standard such as a practice-specific standard or by [law](#).

1.2.2. Usually, the intent of a practice-specific standard is to narrow the range of practice considered acceptable under the general standards. In exceptional cases, however, the intent of a practice-specific standard is to define as acceptable a practice which would not be acceptable under the general standards, in which case that intent is specifically noted by words in a practice-specific standard like: “Notwithstanding the general standards, the [actuary](#) should . . .”, followed by a description of the exception.

**1.3. Compliance** – There are situations where an [actuary](#) may deviate from the guidance of this ISAP but still comply with the ISAP:

1.3.1. [Law](#) may impose obligations upon an [actuary](#). Compliance with requirements of [law](#) that conflict with this ISAP is not a deviation from the ISAP.

1.3.2. The actuarial code of professional conduct applicable to the [work](#) may conflict with this ISAP. Compliance with requirements of the code that conflict with this ISAP is not a deviation from the ISAP.

1.3.3. The [actuary](#) may depart from the guidance in this ISAP while still complying with the ISAP if the [actuary](#) provides, in any [report](#), an appropriate statement with respect to the nature, rationale, and effect of any such departure.

**1.4. Applicability** – This ISAP applies to [actuaries](#) when performing [actuarial services](#). An [actuary](#) who is performing these [actuarial services](#) may be acting in one of several capacities such as an employee, management, director, external adviser, auditor, or supervisory authority of the [entity](#).

1.4.1. The application of this ISAP is clear when a single consulting [actuary](#) is performing [actuarial services](#) for a client who is not affiliated with the [actuary](#).

1.4.2. There are at least two general cases which do not meet the criterion stated in 1.4.1:

- a. A team of [actuaries](#) is performing [actuarial services](#); or
  - b. An [actuary](#) is performing [actuarial services](#) for an affiliated party (such as the [actuary](#)'s employer or affiliated entities within a group under common control).
- 1.4.3. When a team is performing [actuarial services](#), most paragraphs of this ISAP apply to every [actuary](#) on the team. However, requirements in some paragraphs need not be met by every [actuary](#) on the team personally (e.g., 2.1.1). In the case of such paragraphs, each [actuary](#) on the team should identify, if relevant to that [actuary](#)'s [work](#), which member of the team is responsible for complying with such requirements and be satisfied that the other team member accepts that responsibility.
- 1.4.4. If an [actuary](#) is performing [actuarial services](#) for an affiliated party the [actuary](#) should interpret this ISAP in the context of practices that apply normally within or in relation to the affiliated party, except that, if there are substantive inconsistencies between these practices and this ISAP, the [actuary](#) should endeavour to observe the spirit and intent of this ISAP as fully as possible.
- a. The [actuary](#) should consider the expectations of the [principal](#). These expectations might suggest that it may be appropriate to omit some of the otherwise required content in the [report](#). However, limiting the content of a [report](#) may not be appropriate if that [report](#) or the findings in that [report](#) may receive broad distribution.
  - b. If the [actuary](#) believes circumstances are such that including certain content in the [report](#) is not necessary or appropriate, the [actuary](#) should be prepared (if challenged by a professional actuarial body with jurisdiction over the [actuarial services](#)) to describe these circumstances and provide the rationale for limiting the content of the [report](#).

**1.5. Reasonable Judgment** – The [actuary](#) should exercise reasonable judgment in applying this ISAP.

- 1.5.1. A judgment is reasonable if it takes into account:
- a. The spirit and intent of the ISAPs;
  - b. The type of assignment; and
  - c. Appropriate constraints on time and resources.
- 1.5.2. Nothing in this standard should be interpreted as requiring work to be performed that is not proportionate to the scope of the decision or the assignment to which it relates and the benefit that [intended users](#) would be expected to obtain from the [work](#).
- 1.5.3. Any judgment required by the ISAP (including implicit judgment) is intended to be the [actuary's professional judgment](#) unless otherwise stated.

## 1.6. Language

- 1.6.1. Some of the language used in all ISAPs is intended to be interpreted in a very specific way in the context of a decision of the [actuary](#). In particular, the following verbs are to be understood to convey the actions or reactions indicated:
- a. “Must” means that the indicated action is mandatory and failure to follow the indicated action will constitute a departure from this ISAP.
  - b. “Should” (or “shall”) means that, under normal circumstances, the [actuary](#) is expected to follow the indicated action, unless to do so would produce a result that would be inappropriate or would potentially mislead the [intended users](#) of the [actuarial services](#). If the indicated action is not followed, the [actuary](#) should disclose that fact and provide the reason for not following the indicated action.
  - c. “May” means that the indicated action is not required, nor even necessarily expected, but in certain circumstances is an appropriate activity, possibly among other alternatives. Note that “might” is not used as a synonym for may, but rather with its normal meaning.
- 1.6.2. This document uses various expressions whose precise meaning is defined in the Glossary. These expressions are highlighted in the text with a dashed underscore and in blue, which is also a hyperlink to the definition (e.g., [actuary](#)).

**1.7. Cross-References** – When this ISAP refers to the content of another document, the reference relates to the referenced document as it is effective on the [adoption date](#) as shown on the cover page of this ISAP. The referenced document may be amended, restated, revoked, or replaced after the [adoption date](#). In such a case, the [actuary](#) should consider the extent the modification is applicable and appropriate to the guidance in this ISAP.

**1.8. Effective Date** – This ISAP is effective for {[actuarial services](#) performed/[actuarial services](#) commenced/[actuarial services](#) performed relevant to an event}<sup>1</sup> on or after [Date].

<sup>1</sup> Phrase to be selected and date to be inserted by standard-setter adopting or endorsing this ISAP.

## Section 2. Appropriate Practices

### 2.1. Acceptance of Assignment

2.1.1. When providing [actuarial services](#), the [actuary](#) should confirm with the [principal](#) the nature and scope of [actuarial services](#) to be provided, including:

- a. The role of the [principal](#);
- b. Any limitations or constraints on the [actuary](#);
- c. Any requirements that the [actuary](#) is required to satisfy;
- d. Identification of the schedule and expected cost or resources needed (especially if they are substantial); and
- e. The information needed to be communicated to and by the [actuary](#), especially if it is sensitive or confidential.

2.1.2. In accepting an assignment for [actuarial services](#), the [actuary](#) shall:

- a. *{If adopting standard-setter has a standard on qualifications}* Be qualified under *[name of standard]* to perform the services, or become qualified before the services are delivered;  
  
*{If adopting standard-setter does not have a standard on qualifications}* Be competent and appropriately experienced to perform the services<sup>2</sup>;
- b. Be satisfied that the assignment can be performed under the applicable code of professional conduct; and
- c. Have reasonable assurance of time, resources, access to relevant employees and other relevant parties, access to documentation and information, and the right of the [actuary](#) to communicate information, as may be necessary for the [work](#).

**2.2. Knowledge of Relevant Circumstances** – The [actuary](#) should have or obtain sufficient knowledge and understanding of the data and information available, including the relevant history, processes, nature of the business operations, [law](#), and business environment of the [entity](#), to be appropriately prepared to perform the [actuarial services](#) required by the assignment.

**2.3. Reliance on Others** – The [actuary](#) may use information prepared by another party such as data, relevant contracts, insurance contract or pension plan provisions, opinions of other professionals, projections, and supporting analyses (but excluding assumptions or methodology). The [actuary](#) may select the party and information on which to rely, or may be

<sup>2</sup>Adopting standard-setter to choose one of these two phrases as appropriate, insert the name of the qualification standard if applicable, and delete material between the {}.

given the information by the [principal](#). The [actuary](#) may take responsibility for such information, or the [actuary](#) may state that reliance has been placed upon the source of this information and disclaim responsibility.

- 2.3.1. If the actuary selects the party on whom to rely, the [actuary](#) should consider the following:
  - a. The other party's qualifications;
  - b. The other party's competence, integrity, and objectivity;
  - c. The other party's awareness of how the information is expected to be used;
  - d. Discussions and correspondence between the [actuary](#) and the other party regarding any facts known to the [actuary](#) that are likely to have a material effect upon the information used; and
  - e. The need to review the other party's supporting documentation.
- 2.3.2. If the [actuary](#) uses information prepared by another party without disclaiming responsibility for that information, the [actuary](#):
  - a. Should determine that the use of that information conforms to [accepted actuarial practice](#) in the jurisdiction(s) of the [actuary](#)'s services;
  - b. Should establish appropriate procedures for the management and review of the information that the [actuary](#) intends to use; and
  - c. Does not need to disclose the source of the information.
- 2.3.3. If the [actuary](#) states reliance on the information prepared by another party and disclaims responsibility for it, the [actuary](#) should:
  - a. Disclose that fact (including identifying the other party) in any [report](#) or other appropriate [communication](#);
  - b. Disclose the nature and extent of such reliance;
  - c. Examine the information for evident shortcomings;
  - d. When practicable, review the information for reasonableness and consistency; and
  - e. Report the steps, if any, that the [actuary](#) took to determine whether it was appropriate to rely on the information.
- 2.3.4. If the information was prepared by the other party under a different jurisdiction, the [actuary](#) should consider any differences in the [law](#) or [accepted actuarial practice](#) between the two jurisdictions and how that might affect the [actuary](#)'s use of the information.

**2.4. Materiality** – In case of omissions, understatements, or overstatements, the [actuary](#) should assess whether or not the effect is material. The threshold of materiality under which the [work](#) is being conducted should be determined by the [actuary](#) unless it is imposed by another party such as an auditor or the [principal](#). When determining the threshold of materiality, the [actuary](#) should:

- 2.4.1. Assess materiality from the point of view of the [intended user](#)(s), recognizing the purpose of the [actuarial services](#); thus, an omission, understatement, or overstatement is material if the [actuary](#) expects it to affect significantly either the [intended user](#)'s decision-making or the [intended user](#)'s reasonable expectations;
- 2.4.2. Consider the [actuarial services](#) and the [entity](#) that is the subject of those [actuarial services](#); and
- 2.4.3. Consult with the [principal](#) if necessary.

## 2.5. Data Quality

- 2.5.1. Sufficient and Reliable Data - The [actuary](#) should consider whether sufficient and reliable data are available to perform the [actuarial services](#). Data are sufficient if they include the appropriate information for the [work](#). Data are reliable if that information is materially accurate.
- 2.5.2. Validation - The [actuary](#) should take reasonable steps to review the consistency, completeness, and accuracy of the data used. These might include:
  - a. Undertaking reconciliations against audited financial statements, trial balances, or other relevant records, if these are available;
  - b. Testing the data for reasonableness against external or independent data;
  - c. Testing the data for internal consistency; and
  - d. Comparing the data to that for a prior period or periods.

The [actuary](#) should describe this review in the [report](#).

- 2.5.3. Sources of Data for Entity-Specific Assumptions - To the extent possible and appropriate when setting entity-specific assumptions, the [actuary](#) should consider using data specific to the [entity](#) for which the assumptions are being made. Where such data are not available, relevant, or credible, the [actuary](#) should consider industry data, data from other comparable sources, population data, or other published data, adjusted as appropriate. The data used, and the adjustments made, should be described in the [report](#).
- 2.5.4. Data Deficiencies - The [actuary](#) should consider the possible effect of any data deficiencies (such as inadequacy, inconsistency, incompleteness, inaccuracy, and unreasonableness) on the results of the [work](#). If such deficiencies in the data are not likely to materially affect the results, then the deficiencies need not be considered

further. If the [actuary](#) cannot find a satisfactory way to resolve the deficiencies, then the [actuary](#) should consider whether to:

- a. Decline to undertake or continue to perform the [actuarial services](#);
- b. Work with the [principal](#) to modify the [actuarial services](#) or obtain appropriate additional data; or
- c. Subject to compliance with the [actuary's](#) code of professional conduct, perform the [actuarial services](#) as well as possible and disclose the data deficiencies in the [report](#) (including an indication of the potential impact of those data deficiencies).

## 2.6. Assumptions and Methodology

2.6.1. The assumptions and methodology may be

- a. Set by the [actuary](#) (2.7);
- b. Prescribed by the [principal](#) or another party (2.8); or
- c. Mandated by [law](#) (2.9).

2.6.2. Where the [report](#) is silent about who set an assumption or methodology, the [actuary](#) who authored the [report](#) will be assumed to have taken responsibility for such assumption or methodology.

**2.7. Assumptions and Methodology Set by Actuary** – Where the [actuary](#) sets the assumptions and methodology, or the [principal](#) or another party sets an assumption or methodology that the [actuary](#) is willing to support:

2.7.1. Selection of Assumptions and Methodology - The [actuary](#) should select the assumptions and methodology that are appropriate for the [work](#). The [actuary](#) should consider the needs of the [intended users](#) and the purpose of the [actuarial services](#). In selecting assumptions and methodology, the [actuary](#) should consider the circumstances of the [entity](#) and the assignment, as well as relevant industry and professional practices. The [actuary](#) should consider to what extent it is appropriate to adjust assumptions or methodology to compensate for known deficiencies in the available data.

2.7.2. Appropriateness of Assumptions - The [actuary](#) should consider the appropriateness of the assumptions underlying each component of the methodology used. Assumptions generally involve significant [professional judgment](#) as to the appropriateness of the methodology used and the parameters underlying the application of such methodology. Assumptions may (if permitted in the circumstances) be implicit or explicit and may involve interpreting past data or projecting future trends. The [actuary](#) should consider to what extent it is appropriate to use assumptions that have a known significant bias to underestimation or overestimation of the result.



- 2.7.3. Margins for Adverse Deviations - In cases where unbiased calculations are not required, the [actuary](#) should consider to what extent it is appropriate to adjust the assumptions or methodology with margins for adverse deviations in order to allow for uncertainty in the underlying data, assumptions, or methodology. The [actuary](#) should disclose any incorporation of margins for adverse deviations in assumptions or methodology.
- 2.7.4. Discontinuities - The [actuary](#) should consider the effect of any discontinuities in experience on assumptions or methodology. Discontinuities could result from:
- a. Internal circumstances regarding the [entity](#) such as changes in an insurer's claims processing or changes in the mix of business; or
  - b. External circumstances impacting the [entity](#) such as changes in the legal, economic, legislative, regulatory, supervisory, demographic, technological, and social environments.
- 2.7.5. Individual Assumptions and Aggregate Assumptions - The [actuary](#) should assess whether an assumption set is reasonable in the aggregate. While assumptions might be justifiable individually, it is possible that prudence or optimism in multiple assumptions will result in an aggregate assumption set that is no longer valid. If not valid, the [actuary](#) should make appropriate adjustments to achieve a reasonable assumption set and final result.
- 2.7.6. Internal Consistency of Assumptions - The [actuary](#) should determine if the assumptions used for different components of the [work](#) are materially consistent, and that any significant interdependencies are modelled appropriately. The [actuary](#) should disclose any material inconsistency in the [report](#).
- 2.7.7. Alternative Assumptions and Sensitivity Testing - The [actuary](#) should consider and address the sensitivity of the methodology to the effect of variations in key assumptions, when appropriate. In determining whether sensitivity has been appropriately addressed, the [actuary](#) should take into account the purpose of the [actuarial services](#) and whether the results of the sensitivity tests reflect a reasonable range of variation in the key assumptions, consistent with that purpose.

**2.8. Assumptions and Methodology Prescribed** – Where the assumptions or methodology are prescribed by the [principal](#) or another party:

- 2.8.1. If the [actuary](#) is willing to support the prescribed assumption or methodology (following paragraph 2.7 as applicable), the [actuary](#) may disclose the party who prescribed the assumption or methodology and the [actuary](#)'s support.
- 2.8.2. If the [actuary](#) is unwilling to support the prescribed assumption or methodology because:
- a. It significantly conflicts with what would be appropriate for the purpose of the [actuarial services](#), the [actuary](#) should disclose in the [report](#) that fact, the party who prescribed the assumption or methodology, and the reason why this party, rather than the [actuary](#), set the assumption or methodology; or

- b. The [actuary](#) has been unable to judge the appropriateness of the prescribed assumption or methodology without performing a substantial amount of additional work beyond the scope of the assignment, or the [actuary](#) was not qualified to judge the appropriateness of the assumption, the [actuary](#) should disclose in the [report](#) that fact, the party who prescribed the assumption or methodology, and the reason why this party, rather than the [actuary](#), set the assumption or methodology.

2.8.3. When the [principal](#) requests an additional calculation using an assumption set which the [actuary](#) does not judge to be reasonable for the purpose of the [actuarial services](#), the [actuary](#) may provide the [principal](#) with the results based on such assumptions. If those results are communicated to any party other than the [principal](#), the [actuary](#) should disclose the source of those assumptions and the [actuary](#)'s opinion of their appropriateness.

**2.9. Assumptions and Methodology Mandated by Law** – When an assumption or methodology is mandated by [law](#), the [actuary](#) should disclose in the [report](#) that the assumption or methodology was mandated by [law](#) and that the [report](#) should not be used for other purposes where the assumptions and methodology used are not appropriate (unless appropriately adjusted).

## 2.10. Process Management

2.10.1. [Process Controls](#) - The [actuary](#) should consider to what extent, if any, the procedures used to carry out the [work](#) should be controlled, and if so, how.

2.10.2. [Reasonableness Checks](#) - The [actuary](#) should review the results produced by the selected assumptions and methodology for overall reasonableness.

**2.11. Peer Review** – The [actuary](#) should consider to what extent, if at all, it is appropriate for the [report](#) to be independently reviewed, in totality or by component, before the final [report](#) is delivered to the [principal](#) or distributed to the [intended users](#). The purpose of peer review is to ensure the quality of the [report](#), with the process tailored to the complexity of the [work](#) and the specific environment in which the [actuary](#) works. If a peer review is deemed to be appropriate:

2.11.1. The [actuary](#) should select a reviewer who is independent of involvement with the specific component(s) reviewed and is knowledgeable and experienced in the practice area of the [actuarial services](#).

2.11.2. If the reviewer is an [actuary](#), the reviewer should comply with the guidance of this ISAP, as applicable, in performing the review.

**2.12. Treatment of Subsequent Events** – The [actuary](#) should consider any [subsequent event](#) that has the potential of materially changing the results of the [actuarial services](#) if the event had been reflected in the [work](#) and disclose such an event in the [actuary](#)'s [communication](#).

## 2.13. Retention of Documentation

2.13.1. The [actuary](#) should retain, for a reasonable period of time, sufficient documentation for purposes such as:

- a. Peer review, regulatory review, and audit;
  - b. Compliance with [law](#); and
  - c. Assumption of any recurring assignment by another [actuary](#).
- 2.13.2. Documentation is sufficient when it contains enough detail for another [actuary](#) qualified in the same practice area to understand the [work](#) and assess the judgments made.
- 2.13.3. Nothing in this ISAP is intended to give any person access to material beyond the access that they are already authorized to have.

### Section 3. Communication

- 3.1. General Principles** – Any [communication](#) should be appropriate to the particular circumstances and take the skills, understanding, levels of relevant technical expertise, and needs of the [intended user](#) into consideration to allow the [intended user](#) to understand the implications of the [actuary](#)'s [communication](#).
- 3.1.1. **Form and Content** - The [actuary](#) should determine the form, structure, style, level of detail, and content of each [communication](#) to be appropriate to the particular circumstances, taking into account the [intended users](#).
- 3.1.2. **Clarity** - The [actuary](#) should word each [communication](#) to be clear and use language appropriate to the particular circumstances, taking into account the [intended users](#).
- 3.1.3. **Timing of Communication** - The [actuary](#) should issue each [communication](#) within a reasonable time period. The timing of the [communication](#) should reflect any arrangements that have been made with the [principal](#). The [actuary](#) should consider the needs of the [intended users](#) in setting the timing.
- 3.1.4. **Identification of the Actuary** - A [communication](#) shall clearly identify the issuing [actuary](#). When two or more individuals jointly issue a [communication](#), at least some of which is actuarial in nature, the [communication](#) shall identify all responsible [actuaries](#), unless the [actuaries](#) judge it inappropriate to do so. The name of an organization with which each [actuary](#) is affiliated also may be included in the [communication](#), but the [actuary](#)'s responsibilities are not affected by such identification. Unless the [actuary](#) judges it inappropriate, any [communication](#) shall also indicate to what extent and how supplementary information and explanation can be obtained from the [actuary](#) or another party.
- 3.2. Report** – The [actuary](#) should complete a [report](#) unless any [intended users](#) will otherwise be adequately informed about the results of [actuarial services](#) (including access to the supporting information which is necessary to understand these results). The [actuary](#) should present all information with sufficient detail that another [actuary](#) qualified in the same practice area could make an objective appraisal of the reasonableness of the [actuary](#)'s [work](#).
- 3.2.1. **Content** - In the [report](#), the [actuary](#) should include, if applicable:
- The scope and intended use of the [report](#);
  - The results of [actuarial services](#), including the potential variability of these results;
  - The methodology, assumptions, and data used;
  - Any restrictions on distribution;
  - The date of the [report](#); and
  - Information on the authorship of the [report](#).
- 3.2.2. **Disclosures** - In the [report](#), the [actuary](#) issuing the [report](#) should disclose, if applicable:

- a. Any material deviation from the guidance in this ISAP (1.3);
- b. Any reliance on information prepared by another party for which the [actuary](#) disclaims responsibility (2.3.3);
- c. Any data modification, validation and deficiencies (2.5);
- d. The [actuary](#)'s assessment of the uncertainty inherent in the information used by the [actuary](#) (2.5.4.c);
- e. Any material inconsistency in the assumptions used (2.7.6);
- f. Where the [report](#) contains the results of an additional calculation using an assumption set requested by the [principal](#) which the [actuary](#) does not judge to be reasonable for the purpose of the assignment (2.8.3);
- g. Assumptions and methodology that have been prescribed by another party (2.8);
- h. Assumptions and methodology that are mandated by [law](#) (2.9); and
- i. Any material [subsequent event](#) (2.12).

3.2.3. Authorship - The [actuary](#) issuing the [report](#) should include in the [report](#):

- a. The [actuary](#)'s name;
- b. If applicable, the name of the organization on whose behalf the [actuary](#) is issuing the [report](#), and the [actuary](#)'s position held;
- c. The capacity in which the [actuary](#) serves;
- d. The [actuary](#)'s qualifications;
- e. The code of professional conduct and actuarial standards under which the [work](#) was performed, if there is any possible ambiguity; and
- f. If applicable, attestations and reliances.

3.2.4. Form - A [report](#) may comprise one or several document(s) that may exist in several different formats. Where a [report](#) comprises multiple documents, the [actuary](#) should communicate to all [intended users](#) which documents comprise the [report](#). The [actuary](#) should ensure that [report](#) components (especially those in electronic media) are such that they can be reliably reproduced for a reasonable period of time.

3.2.5. Constraints - The content of a [report](#) may be constrained by circumstances such as legal, legislative, regulatory, or supervisory proceedings. Constraints could also include other standards such as financial reporting standards or an [entity](#)'s accounting policy. The [actuary](#) should follow the guidance of this ISAP to the extent reasonably possible within such constraints.