



Institute
and Faculty
of Actuaries

Ethical and technical requirements for actuaries – challenges and future direction

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On the agenda...

- Overview of the current system
- IFoA's ethical and technical requirements
- Role of the Financial Reporting Council (FRC) in UK standards
- The TASs
- Geographic issues
- Summary of current principles and approach to standards
- Challenges and future direction - DISCUSSION
- Questions and comments
- Background reading:
 - IFoA Actuarial Profession Standards
 - FRC Technical Actuarial Standards



IFoA's ethical and technical requirements



The IFoA sets an ethical code of conduct, professional standards and related non-mandatory guidance



Parts of IFoA Regulatory Toolkit (with risk alerts, professional skills content, thematic reviews)



The Actuaries' Code

- Applicable to all IFoA members, wherever based
- High-level principles



Actuarial Profession Standards (APSSs)

- Mandatory requirements that build on the Code principles
- Where something more specific is required
- Some UK only, some non-UK only, some all members



Non Mandatory guidance

So why do we have APSs?

Protects the reputation of the profession and its Members as well as the public/users

Encourages an innovative and commercially aware profession

Promotes quality actuarial work and professional behaviour – serves the public interest

Demonstrates to the outside world the high level of standards to which IFoA members work

Allows for more detail than is appropriate for the Code

Supports Members with achieving quality work and high ethical standards

Allows the IFoA to provide more targeted requirements



Current APSs

General and Cross Practice

APS X1	Applying Standards to Actuarial Work Sets out how to determine which standards are applicable to actuarial work.
APS X2	Review of Actuarial Work Sets out the responsibilities of all members in relation to work review.
APS X3	The Actuary as an Expert in Legal Proceedings Sets out principles for actuaries to apply when instructed as an expert in relation to existing or contemplated legal proceedings.
APS X4	Social Security Programmes Adopts the terms of model standard ISAP 2 for members producing actuarial work outside the UK Geographic Scope. ISAP 2 sets standards for members to apply whilst performing financial analyses of social security programmes, or reviewing, advising on, or opining on such analyses.
APS Z1	Duties and Responsibilities for Actuaries Working for UK-Trust Based Pre-Paid Funeral Plans Sets out requirements for members carrying out various work in respect of funeral plans and associated funeral plan trusts.
APS X5	Compensation for Professional Shortcomings Sets out requirements for members that are Principals in organisations that provide actuarial work to external clients, to have in place measures relating to compensation of clients, or alternative arrangements relating to liability, for loss caused by professional shortcomings relating to that actuarial work.
APS QA1	Quality Assurance for Organisations Promotes the application by organisations of effective quality controls, to assure high quality in relation to actuarial work. Intended for use by QAS accredited organisations.

Current APSs

Practice Area Specific

General Insurance	APS G1	<p>The Chief Actuary in Non-Life Insurance</p> <p>Sets out the requirements for members carrying out the statutory role of Chief Actuary for UK authorised general insurance companies and Lloyd's syndicates and the relationship between them and the members who support those role holders.</p>
	APS G2	<p>Actuarial Reporting for Lloyd's Syndicates Writing US Business</p> <p>Gives guidance to any member providing a Solvency Statement of Actuarial Opinion (SAO) or a Trust Fund SAO as required by the International Insurers Department.</p>
Life	APS L1	<p>Duties and Responsibilities of Life Assurance Actuaries</p> <p>Sets out the requirements for members carrying out the roles of: Chief Actuary for long-term business in a Solvency II firm; Small Insurer Chief Actuary; With-Profits Actuary; or Appropriate Actuary for non-Solvency II firms.</p>
	APS L2	<p>FSMA 2000 (Communications by Actuaries) Regulations 2003</p> <p>Provides assistance to an actuary who is thinking about communicating matters of which they become aware to the FCA or PRA in accordance with the Financial Services and Markets Act 2000 (Communications by Actuaries) Regulations 2003 and the relevant parts of the FCA and PRA handbooks.</p>
Pensions	APS P1	<p>Duties and Responsibilities of Members Undertaking Work in relation to Pension Schemes)</p> <p>Sets out specific ethical requirements that apply to certain members of the IFoA operating in the pensions area of practice.</p>
Finance and Investment	APS D1	<p>Investment Related Business Activities for Authorised Professional Firms</p> <p>Sets out the requirements for Actuarial Authorised Professional Firms (APFs) who wish to make use of any of the FCA's APF Exemptions.</p>

Financial Reporting Council (FRC) role in standards



Role since 2005 (following Morris review)



Under voluntary MoU with IFoA

Sets UK Technical Actuarial Standards (TASs)

Oversight of IFoA regulation

Operates an Actuarial Discipline Scheme for cases of particular public interest importance



TASs apply to work carried out by IFoA Members by virtue of IFoA requirements (APS X1 and misconduct definition)



Non-IFoA members carrying out UK actuarial work are not required to comply with TASs (may do so voluntarily)

Technical Actuarial Standards (TASs)

- ✓ Set by the FRC's Actuarial Regulation team
- ✓ TAS 100 has general application – applies to all IFoA members carrying out technical actuarial work within UK Geographic Scope.
- ✓ Specific TASs apply to specific work:
 - TAS 200 Insurance
 - TAS 300 Pensions
 - TAS 310 Collective Money Purchase Pensions
 - TAS 400 Funeral Plan Trusts
- ✓ The FRC have previously published one Actuarial Statement of Recommended Practice (ASORP) and in 2022 published a range of Technical Actuarial Guidance
- ✓ There is a Framework document to be read along with the TASs, which sets out the FRC's **reliability objective**

Technical Actuarial Standards (TASs)

TAS 100 was introduced in 2017 along with a revised suite of specific TASs

Prior to that, there were Specific TASs and Generic TASs, with the latter only applying to work within scope of the Specific TASs

The previous Specific TASs related to work carried out by reserved role holders in insurance and pensions

The Generic TASs were removed and replaced by the TAS 100

The TAS 100 also introduced a definition of **Technical Actuarial Work**

- Work performed for the intended user: (i) where the use of principles and/or techniques of actuarial science is central to the work and which involves the exercise of judgement; or (ii) which the intended user could reasonably regard as technical actuarial work by of the manner of its communication.”

Concerns were raised by IFoA members in wider areas of practice at the time of introduction of TAS 100 in relation to the extension of TAS 100 requirements to their work when it would not apply to others carrying out the same work (as this was not work reserved to IFoA members)

Issue of possible regulatory arbitrage as a result of TAS 100 requirements

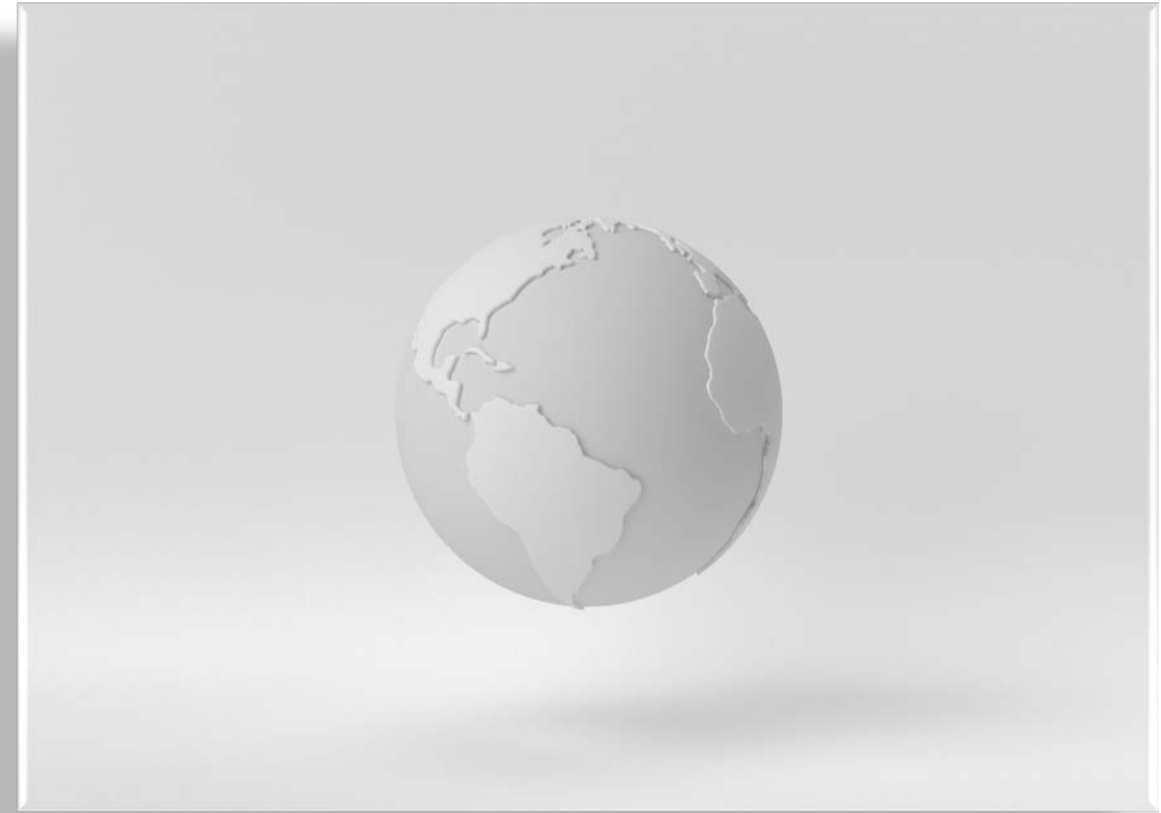
Geographic scope



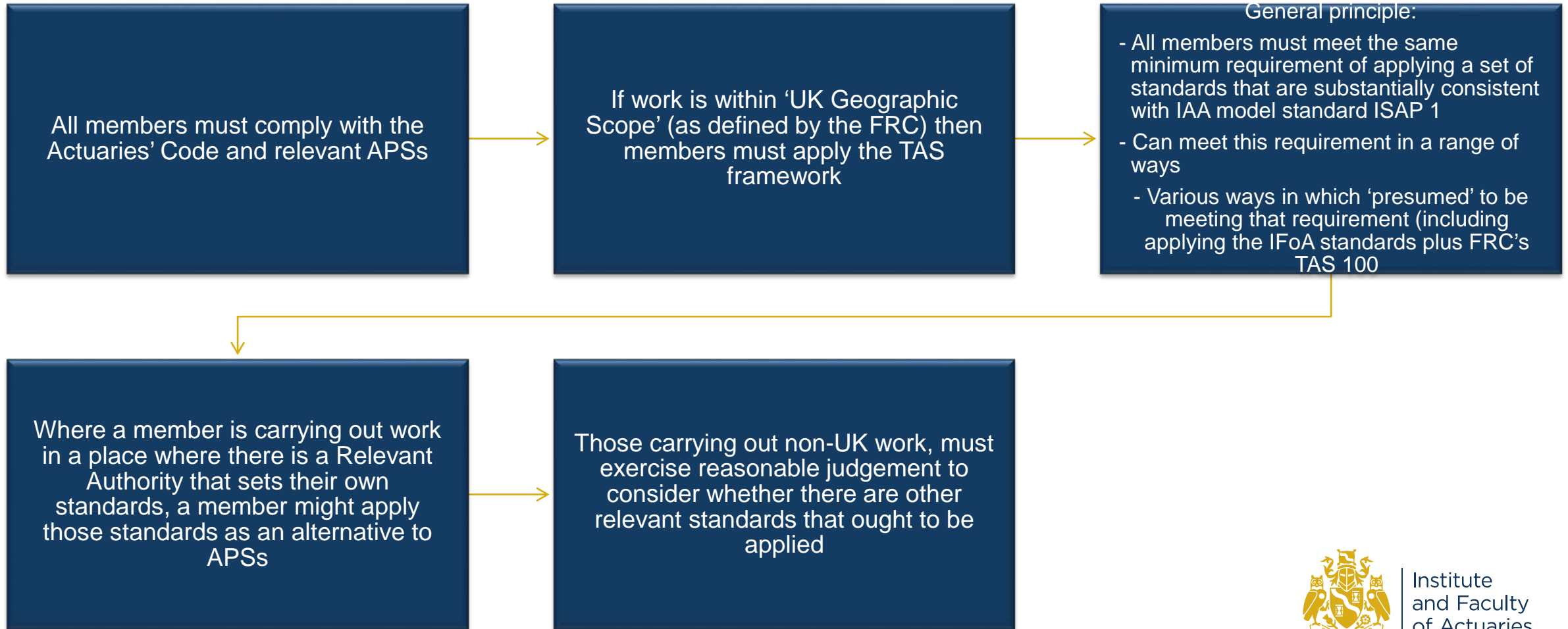
Standard	Title	Scope
APS X1	Applying Standards to Actuarial Work	Global
APS D1	Investment Related Business Activities for Authorised Professional Firms	UK
APS X2	Review of Actuarial Work	Global
APS X3	The Actuary as an Expert in Legal Proceedings	Global
APS G1	The Chief Actuary in Non-Life Insurance	UK
APS X4	Social Security Programmes	Non-UK
APS X5	Compensation for Professional Short Comings	Global
APS G2	Actuarial Reporting for Lloyd's Syndicates Writing US Business	UK/US
APS L2	FSMA 2000 (Communications by Actuaries) Regulations 2003	UK
APS QA1	Quality Assurance for Organisations	Global
APS P1	Duties and Responsibilities of Members Undertaking Work in relation to Pension Schemes)	UK
APS Z1	Duties and Responsibilities for Actuaries Working for UK-Trust Based Pre-Paid Funeral Plans	UK
APS L1	Duties and Responsibilities of Life Assurance Actuaries	UK

Geographic scope

- ❑ FRC TASs apply to work within **UK geographic scope**
- ❑ Defined in TAS Framework as: *“Work done in relation to the UK operations of entities, as well as to any overseas operations which report into the UK, within the context of UK law or regulation (regardless of the location or domicile of the person carrying out the work).”*
- ❑ Different geographic scope definition for FRC Actuarial Disciplinary Scheme
- ❑ Some questions raised in the past around meaning e.g. British Overseas Territories; complex Group reporting structures
- ❑ The IFoA’s APS X1 sets out how members should approach application of standards geographically, for example when there are competing sets of standards that might apply



APS X1



IAA and AAE model standards

International Actuarial Association (IAA)	Actuarial Association of Europe (AAE)
Sets International Standards of Actuarial Practice (ISAPs)	Sets European Standards of Actuarial Practice (ESAPs)
Model standard ISAP 1	Model standard ESAP 1 almost entirely replicates ISAP 1
The framework of standards under APS X2, APS X1 and the FRC's TAS 100 is substantially consistent with ISAP 1	See <u>AAE European Standards of Actuarial Practice</u>
See <u>IAA International Standards of Actuarial Practice</u>	

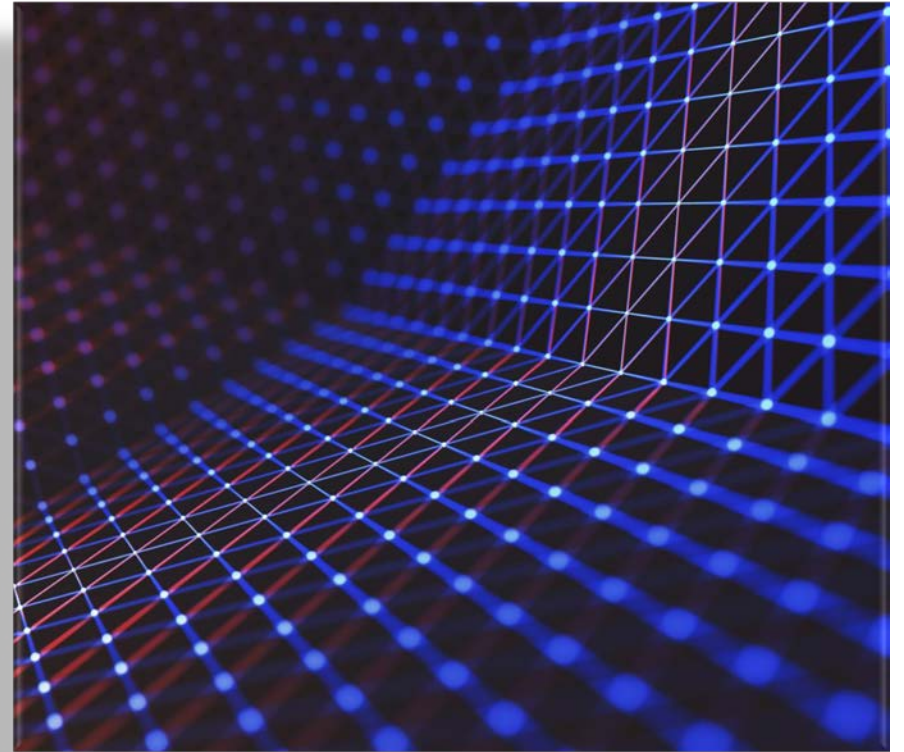
Summary – Current principles and approach

Proportionate regulation	Facilitate innovation	Steer away from process-focused and 'tick-box' models	Only introduce where a demonstrable need, in the public interest	Support the development of appropriate model standards by IAA and AAE
Avoid duplication between practice areas	Enforceable	Clear and consistent drafting	Keep standards and non-mandatory guidance distinct	Consultations
Aim for future-proof	Clearly state expectations of members	Provide sufficient information about expected outcomes	Articulate principles which have cross-practice relevance	Fair to members, users and public
	Periodic reviews	Post-implementation reviews	Prefer principles over detailed rules	



Challenges and future direction - discussion

- ❑ Review of Actuarial Regulation by UK government
 - ❑ Likely to change these arrangements
 - ❑ Opportunity to influence and address issues
 - ❑ Standards are a key aspect of IFoA submissions
- ❑ Is the IFoA's standards setting approach/process still appropriate
- ❑ IFoA's global membership and relationships with global actuarial community
 - ❑ Need to change approach to specific APSs to recognise increasing non-UK membership?
 - ❑ Is APS X1 approach still fit for purpose?
 - ❑ Should there be any change to how the Board interacts with ESAPs and ISAPs (recognising these are mostly technical in nature)?
 - ❑ Increasing approaches from smaller global actuarial communities for support with standards setting



Questions

Comments



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