

Protocol for Information and Assistance Notes

Purpose

Information and Assistance Notes (IANs) are intended to provide helpful material on particular matters in an accessible form for all members including those who may not have any specialised knowledge in the relevant area.

Author

Professional Affairs Board

Status

Approved by FIMC November 2006

Version

1.0

Effective from

1 January 2007

1. While Information and Assistance Notes (IANs) are included within a section of the Professional Standards Directory they should not be regarded as an Actuarial Profession Standard (AP Standard) as defined by the Professional Conduct Standards. As such it is not mandatory for members to follow any information and assistance published in an IAN. Members remain free to obtain and follow alternative advice from other sources. However members must be reminded that they must always comply with the Professional Conduct Standards.

Before drafting an IAN, the relevant Committee/Board should consider whether the subject falls within, or impinges upon, an area in which the Board for Actuarial Standards (BAS) has a standard setting remit or whether the subject matter would more appropriately be dealt with by way of an AP standard. If the relevant Committee/Board considers that it may fall within an area for which BAS has a standard setting remit then it should consult with BAS and agree how the matter is to be taken forward. Where it is a subject matter for which the Actuarial Profession is responsible then the relevant Committee/Board must notify FIMC, BAS and the Professional Oversight Board (POB) of its intention to draft an IAN.

2. Each IAN should indicate:
 - 2.1 The owner (e.g. Pensions Standards and Practice Committee, Professional Guidance Committee)
 - 2.2 The date of issue
 - 2.3 The target audience
 - 2.4 The purpose and application
 - 2.5 The latest date by which it will be reviewed
3. Each IAN should be reviewed (or withdrawn) no later than three years after it was last issued to ensure that it is still relevant and/or correct applying the full protocol as set out in this document.

4. Before any assistance or information is published in the name of the Actuarial Profession, steps should be taken by the drafting Committee/Board to ensure that:
 - 4.1 The facts contained within the IAN are correct;
 - 4.2 The opinions contained within the IAN are both reasonable and balanced;
 - 4.3 If the IAN relies on external expertise such as legal advice, the content has been written by an appropriate expert or else vetted by one. Such advice should be disclosed in the IAN;
 - 4.4 The IAN is not unduly controversial and the content should be balanced. If the topic of the IAN attracts conflicting views, the IAN should provide a balanced digest of the material views on the subject; and
 - 4.5 Statements made within an IAN should be clear, unambiguous and to the extent possible should be capable of being understood by non-actuaries. The criteria for the Production and Preparation of an AP Standard, including the guide to the structure and format, should be applied when drafting an IAN, but modified to have regard to the non-binding and balanced nature of an IAN. The criteria are attached as Appendix A to this protocol. Attached as Appendix B is a template for an IAN, which should be adopted.
5. Thereafter the IAN should be passed to the Professional Affairs Board who will ensure that the process has been complied with. At the same time comments should be invited from BAS and POB.
6. Once the IAN has been cleared by, or on behalf of, the Professional Affairs Board and comments, if any, received from BAS and/or POB, the relevant Board should notify FIMC of the intention to publish the IAN and send copies of all comments from BAS and/or POB indicating how it has taken account of them. This may be done by correspondence or e mail if there is not an imminent meeting of FIMC. FIMC shall determine whether or not to review an IAN, and, if it elects to review may require the relevant Board to modify or withdraw the proposed IAN. FIMC shall not modify an IAN of its own initiative.
7. Once FIMC has allowed an IAN to proceed, whether after review or by determining not to do so then BAS and POB must be notified that the IAN is about to be published. The IAN will be published on the website, not less than 14 days after intimation to BAS and POB, by the Executive and members* will be notified electronically of its publication.
8. Any comments from members should be drawn to the attention of the Secretary to the relevant Board without delay, and in any case shall be taken into account at the date of the next review. This requirement does not prevent the authoring Board or Committee seeking views more widely prior to original publication, nor to their reviewing the IAN at an earlier date in the light of comments received.

For the purposes of this Due Process member is defined as all Fellows, Associates, Affiliates and Students of the Institute of Actuaries and Faculty of Actuaries.

Appendix A

CRITERIA FOR THE PRODUCTION AND PREPARATION OF AN AP STANDARD

C1 Purpose of the criteria

C1.1 To enable the promulgation of *AP standards* of the highest quality, for the protection of the public and for assisting *Members'* understanding of their responsibilities.

C2 Application of the criteria

C2.1 These criteria are directed to those responsible in the *Actuarial Profession* for the drafting and approval of *AP Standards*. They should, in carrying out their tasks, follow these criteria.

C2.2 An *AP Standard* must comply with the requirements of paragraph C4 and should, where relevant, comply with the requirements of paragraphs C5-7 and, where it is a technical *AP Standard*, C10 below. Some criteria may not apply to every *AP Standard*. Where any criterion is not followed, the reason must be made clear, in accordance with a policy of 'comply or explain', when the *AP Standard* is put forward to *FIMC* for approval.

C2.3 A Minor amendment to an *AP Standard* is excluded from compliance with the criteria, except in respect of paragraph 4.2.

C3 Matters which must be decided before an *AP Standard* is created or revised

C3.1 Whether there is a sufficiently strong case for the creation of a new *AP Standard* or the revision of an existing one, taking into account the impact on and costs for all those involved, including costs falling on the *Actuarial Profession* of producing and updating the *AP Standard*.

C3.2 Whether any identified conflicts of interest, both actual and potential, are capable of being reconciled in the *AP Standard*, given its purpose as defined in accordance with paragraph C1.1 above.

C4 Mandatory requirements: an *AP Standard*

C4.1 Must be consistent with the *PCS*.

C4.2 Must include an opening statement of purpose and application. The statement must be written in language intended to be comprehensible to the *Actuarial Profession* and public alike.

C5 Clarity: an *AP Standard*

- C5.1 Should state to whom the *Member* is accountable
- C5.2 Should be unambiguous and consistent in terminology, and comprehensible to *Members* who are directly affected; and be comprehensible to others, when referring to matters that directly affect them.
- C 5.3 Should specify any legal and regulatory authority that underlies the *AP Standard*.

C6 Consistency: an AP Standard

- C6.1 Should be consistent with other *AP Standards*.
- C6.2 Should, wherever practical, seek to ensure that two *Members* acting in good faith and working with the same set of conditions produce outcomes that do not differ substantially. It is accepted that some *AP Standards* cover areas where considerable variability can be expected arising from factors which are, to a large extent, bespoke to the individual circumstances of the relevant work. In those cases an *AP Standard* should still seek to reduce the potential variability of outcome, but it is recognised that substantial differences in outcome may remain, reflecting the reasonable exercise of professional judgement about uncertain outcomes.
- C6.3 Should conform to the prescribed practice for the structure and format for an *AP Standard* as set out **Schedule 1** of this Appendix.

C7 Practicality: an AP Standard

- C7.1 Should represent current good practice.
- C7.2 Should be capable of being implemented by a fully trained actuary who has an up to date knowledge of the relevant practice area.
- C7.3 Should be as simple as is practicable.
- C7.4 Should not be so rigid that it prevents the continuing development of actuarial methodology.
- C7.5 Should have been subject to testing in a range of realistic situations prior to approval being sought from *FIMC*.

C8 Peer review: an AP Standard

- C8.1 Should indicate any requirements for the peer review of compliance with the standard.

C9 A process should be followed to ensure that, when presenting an AP Standard to FIMC for approval, the Board responsible for drafting has:

- C9.1 Provided a clear rationale of the principles for the *AP Standard* (or amendment of the *AP Standard*) together with any other options that were considered and the reasons for their rejection.
- C9.2 Undertaken an audit of the standard against the criteria for an *AP Standard* so as to give reasons to *FIMC* where required (see C2.2).
- C9.3 Received legal clearance for the proposed *AP Standard* from legal advisers.
- C9.4 Confirmed that the *AP Standard* is in conformity with the *PCS*.
- C9.5 Demonstrated that, where issues have arisen which affect other *Boards*, each other *Board* concerned has agreed the matters that affect it.
- C9.6 Consulted the Financial Reporting Group if the *AP Standard* makes reference to accounting guidelines.
- C9.7 Identified any educational need for *Members* and, in conjunction with the Education and CPD Board, described how the *Actuarial Profession* will facilitate the delivery of any required education.
- C9.8 Set a date by which a review of the new *AP Standard* will be undertaken.

C10 Additional Criteria for applying to an *AP Standard* (which is a technical standard)

- C10.1 Should require the nature of any relevant assets and obligations to be specified.
- C10.2 Should require specification of the data used.
- C10.3 Should require disclosure of material assumptions, parameters and methodologies, and the rationale for their selection.
- C10.4 Should require that, when setting or recommending assumptions which are not laid down by regulation or accounting standards, a *Member* does not take advance credit for potentially favourable outcomes without making clear the associated risks that these outcomes will not be achieved and the consequential financial impact.
- C10.5 Should give guidance as to what is considered material. Information should be considered material if its omission or misstatement could influence the decisions of the recipient and any end users. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. The *AP Standard* should ensure that material information is not obscured by the inclusion of items that are not material.
- C10.6 Should require the identification of the key results.
- C10.7 Should require the sensitivity of key results to be quantified and explained to enable reporting of risk.

C10.8 Should specify the reporting requirements.

GUIDE TO THE STRUCTURE AND FORMAT FOR AN AP STANDARD**1 The Editorial Process**

- 1.1 The drafting *Board* should apply the following tests to each paragraph of the *AP Standard*, to the preamble (including definitions) and to the document as a whole.
- 1.2 What is the purpose of the paragraph? (e.g. to define, to explain, to specify a remedy.)
- Is that purpose worthwhile? (If not, delete the paragraph. If the paragraph is an example, justify keeping it.)
 - Is that purpose obvious? (If not, amend the paragraph.)
 - Is the purpose achieved? (If not, amend the paragraph.)
- 1.3 Is there any duplication with another paragraph?
- If so, can the paragraphs be merged?
 - If not, appropriate cross-referencing should be incorporated in each paragraph and the reason for duplication recorded.
- 1.4 Is the language consistent with the status of the note?
- The *PCS* defines “should normally” and refers in paragraphs 4.1 and 4.2 to the disciplinary implications of non-compliance with the different types of *AP Standard*.
 - To assist members it is important that all *AP Standards* use the appropriate grammatical construction. Thus:
 - in a Recommended Practice *AP Standard* “must” is inappropriate;
 - in a Practice Standard *AP Standard*, “should” is properly used only where a non mandatory requirement is intended.

2 Document Structure

- 2.1. Sections must be headed and numbered, the title encompassing **all** topics covered in the section.
- 2.2 Paragraphs within a section must be numbered but are rarely headed (e.g. 1.5 and 1.6 would be paragraphs 5 and 6 of section 1). It should be noted that if a header is incorporated, it will be read as applying until the next header. This may determine the order of paragraphs in the section.

- 2.3 Sub-paragraphs are allowed but not required. They are never headed individually, but if a header is considered essential it will be 1.5 (say) with sub-paragraphs 1.5.1, 1.5.2 etc. The next paragraph, either 1.6 or 2 as appropriate, will need a heading
- 2.4 Bullets may be used, but always in the dot style. However if a second type of bullet is essential in any paragraph a dash is used (see 1.4 of this schedule).

3 The Preamble (This comprises the sections before the numbered paragraphs)

- 3.1 It may include the definitions of various words and, if so, they are always italicised in the text.
- 3.2 Where relevant lists legislation if references are brief, but usually it refers to an appendix which lists the relevant legislation. It is not normally appropriate to include any summary of legislation within an *AP* standard. Direct quotations may be helpful.

4 The Text

- 4.1 Plain English is desirable at all times. Specific features to strive for include:
- short sentences;
 - active verbs;
 - positive statements rather than vague qualifications. “Do [specify action] unless [condition applies]” is always preferable to “Where appropriate, do [action]”;
 - the avoidance of ambiguous phraseology. In particular it should not be used as a means of reconciling conflicting opinions in the drafting committee.
- 4.2 A non-sexist approach is applied:
- the actuary, he or she, his or her are acceptable. His/her (and variants) should be avoided;
 - chairman, draftsman are not considered sexist.
- 4.3 If examples are given in an *AP Standard* it must be made clear that they do not constitute a comprehensive list.

IAN (Insert No.) (Insert Title)

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MEMBERS ARE REMINDED THAT THEY MUST ALWAYS COMPLY WITH THE PROFESSIONAL CONDUCT STANDARDS (PCS) AND THAT GUIDANCE NOTES IMPOSE ADDITIONAL REQUIREMENTS UNDER SPECIFIC CIRCUMSTANCES

Owner

Purpose and Application

Target Audience

Date of Issue

Latest date by which it will be reviewed

1. Introduction