



Institute
and Faculty
of Actuaries

Regulatory Update: Actuarial Monitoring Scheme and The Actuaries' Code

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GIRO 25 September 2019

25 September 2019

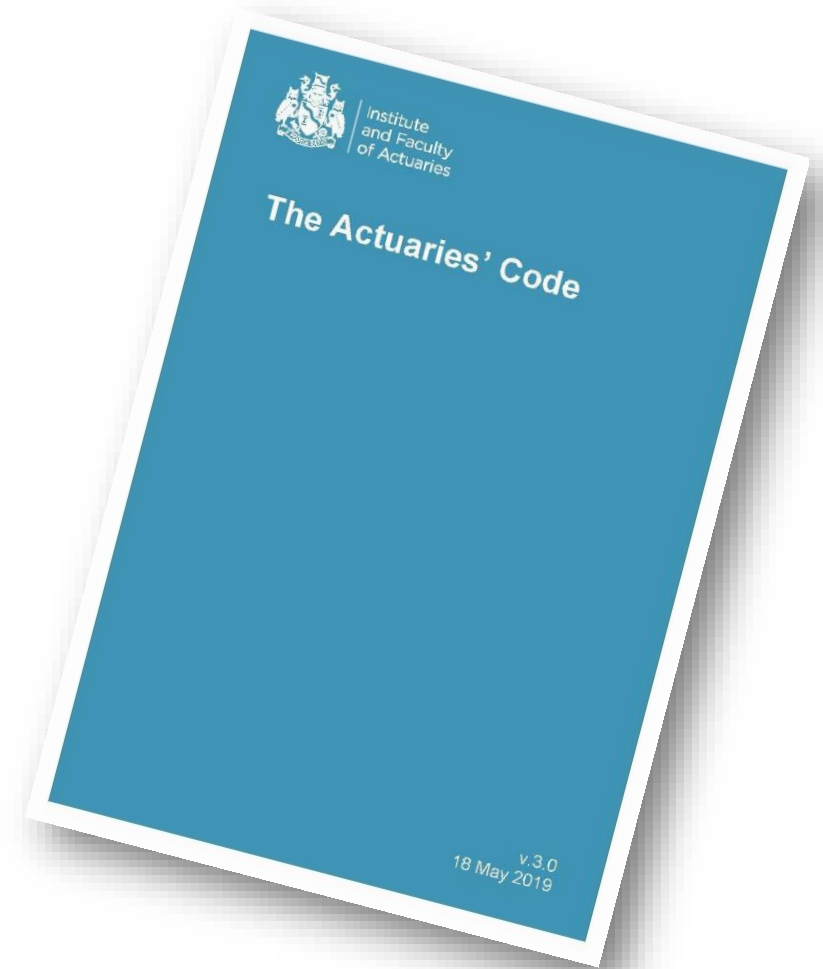
On the Agenda...

- Actuaries' Code
- Speaking Up
- Conflicts of Interest
- Regulatory Update
- Actuarial Monitoring Scheme
- Case Studies



Actuaries' Code

- 18 May 2019
- Clearer structure and simplified language
- Guidance to the Code
- All Members, all locations
- Conduct in relation to an **actuarial role**, and **other conduct**, where actions impact upon the profession



The Principles



Principle 5 – Speaking Up

- *“Members should speak up if they believe, or have reasonable cause to believe, that a course of action is unethical or is unlawful.”*
- Purpose: Help address a problem before harm is caused or more damage is done
- Important aspect of being an actuary
- Technical nature of actuarial work
- Protects users of actuarial work, the profession and the public interest

How does it differ to Whistleblowing?

- “*Whistleblowing is the act of telling the authorities or the public that the organisation you are working for is doing something immoral or illegal.*” Collins English Dictionary
- Whistleblowers might be given legal protection
- Restricted to particular issues e.g. misrepresentations of figures, malpractice
- Speaking Up is broader and encompasses a wide range of situations

Challenging others' non-compliance

- *“Members should challenge others on their non-compliance with relevant legal, regulatory and professional requirements”*
- Challenging clients, employers and other professionals, where fail to:-
 - Comply with requirements subject to
 - Behave professionally
 - Follow rules their work is subject to

Reporting Misconduct to IFoA

- *“Members must report to the Institute and Faculty of Actuaries, as soon as reasonably possible, any matter which appears to constitute Misconduct for the purposes of the Disciplinary and Capacity for Membership Schemes of the Institute and Faculty of Actuaries and/or a material breach of any relevant legal, regulatory or professional requirements by one of its Members.”*
- “conduct constituting **failure to comply** with standards of behaviour, integrity, competence or professional judgement which other Members or the public **might reasonably expect** of a Member...”
- Assess if breach of other requirements is material

Reports to authorities

- *“In addition to complying with any legal requirements to report matters to relevant regulators or other authorities, Members should also report to those bodies any behaviour that they have reasonable cause to believe is unethical or unlawful, and carries significant risk of materially affecting outcomes.”*
- Report must be made where legally required to do so
- Also report unethical or unlawful behaviour
- Come to a rational view based on the knowledge of facts, it cannot be simply a suspicion

Making users aware of issues

- *“Members must take reasonable steps to ensure users are aware of any substantial issues with a piece of work for which they are responsible or in which they have had significant involvement, if those issues might reasonably influence the decision-making or judgement of users.”*
- Issue might reasonably influence the decision-making or judgement of users, and have the potential to impact user's finances or reputation
- Mechanism to raise awareness?
- Always document how you reached your decision

Case Study




Case Study



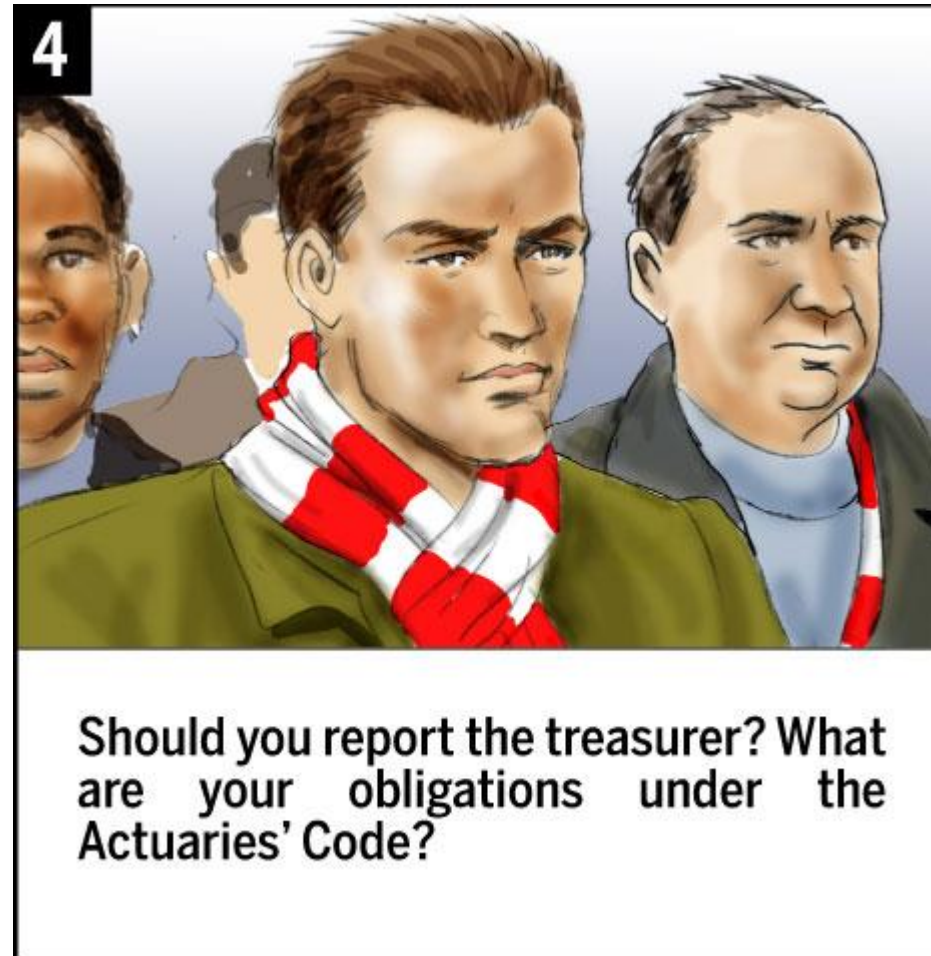
Case Study

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The treasurer is an accountant. You think he should be reported to his professional body, but your fellow board members disagree.

Case Study



Case Study



by D.I. Lema & Bea Goode



1 You have been appointed to the board of your local amateur football club. A few weeks in, the Board discovers the treasurer has not been banking the club's money and has not been keeping the accounts.



2 It's not yet clear whether any money has been lost. The treasurer has however been removed from the board.



3 The treasurer is an accountant. You think he should be reported to his professional body, but your fellow board members disagree.



4 Should you report the treasurer? What are your obligations under the Actuaries' Code?

What is a conflict of interest?

- Two or more parties, and the interests of those parties differ
- Common examples, where your professional responsibilities conflict with:
 - a) Your own personal interests
 - b) An interest of your employer
 - c) An interest of another client
- Purpose: Protect users of actuarial work and reputation of the profession



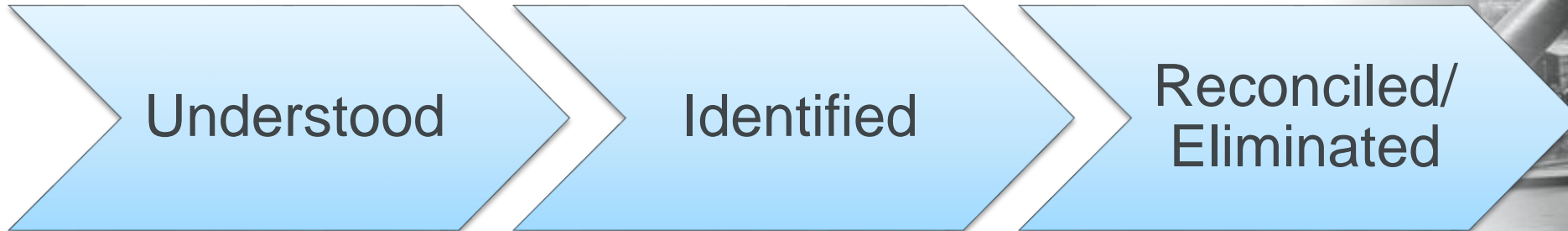
What is a conflict of interest?

- A friend benefits from reduced premiums as a result of your recommendations.
- You leave an insurance company and become consultant to another insurance company. You are tasked with working on a commutation that you used to work on with your previous employer.
- You are asked to advise on two matters (1) in relation to the development of price optimisation techniques and (2) in relation to ancillary product revenue maximisation.



What does the Code require?

- Principle 3 'Impartiality'
- *Members must ensure that their professional judgement is not compromised, and cannot reasonably be seen to be compromised, by bias, conflict of interest, or the undue influence of others*



Identifying a conflict of interest

- Establish what various interests are involved
- Assess whether the differing interests of relevant parties might make it hard for you to continue to act without compromising your objectivity or responsibility to a user
- Take 'reasonable steps' to identify potential conflicts
- Consider any confidentiality issues



Managing and reconciling conflicts of interest

- ‘Reconciliation’ is carefully managing the conflict such that it does not have (and is not seen to have) any adverse effect on the work for the users
- Reconciling could involve, for example, disclosing the existence of the conflict to the user and explaining the relevant issues
- Arrangements that could help when managing a conflict include a conflicts management plan, an information barrier and having your work peer reviewed.

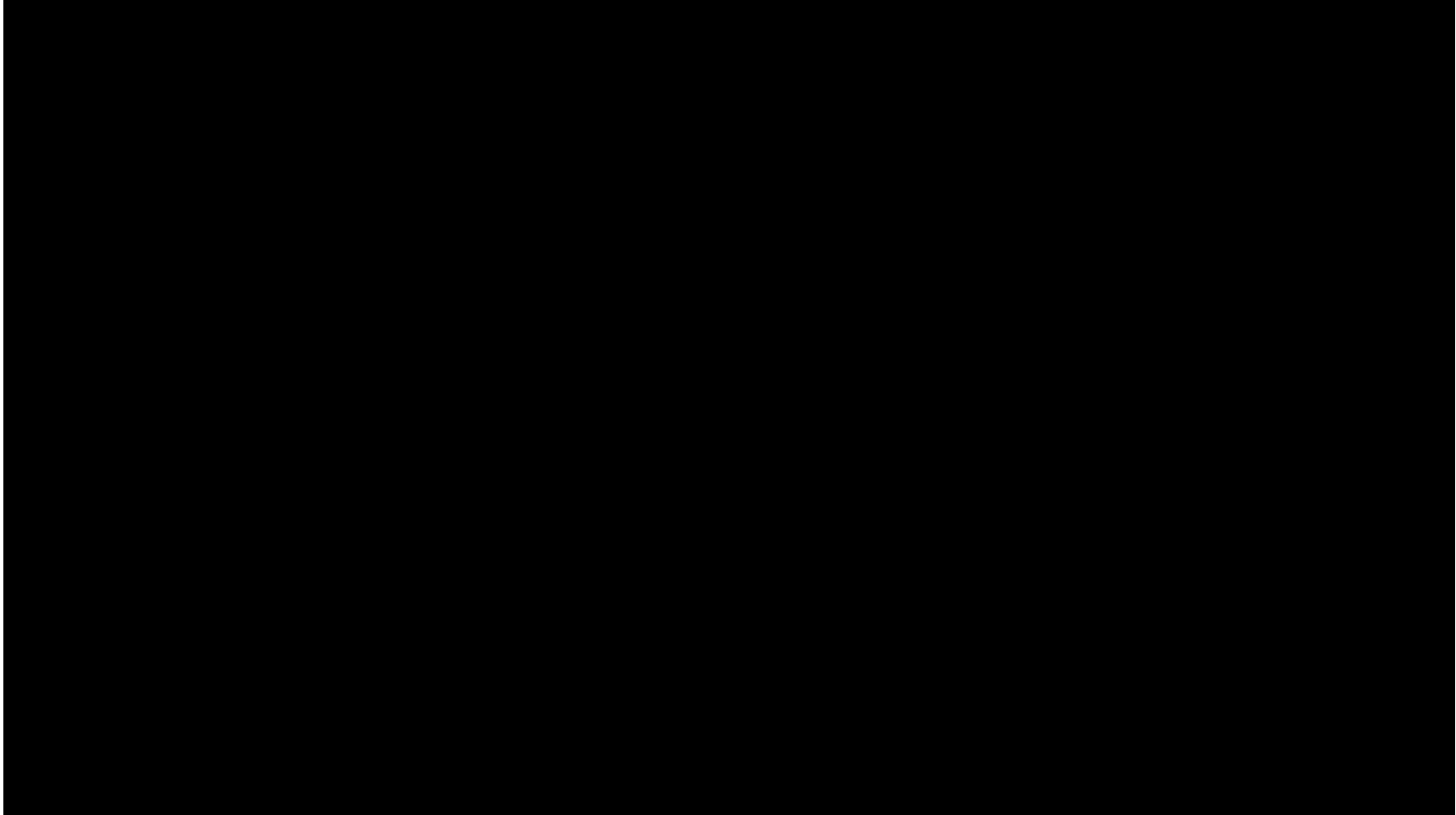


Case Study: A Level Playing Field

- Martine, an Actuarial Project Leader, has been tasked with managing the company's Concept Project.
- She needs to find a specialist software required for the project, but other commitments are taking up most of her time.
- Jonathan, the Chief Actuary, has been on her case recently, insisting she make the procurement of the software a priority.



Case Study: A Level Playing Field



Case Study: A Level Playing Field

- Jonathan is 'pushing' his friend's product – or, is that just Martine's perception of the situation? She 'thinks' but she doesn't 'know'.
- Should she believe the 'hearsay' about Jonathan's golf club dealings and do something?
- How much evidence does she need before she speaks up?
- Does the issue actually constitute misconduct?
- How does she decide? What are the implications if she does nothing?



Further information

- Guidance
- Professional Support Service
 - Free support for IFoA members from experienced panel
 - regulation@actuaries.org.uk
- Speaking Up
 - Advice line +44 (0)800 223 0177



Regulatory Update

- Review of CPD Scheme
 - Substantive review into requirements on members – volume of activities and recording
 - Retain hours based scheme but draw on findings of outcomes focused scheme
 - Consider whether more activities should be counted
- Ethical Guidance on Data Science
 - In conjunction with the Royal Statistical Society
 - Launched 7 October 2019



Regulatory Update



- Quality Assurance Scheme
 - Voluntary accreditation scheme for employers of IFoA Members
 - 44 accredited organisations
 - Dubai, Hong Kong, Singapore, Thailand and UK
 - Targeting growth in other regions
 - First insurer AIA in Hong Kong accredited, looking to accredit more insurers

Regulatory Update

- Sir John Kingman's review of FRC
 - Independent review of the Financial Reporting Council
 - Recommended set up new body to take on FRC functions, no direction given for Actuarial oversight and technical standard setting
 - Legislation for consultation expected October 2019



Actuarial Monitoring Scheme

- Aims to improve the volume and quality of information available to the IFoA, and the profession as a whole, about actuarial work
 - Help the IFoA to be a more informed, effective professional regulator that understands what is going on in practice
 - Should:
 - Provide evidence of the quality of actuarial work
 - Improve effectiveness of actuarial regulation (standards, guidance, educational material, educational requirements)
 - Develop and adapt relevant, useful training and CPD events
 - Promote best practice and share insights
-

Monitoring consultation

- 2018: IFoA consulted on proposals for the introduction of an Actuarial Monitoring Scheme (AMS)
- Three categories of monitoring proposed:
 - Cat A: Direct monitoring of the work of PC holders
 - Cat B: Programme of Thematic Reviews
 - Cat C: General information gathering

Following consultation

- Regulation Board considered:
 - Consultation responses
 - Further engagement following consultation
 - Reflection on Kingman review
- Conclusion published in December 2018:
 - Continued support for principle of monitoring
 - Introduce Thematic Reviews (Cat B) and Data Gathering activities (Cat C)
 - Explore alternative approaches to monitoring PC holders (Cat A)

Launch of AMS

- Launched 20 September 2019 with announcement of two Thematic Reviews to commence in 2020
- By agreement – including confidentiality undertakings
- Recruited an Actuarial Review Team with experienced practitioners
- Thematic Review Programme will:
 - focus on themes with potential to provide useful insight into Members' work
 - involve review of how work is being carried out in practice by actuaries, including review of the work itself
 - allow IFoA to share useful learning and good practice with Members and their employers

Topics

- **Pensions: Actuarial factors used to calculate member benefits**

The review will look at current practices adopted by actuaries in this area including how factors such as commutation at retirement are determined for schemes and how frequently these factors are reviewed.

- **Insurance: Role of actuarial advice in pricing of specific GI products**

The review will look at current actuarial practice to understand the processes adopted by actuaries and challenges faced when providing advice in this area.

Next steps

- More detail on the scope and form of the first two reviews
- Announcement of Actuarial Review Team later in 2019
- Programme of events in early 2020 to introduce the reviews
- Specific engagement with individual actuaries and organisations about participation

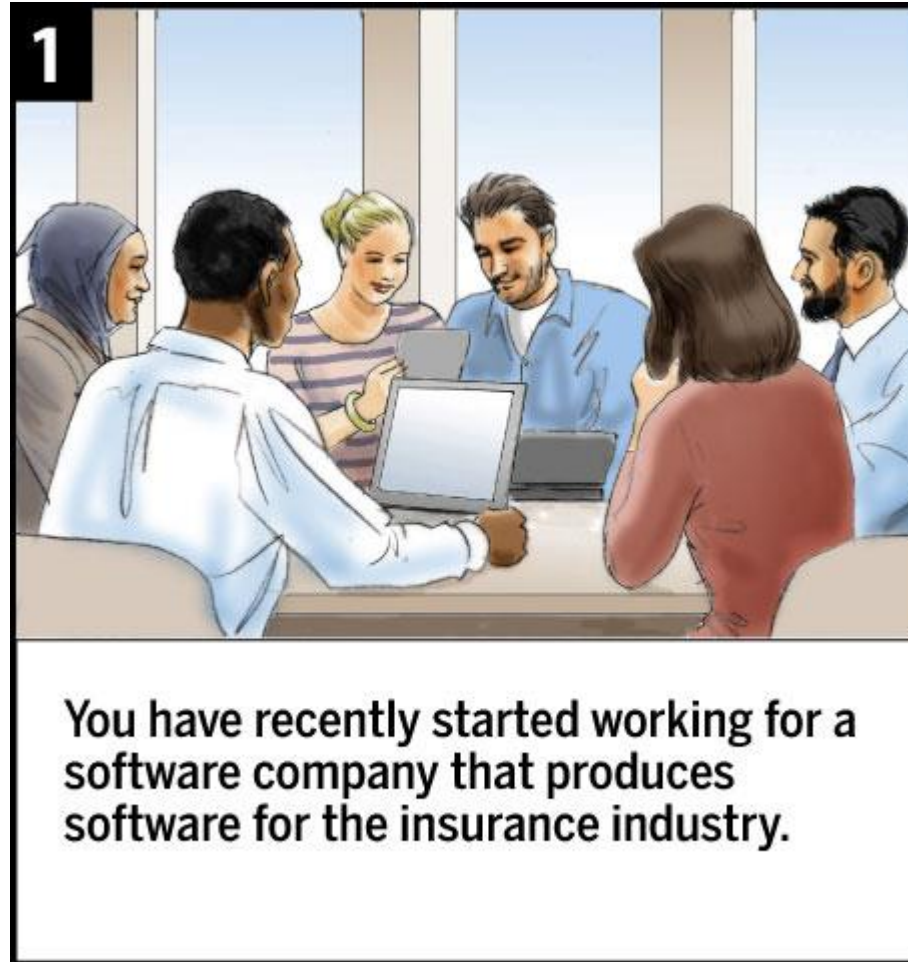
Questions

Comments

Expressions of individual views by Members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenters.

Case Study: Lack of Resources

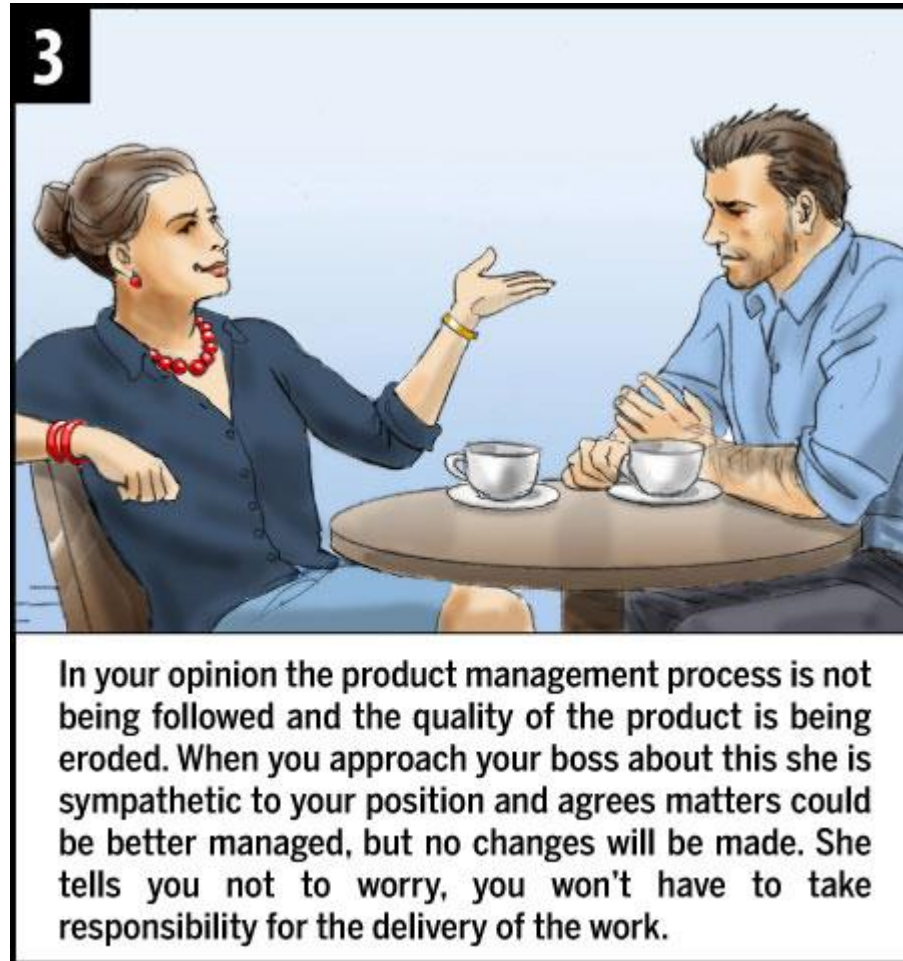


Case Study: Lack of Resources




Your new boss, who is not an actuary, explains that resources are somewhat limited and some cost cutting measures will have to be introduced. She starts cutting corners in the product development.

Case Study: Lack of Resources



Case Study: Lack of Resources

4



Python: Run time error code: 0a41

You are relieved to hear you don't have to sign off on the products, however you still don't feel comfortable about the products being delivered to your clients in the current form. What should you do?

Case Study: Lack of Resources

LACK OF RESOURCES



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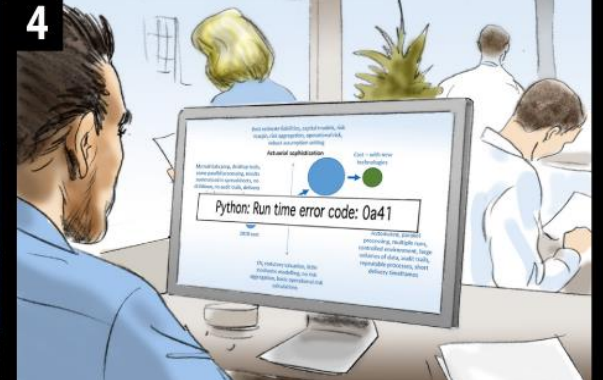
1 You have recently started working for a software company that produces software for the insurance industry.



2 Your new boss, who is not an actuary, explains that resources are somewhat limited and some cost cutting measures will have to be introduced. She starts cutting corners in the product development.



3 In your opinion the product management process is not being followed and the quality of the product is being eroded. When you approach your boss about this she is sympathetic to your position and agrees matters could be better managed, but no changes will be made. She tells you not to worry, you won't have to take responsibility for the delivery of the work.



4 You are relieved to hear you don't have to sign off on the products, however you still don't feel comfortable about the products being delivered to your clients in the current form. What should you do?