



## CASE STUDY 1

IFoA fellows Bimala and David established their own consultancy in 2016. When they set up the business, they implemented a policy that actuarial staff must consider whether any piece of work should be reviewed or independently peer reviewed in terms of APS X2. They now have a staff that includes three other fully qualified IFoA members and a student member. Bimala has been looking back on a recent file to assist with a new similar instruction. It is not clear to her whether the substantive and complicated work in the file, carried out by a qualified member who has now left the firm, has been reviewed as there isn't a file note evidencing any review. Bimala and David are concerned that, while there might be a reasonable explanation for review not being carried out, the reasons are not clear. They are considering carrying out a review of the firm's policy on how APS X2 is implemented.

### What might they do?

- APS X2, paragraphs 1.1 and 1.2 require members to consider whether it is appropriate and proportionate for a piece of work to be reviewed or independently peer reviewed. Paragraph 1.4 requires them to be in a position to justify their decision if reasonably called upon to do so.
- In the first instance, Bimala and David could revisit the wording of the policy and consider adding a requirement for a note to be placed in the file, particularly with complicated work, explaining the approach to work review. They might then hold a meeting with actuarial staff to ensure everyone is aware of the requirements of the policy.
- They could consider carrying out a review of a proportion of closed files every year to check whether work review is taking place, the nature of the work review being carried out, and whether the approach taken by staff is justified. While this kind of cold file review is not a requirement of APS X2, it may assist firms to support members in applying the requirements of APS X2 and assist the firm in assuring itself of the quality of its actuarial work.

### Has there been any breach of professional duties here?

- The IFoA imposes requirements on its members, not firms. There is not sufficient information to determine whether there has been a breach of APS X2 by the member who may or may not have carried out a work review or independent peer review. Their decision might be justified. If the member is reasonably called upon to justify their approach and cannot do so then they could, potentially, be in breach of paragraph 1.4.



## CASE STUDY 2

Maita is a pensions actuary at a consultancy firm. She has been asked to provide an expert witness report for a wealthy individual in divorce proceedings. In her firm, production of an expert witness report includes significant work review for the calculations that support the advice. However, the firm holds the view that the final report submitted to instructing solicitors should not be subject to independent peer review. This is on the basis that the report is the expert witness's individual and considered view and much of it constitutes opinion evidence. The firm has a concern that if a report is subject to independent peer review, the reviewer could then be called to give evidence. Maita is confident in her expertise. However, contrary to the firm's view, she considers independent peer review can be a valuable test for opinion pieces, where the Court is expected to put a high degree of reliance on her evidence. Even if an independent peer reviewer disagrees with the conclusions of her report, she finds the process helpful and constructive as it can help to cement her own views or see matters from a different perspective. She believes that, as the report will be in her name and taking into account professional duties, it is up to her to decide whether review is appropriate. Maita is concerned that if she decides not to have the work independently peer reviewed on the basis that the firm doesn't want her to, she might be in breach of APS X2.

### What should she do?

- APS X2, paragraphs 1.1 and 1.2 require members to consider whether it is appropriate and proportionate for a piece of work to be reviewed or peer reviewed. Paragraph 1.3 sets out a non-exhaustive list of factors to consider when deciding what type of review, if any, should be applied. These include complexity, financial and reputational significance, the extent to which judgment is required and the desirability of assuring public confidence in the quality of the work. Paragraph 1.4 requires members to be in a position to justify their decision if reasonably called upon to do so.
- If, taking into account the relevant circumstances, a member considers that independent peer review is appropriate and proportionate then they should not feel constrained by their employer in reaching that decision. If the actuary considers there is a conflict with the firm's policy, they might consider declining the instruction. If a member cannot justify their approach when reasonably called upon to do so then they could be in breach of their professional duty. If an employer is placing pressure on a member to breach their professional duty by deciding not to carry out independent peer review, this could be considered unethical conduct, in which case

the member should speak up to the employer in terms of Principle 5 of the Actuaries' Code. To comply with the firm's policy, against her professional judgment, could amount to a breach of Principle 3 on impartiality under the Actuaries' Code.

- Where an independent peer reviewer disagrees with the conclusions of the instructed actuary, the actuary might stick by their conclusions or revise them in light of the reviewer's comments. Either way, the actuary is responsible for the work and must ensure they have the appropriate level of knowledge and skill to reach their conclusions and be able to justify their reasoning.
- Addressing the employer's concern that the reviewer could be called to give evidence, this would be unlikely, depending on the circumstances. While the independent peer reviewer's name might appear on the report, their comments are unlikely to. The aim of independent peer review is to maintain quality of work. If there is significant disagreement between actuary and independent peer reviewer, the actuary should be able to robustly justify their position. If they cannot, they might wish to consider whether to revise their conclusions, always bearing in mind their duties to have the appropriate level of relevant knowledge and skill to carry out the work.



### CASE STUDY 3

Zara is a sole practitioner who regularly provides expert witness reports to both business and consumer clients for use in court proceedings. She has been asked to provide at short notice a report on a complex issue that could have significant financial consequences for the parties involved. Were it not for the timescale involved, she would seek independent peer review of her report. However, in the time she has been given by the instructing solicitor, this will not be possible. Instead, she is considering pressing ahead with the report and then having it reviewed after it has been submitted.

#### Is Zara's proposed approach compliant with APS X2?

- APS X2, paragraphs 1.1 and 1.2 require members to consider whether it is appropriate and proportionate for a piece of work to be reviewed or peer reviewed. Paragraph 1.3 sets out a non-exhaustive list of factors to consider when deciding what type of review, if any, should be applied. These include complexity, financial and reputational significance, the extent to which judgment is required and the desirability of assuring public confidence in the quality of the work. Paragraph 1.4 requires members to be in a position to justify their decision if reasonably called upon to do so.
- Paragraph 2.3 of APS X2 requires that review should be undertaken at a time such as to be capable of influencing the conclusions and outputs of the work. If having the file reviewed after submission to the client means the review would not be capable of influencing the conclusions and outputs of the work then Zara could be in breach of her professional duties.
- If she considers it appropriate and proportionate for the report to be reviewed, taking into account all relevant circumstances, and cannot do this in the time she has been given by the instructing solicitors, then she might consider whether she is in a position to accept the instruction.



#### **CASE STUDY 4**

Amahle is a student pensions actuary working for a local government scheme. Much of her work is standardised with data inputted into software templates. Her employer has taken a policy decision that standard template work is not subject to work review at the point of entering data as it is unrealistic to be able to review every piece of work at that stage. The templates are independently peer reviewed at regular intervals and also generally when there is a regulatory change. Amahle has concerns that, in the absence of work review at the point of data entry, inaccurate data could be entered into the template and go undetected.

#### **What should she do?**

- If it is not appropriate and proportionate to review or independently peer review every piece of work at certain stages, a member might check whether the templates are able to detect errant data entry mistakes. They might also consider whether any final reports would be subject to work review by the individual responsible for the work and whether it might be apparent at that stage if there had been incorrect data entries. In order for members to be satisfied that the template system is working sufficiently well to consider it not appropriate to review work as data is being entered, it may be prudent to have the templates reviewed periodically by independent peer review, under explanation that the data may not be reviewed at the point of entry.



## CASE STUDY 5

Yan is a pricing actuary for a small insurance company, working within a pricing team of non-actuaries. She gets on well with the team but is concerned that they don't understand the complexities of her work and the duties she owes to her profession. She sometimes finds it difficult to access independent peer review, particularly in circumstances when there is pressure from underwriters to quickly alter a price. She is concerned that she might feel under pressure to submit work that could have significant financial impact without having the time to access independent peer review.

### What might she do?

- APS X2, paragraphs 1.1 and 1.2 require members to consider whether it is appropriate and proportionate for a piece of work to be reviewed or peer reviewed. Paragraph 1.3 sets out a non-exhaustive list of factors to consider when deciding what type of review, if any, should be applied. These include complexity, financial and reputational significance, the extent to which judgment is required, the desirability of assuring public confidence in the quality of the work. Paragraph 1.4 requires members to be in a position to justify their decision if reasonably called upon to do so.
- If, taking into account the relevant circumstances, a member considers that independent peer review is appropriate and proportionate then they should seek a review. If review is not reasonably accessible, the member might consider discussing the issue with their employer, explaining their professional duty to have work reviewed where appropriate and proportionate. The member may wish to consider speaking up, under Principle 5 of the Actuaries' Code which states that members should speak up if they believe that a course of action is unethical or is unlawful. The IFoA has a Speaking Up Guide for members which contains further information.