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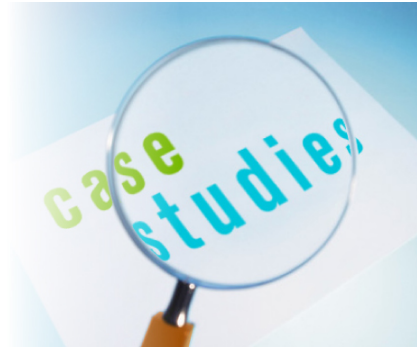
A1: Everything you wanted to know about Regulation.. and more...

Stephanie Farrell, IFoA
Elena McLachlan, IFoA



Agenda

- ❖ Proposed changes to the Actuaries' Code
- ❖ APS X1
- ❖ Post implementation review of APS X2
- ❖ Exploring outcomes-focused CPD
- ❖ Review of the Practising Certificate regime
- ❖ QAS international pilot
- ❖ Plus, some interactive case studies



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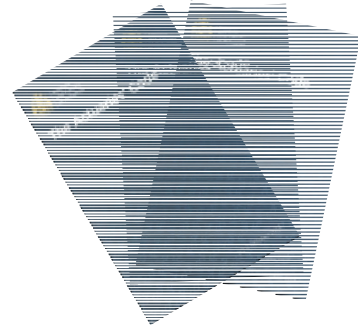
The Actuaries Code Review

29 November 2017



The Actuaries' Code

- ❖ First substantive review since 2009 when the Code first came into force
- ❖ Substantial changes to the IFoA and actuarial profession since then:
 - More members working internationally
 - More members working in wider fields



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The review

- ❖ What did we look at?
 - whether the Code remains fit for purpose in light of experience since 2009;
 - whether the Code appropriately reflects the international nature of the IFoA's membership; and
 - how the Code interacts and fits with the FRC's revised framework of technical standards.



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How did we do it?

- ❖ Information gathering
- ❖ Benchmarking exercises
- ❖ Informal consultation



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What is being proposed?

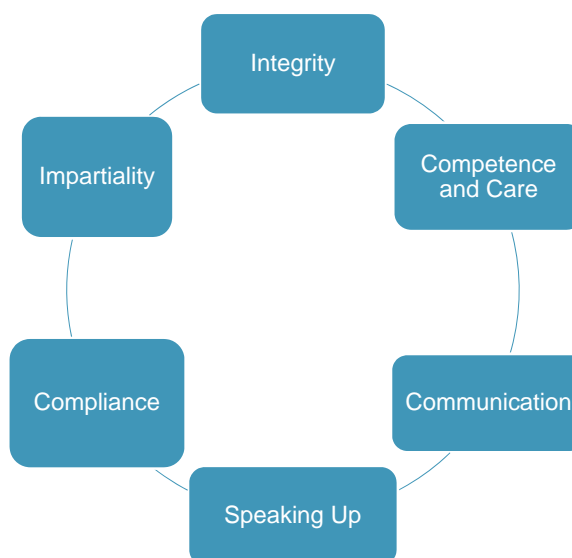
- ❖ Clearer structure
- ❖ Simplification of language
- ❖ Members' obligations clarified using 'must' and 'should'
- ❖ New stand-alone 'Speaking Up' principle
- ❖ Removal of more prescriptive and process based requirements
- ❖ New supporting Guide



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The Principles

- ❖ 6 high level principles
- ❖ Supported by amplifications
- ❖ New supporting Guide



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Next steps

- ❖ Consultation open for responses until **17 January 2018**
 - You could claim CPD credits for providing your responses
- ❖ Responses will be summarised in a feedback paper
- ❖ New code expected to be published in **first half of 2018**
- ❖ Once agreed, period of transition before proposals come into force.
- ❖ Expect new Code to be in force from **mid 2019**



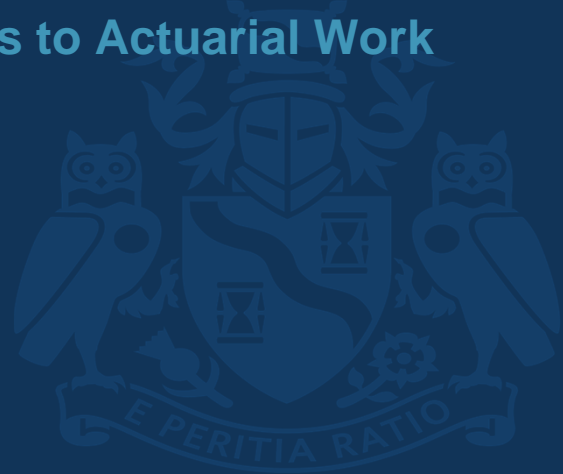
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APS X1: Applying standards to Actuarial Work

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APS X1 - The International Standard

- ❖ Came into force on 1 July 2017
- ❖ Detailed guide (with case studies)
- ❖ Sets out:
 - how IFoA standards, international standards and the FRC's TASs apply to IFoA members
 - how members carrying out non-UK work should determine which standards to apply
- ❖ Ensures all members are meeting broadly an equivalent set of professional standards while recognising that it may be appropriate for 'local' standards to be applied
- ❖ Ensures there aren't 'gaps' where Members are not required to apply any professional standards at all



The requirements – starting point

All members must comply with:

- ❖ the Actuaries' Code; and
- ❖ relevant APSs



The requirements

All members must ensure their work is carried out in a way that is substantially consistent with ISAP 1, either:



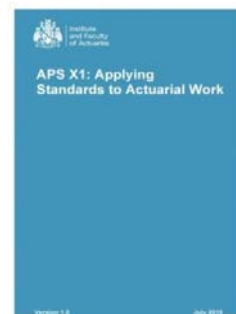
Direct application of ISAP 1

(Many of the requirements in ISAP 1 already covered by the Actuaries' Code plus APS X2 – so will be largely about technical requirements (reporting, assumptions etc.)



Applying the FRC's TAS framework

- Applying the standards of a 'Relevant Authority' included in an IFoA published list
- Applying a set of standards reasonably judged to achieve substantial consistency



UK work only

- ❖ If the work is within 'UK Geographic Scope', members must also apply the TAS framework

- ❖ "UK Geographic Scope"

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)

- ❖ Important - need to think about reporting lines – can be complicated!



Non UK work only

- ❖ If required (by law or by membership of another IAA Member Association) to apply a 'Recognised Standard', there is a presumption that a Member will do so
- ❖ Where there is a local standard applicable in the relevant geographic area - should apply it to the extent 'appropriate and proportionate'
- ❖ May apply all or part of a 'substantively similar' recognised standard as an alternative to an IFoA APS
- ❖ Should exercise reasonable judgement to consider whether there are other relevant standards that they ought to apply



What does this mean in practice?

❖ Practical steps to take

- Have a look at ISAP 1
- Check for local standards and consider whether they are 'Recognised Standards' (i.e. issued by an IAA body or a local standards setter)
- Check whether the body is on the IFoA list or has made a public declaration about 'substantial consistency' with ISAP 1



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Post implementation review of APS X2: Review of Actuarial Work



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APS X2: Post Implementation Review

- ❖ Standard launched July 2015
- ❖ Lots of activity around the launch of APS X2:
 - Over 20 APS X2 sessions delivered
 - Webinar viewed by 909 live and a further 1363 viewed video made available
 - Recorded session in London viewed 95 times
- ❖ With the standard now 2 years old, the IFoA is reviewing implementation....



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Reminder of the Key Features of APS X2

- ❖ Requirements to 'consider' applying Work Review
 - Members will need to exercise professional judgment to determine what (if any) review process is to be applied
 - Will be objectively tested
 - List of factors that may be relevant to that exercise of judgement
- ❖ Must consider, in particular, Independent Peer Review
 - More likely to be proportionate and appropriate for more significant, complex work and/or where a large degree of judgement requirement
- ❖ Should apply that review to the extent 'appropriate' and 'proportionate'

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Listening to you...

- ❖ How was the implementation process?
- ❖ What changes took place in your organisations to ensure compliance?
- ❖ What more could IFoA do to support effective implementation?
- ❖ Range of Stakeholder engagement events.
- ❖ Insurers event to take place early 2018. Want to invite a broad range of insurers. Please get in touch...

peerreview@actuaries.org.uk



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Inputs v Outcomes: Thinking about a new approach to CPD



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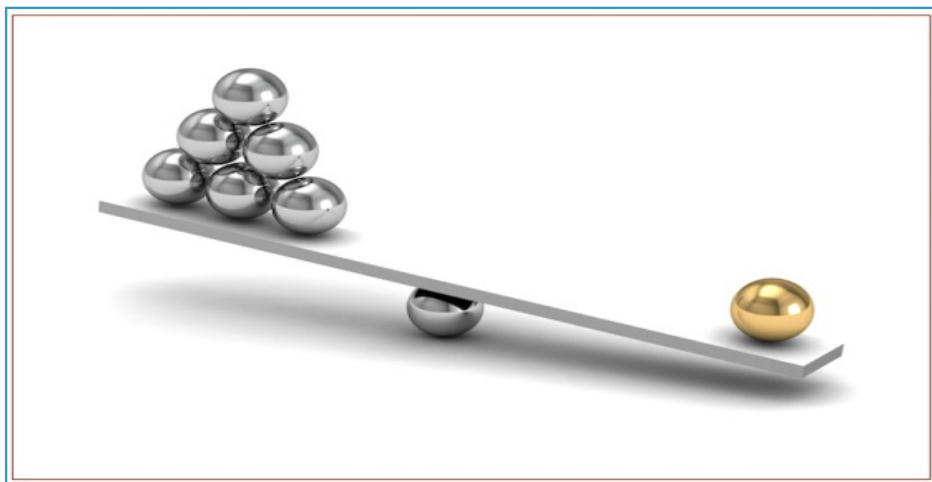
CPD: The story so far...

- ❖ Introduced for certificate holders -1992
- ❖ Extended to all members - 2006
- ❖ Developed over the years
 - Moved away from “small” rules
 - Members now free to choose appropriate balance of activities
- ❖ Kept up with developments in the way we learn
 - Webinars
 - Live streaming
 - Group discussion of online materials

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Inputs v Outcomes



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Focussing on inputs

- ❖ Traditional approach
- ❖ Focus on a minimum amount of learning
 - Hours/units/points
- ❖ Benefits
 - Clarity
 - Monitoring compliance
- ❖ Limitations
 - No importance placed on benefit gained
 - “Tick box” compliance

Outcomes

- ❖ New “gold standard” in CPD
- ❖ Focus on what is gained from activities
- ❖ Benefits
 - Moves away from “tick box” approach
 - Focus on quality of activity rather than length of time engaged
 - Encourages members to plan and reflect on activities
- ❖ Limitations
 - More difficult to monitor compliance
 - Open to abuse?

Outcomes focussed CPD: can it work for us?

- ❖ Moving towards outcomes focussed regime in recent times
- ❖ Currently exploring range of options
- ❖ Pilot in partnership with QAS accredited firms
 - ❖ Voluntary pilot
 - ❖ Removal of individual obligations re CPD
 - ❖ Require organisational commitment to feedback what's being done to meet APS QA1 objective re training and development for employee members

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Review of the Practising Certificates regime



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Review of the Practising Certificates regime

- ❖ Last review – 2009 to 2011
- ❖ Changes to regulatory landscape
 - Reducing number of Scheme Actuary appointments
 - Continuing trend towards increased specialisation among pensions actuaries
 - Introduction of new categories of Practising Certificates to reflect the implementation of the Solvency II Directive
 - Renewed focus on encouraging and ensuring the diversity of the actuarial profession
- ❖ Working Party to report to Regulation Board

Review of the Practising Certificates regime

- ❖ Timeline
 - Consultation Autumn 2018
 - Implementation 2019
- ❖ Recruitment of volunteers for Working Party
 - Debbie Atkins (debbie.atkins@actuaries.org.uk)
 - Recruitment closes 10 December 2017



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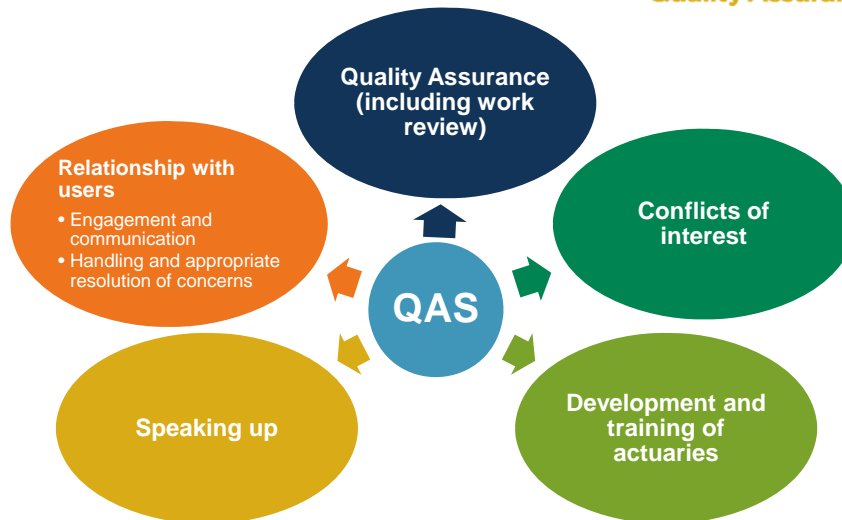
Initially restricted to UK but recently piloted in Singapore, Malaysia
and Hong Kong

Update on QAS



- ❖ Voluntary accreditation scheme for employers of actuaries
- ❖ Focuses on whether there is a working environment most likely to produce good quality actuarial work
- ❖ Operating in the UK for just under two years
- ❖ Currently 33 organisations accredited in the UK
- ❖ Represents coverage of employers of approx. 25% of the IFoA's UK membership
- ❖ Involves independent on-site assessment visits and interviews
- ❖ Recent successful pilot in South-East Asia with consideration of geographic extension in 2018

QAS is outcome based



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QAS pilot

- ❖ Pilot assessments took place in Malaysia, Singapore and Hong Kong from 25 September to 6 October 2017
- ❖ Period of feedback and refinement of the detail
- ❖ Decision on 'live' roll out in this region is expected in **January 2018**
- ❖ First accreditations likely to be announced in **May 2018** at the IFoA's Asia Conference in Bangkok
- ❖ Keen to hear from other organisations interested in the accreditation

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QAS pilotees



Malaysia



THE REAL LIFE
COMPANY

Hong Kong (Group HQ)



Malaysia and Singapore

WillisTowersWatson



Hong Kong, Malaysia and Singapore

Anonymous international insurance and
broking firm

Singapore

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Professional Skills Training



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Professional Skills 2017/18

Launched 29 September for 2017/18

- ❖ 10 new video case studies
- ❖ One case study filmed in Malaysia
- ❖ 11 accompanying follow up videos featuring actuaries and other professionals discussing the issues



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Professional Skills 2017/18

Broad theme of “Actuarial Teamwork and Challenge”

Topics covered include:

- ❖ Commutation factors
- ❖ Treating colleagues with respect
- ❖ Use of personal data
- ❖ New business at any cost
- ❖ Challenging advice
- ❖ Competency and experience issues moving into new fields
- ❖ Quality versus cost
- ❖ Working in an international multi-disciplinary environment as the only IFoA member



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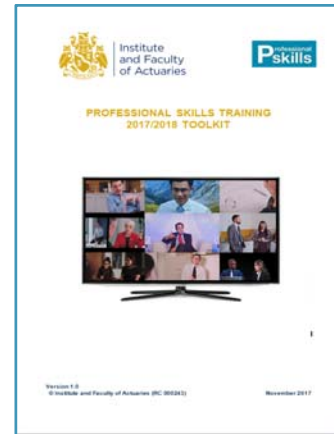
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Professional Skills 2017/18

Request a Toolkit from professional.skills@actuaries.org.uk if you want to run a session for your colleagues.

This contains:

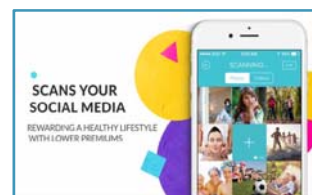
- ❖ suggested outlines for a 1 hour or 2 hour session
- ❖ Actuaries' Code and APS X2 quiz
- ❖ Downloadable links to the videos
- ❖ Suggested discussion points and feedback
- ❖ And comes with a generic slide deck which you can tailor to suit



Professional Skills 2017/18

Brave New World (Sample video)

- ❖ Mac and Keevi have set up a start-up app-based insurance company.
- ❖ What do they need to bear in mind?

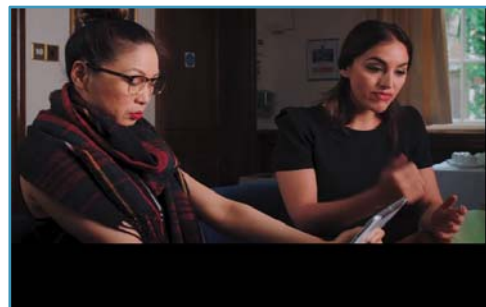


TREASURE

Actuarial Teamwork and Challenge

Brave New World

- ❖ Have our entrepreneurial actuaries thought through the ethical implications of what they are proposing – what are the risks?
- ❖ Will their customers be happy with what they are doing?
- ❖ The data is in the public domain so it's alright to use – right?



PEER REVIEW AND YOU

Professional
Skills



YOU HAVE DONE SOME WORK ON A PROPOSED PIECE OF BUSINESS...



...CONCLUDING THAT IT'S UNPROFITABLE.



IN LINE WITH THE COMPANY'S IMPLEMENTATION OF APS X2, THE WORK IS PEER REVIEWED BY ANOTHER SENIOR ACTUARY.



WHO DISAGREES WITH YOUR FINDINGS AND VERBALLY ADVISES THE CEO THAT SHE THINKS THAT THE BUSINESS WOULD BE PROFITABLE...



...AND SO THE CEO SIGNS UP TO THE BUSINESS.



THE CEO THEN ASKS YOU TO CHANGE YOUR REPORT IN LINE WITH THE PEER REVIEW, SO THAT "THE AUDIT TRAIL FOR THE DECISION IS COMPLETE". SHOULD YOU?

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Peer review and you

You have done some work on a proposed piece of business, concluding that it is unprofitable.

In line with the company's implementation of APS X2 the work is peer reviewed by another senior actuary, who disagrees with your findings and verbally advises the CEO that he thinks that the business would be profitable, and so the CEO signs up to the business.

The CEO then asks you to change your report in line with the peer review so that the "audit trail" for the decision is complete.

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Peer review and you - discussion

- ❖ What should you do?
- ❖ Who 'owns' your work once it has been submitted?
- ❖ Who 'owns' the peer review? Is there a necessity to resolve differences? Should/could you insist on a second peer review?
- ❖ Should you report the peer reviewer for unprofessional work, if you remain convinced that the product will not achieve its targets?
- ❖ Also, why didn't he revert back to you?
- ❖ If you owned shares or options in your company should/could you sell them believing that it is about to embark on a portfolio of unprofitable business?

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Questions



Comments

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