



Institute  
and Faculty  
of Actuaries

# Consultation:

Proposals for an enhanced system  
to promote the quality of actuarial work

# Contents

Foreword	1
1. Summary of the proposals and rationale	2
2. Category A monitoring, direct review	5
3. Category B monitoring, thematic reviews	7
4. Category C monitoring, data gathering	9
5. Commentary on benefits of proposals against impact	10
6. Key questions answered	11
7. Consultation process and how to respond	14
8. Continuing professional development	15
Appendices	
1. Monitoring process (Category A monitoring)	16
2. Monitoring process (Quality Assurance Scheme)	19
3. Approach to prioritising resource for Category A monitoring	21
4. Thematic review proposals	25
5. Confidentiality undertaking	28
6. Glossary of abbreviations	30

---

# Foreword



Membership of the Institute and Faculty of Actuaries (IFoA) is globally recognised as a mark of quality with consequent high expectations around competence, integrity and rigorous ethical standards. With that comes an obligation to uphold and demonstrate high standards of technical competence and ethical behaviour.

Those employing or instructing actuaries can be confident an IFoA Member will be a regulated professional with technical competence and integrity. Such confidence is based on the knowledge that those Members are subject to a robust, effective regulatory system.

However, the IFoA's regulatory system, unlike that of some other UK professional bodies, in particular those relating to audit and accountancy, does not currently include monitoring of the quality of Members' work. Monitoring in its wider sense, whether relating to entities or individuals, or to the type of work which they undertake, is a feature of the regulatory frameworks applicable to a number of different sectors, including for example healthcare, teaching, surveying, and financial services.

The IFoA has the responsibility, under its Royal Charter, to regulate the actuarial profession in the public interest. To ensure that it carries out that role as effectively as it possibly can, the IFoA is consulting upon the introduction of direct review of actuarial work, to allow it to: draw evidence-based conclusions as to the quality of the work of its Members and their compliance with standards; and ensure that its regulatory activities (such as setting standards and providing appropriate Continuing Professional Development (CPD) and training) are appropriate and effective.

The proposal is to introduce a monitoring system that is proportionate, risk based and which utilises, as far as possible, insights from the UK's financial services statutory regulators and other existing actuarial regulatory structures (including the Practising Certificates (PC) Scheme and the IFoA's voluntary accreditation scheme, the Quality Assurance Scheme (QAS).

The IFoA continues to benefit from the privilege of self-regulation. This means that Members are directly involved in shaping and influencing the regulatory framework and that the framework is therefore directly responsive to changes in the actuarial profession and to the practitioners' perspective in a way that it might not be if regulation was entirely independent.

This is both a privilege and a responsibility. It means that we have the opportunity to shape a monitoring system which is practical and effective but proportionate and fundamentally well-suited to a contemporary and transparent actuarial profession. This is our opportunity to develop a monitoring system which works for the IFoA, its Members and, crucially, for the public which it serves.

The outputs of the proposed monitoring activities will better inform the IFoA's regulatory role in terms of: setting standards; working with practitioners to ensure the quality of the profession's work and adherence to standards; imposing better targeted requirements for PCs; providing relevant CPD opportunities and educational material; and, raising awareness of particular issues and risks. With the proposals, the IFoA has developed an innovative solution to the gap that has been identified, recognising the range of different practical challenges that need to be addressed and that this is new territory for the IFoA. There may be other ways of achieving the same objective and the IFoA positively welcomes your ideas and suggestions for alternative approaches. Further explanation of the objective- the issue the IFoA is seeking to address- is set out under 'Rationale' below. This is more than just a new regulatory project; it is a defining moment in demonstrating our credibility and collective leadership as a profession.

The proposals are a significant development for the IFoA and its Members and I would therefore strongly encourage you to respond to the consultation.

Thank you for your interest.

**Desmond Hudson,**  
Chair of the Regulation Board  
29 June 2018

# 1. Summary of the proposals and rationale

## Proposals

- 1.1 The Institute and Faculty of Actuaries (IFoA) proposes to introduce an enhanced system to gather information about the work being carried out by IFoA Members, to use that information to provide evidence of the quality of actuarial work, to promote best practice and, as appropriate, to develop and adapt training, education, standards and guidance.
- 1.2 The IFoA proposes to introduce three different categories of monitoring, or review, of the work of its Members:

Table 1.1

Category	Type of review	Scope of review
A	<b>Direct review</b> of actuarial work on a regular basis	Work of IFoA Practising Certificate (PC) holders relating to that PC role.
B	<b>Thematic reviews</b> of actuarial work	<b>Any actuarial work</b> potentially covered.  Includes <b>work outside the scope of the IFoA's PC Scheme</b> .  Likely to focus on areas of work with some significance in terms of the public interest.
C	Enhanced general information gathering activities, (e.g. questionnaires, surveys, analysis of insights shared by co-regulators), on a scheduled and <i>ad hoc</i> , thematic basis.	<b>Any actuarial work</b> potentially covered.

- 1.3 This approach is risk-based:

- The Category A planned regular reviews will focus on the work of those in roles within the IFoA's PC Scheme, recognising that those are roles that have been identified by legislation or regulation as having some particular importance (often with a significance in terms of the public interest).
- The frequency, duration and format of the Category A monitoring processes applying to a PC holder will also take into account the extent of other information gathering or review activities that already apply to the PC holder's work (or to the outputs of that work), recognising that the risk relating to their work is less if, for example, they work in an environment that has been Quality Assurance Scheme (QAS) accredited, their firms have thorough internal audit processes in place and/or their actuarial work is already subject to other forms of regulatory monitoring.
- There will be a regular programme of thematic reviews (i.e. evidence-based studies focused on a particular theme, issue, or question relevant to actuarial work), which will encompass work falling within and outside the scope of the PC Scheme. The choice of the review theme will be informed by a range of sources, including information shared by the IFoA's actuarial co-regulators and the Risk Perspective document published by the Joint Forum on Actuarial Regulation (JFAR)<sup>1</sup>. Thematic reviews will be carried out by agreement with IFoA Members, and their employers, and will, where possible, be carried out on an anonymous basis so that the actuary's name is not disclosed to the reviewer.

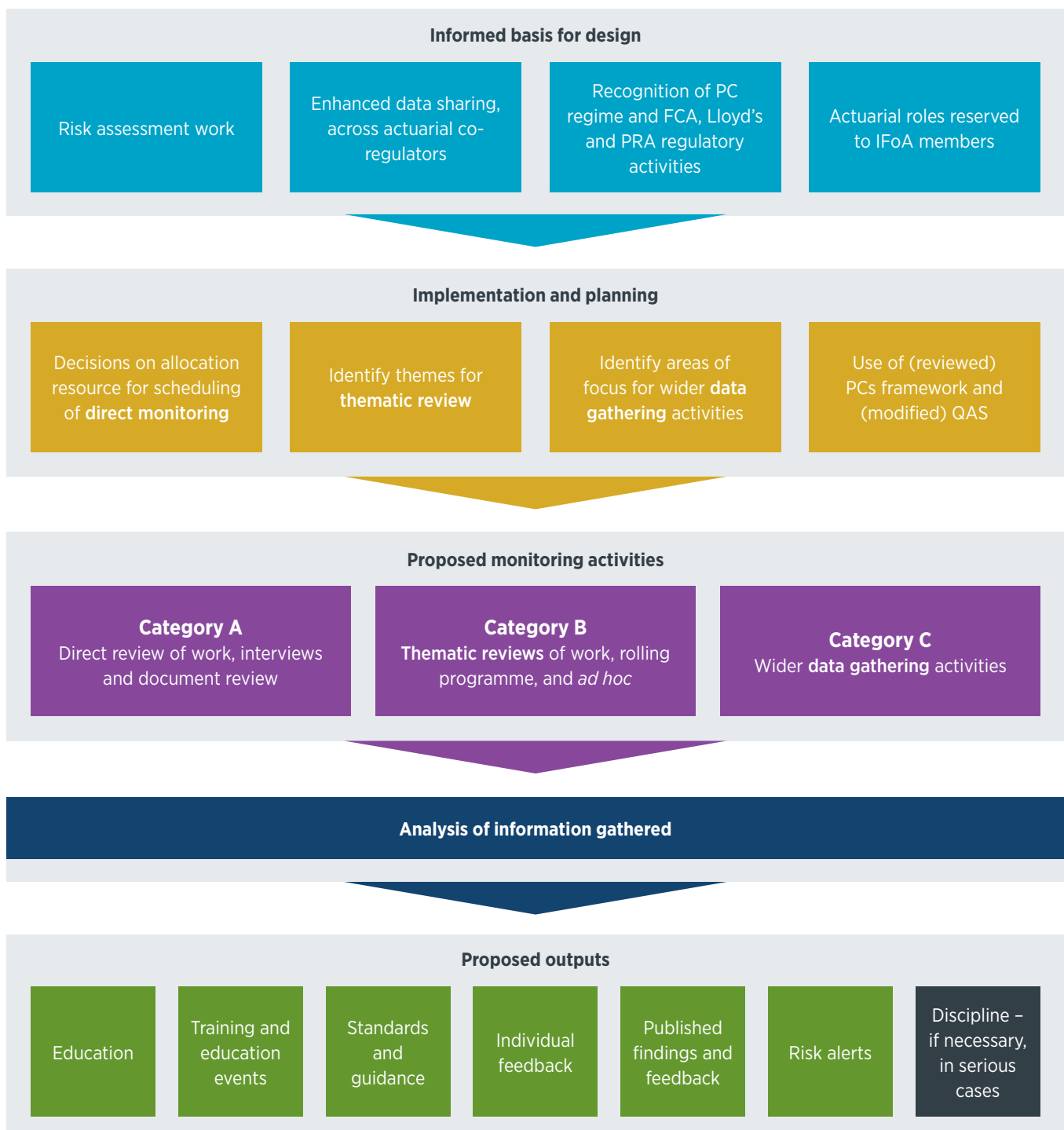
1. The JFAR is a collaboration between regulators to consider areas where there is a public interest risk in relation to actuarial work. It published the **Risk Perspective document**

- 1.4 The outputs of each Category of monitoring will be used to produce published generic feedback, in addition to individual feedback.
- 1.5 Outputs will be used to inform the regulatory work of the IFoA (standards, guidance and educational material, Continuing Professional Development (CPD) requirements etc.) as well as the actuarial standard setting responsibilities of the Financial Reporting Council (FRC). The outputs of Category A monitoring will also inform the PC process.
- 1.6 There will be scope for an escalation route from C-A (and de-escalation route from A-C). So, for example, information gathered under Category C might inform a decision to undertake a thematic review (Category B) on a topic or issue to which that information relates.
- 1.7 It is proposed that a phased approach would be taken to implementation of the different Categories of monitoring and possibly also to the categories of PC holders subject to Category A monitoring.
- 1.8 The benefit of a phased approach would be that lessons could be learned from the earlier phases of the implementation. This phasing would also be risk-based, allowing initial focus, through thematic reviews, on the issues judged to be most pressing from a public interest perspective.
- 1.9 The precise timing for introduction of the different phases would be confirmed once the proposals are finalised. However, it is anticipated that all of the proposed monitoring would be fully operational by the end of 2020.
- 1.10 The effectiveness of the scheme would be subject to review following a period of operation, of the whole system, of 3 years, and subject to ongoing evolution and improvement in light of feedback received.
- 1.11 The proposals are not being made in response to any identified issues with the quality of actuarial work. However, there is growing public scrutiny of industries in which actuaries play a crucial part (e.g. pensions and insurance) and the proposals recognise that there is an expectation that actuaries, particularly those in key public interest roles, are subject to a robust regulatory framework. The IFoA seeks to rise to this challenge and demonstrate, through the introduction of a proportionate system of monitoring, that IFoA members lead the way in terms of the high standards they set themselves and the commitment which they demonstrate to maintaining those standards, in the interests of society at large.
- 1.12 The IFoA therefore aims to reinforce the credibility of its regulatory framework, working within its existing model of accountable self-regulation. This is a powerful model, balancing the benefits of a Member-led approach with the reassurance provided by independent scrutiny and accountability.
- 1.13 This allows the IFoA the opportunity and flexibility to design a scheme which is capable of commanding public confidence but is also workable for its Members. This consultation is your opportunity to influence the shaping of that scheme. The IFoA welcomes suggestions as to how monitoring might most effectively and appropriately be implemented, as well as alternative ideas as to how these objectives might be achieved.
- 1.14 The proposals have the support of the FRC, the IFoA's oversight body in the UK.
- 1.15 The IFoA has been in discussion throughout the development of the proposals with the Prudential Regulation Authority (PRA), the Financial Conduct Authority (FCA), The Pensions Regulator (TPR) and Lloyd's of London (Lloyd's), each of which has an important interest in the appropriate regulation of actuaries in the UK.

## Rationale

- 1.11 The IFoA aims, through appropriate monitoring, to obtain meaningful information as to (a) how actuarial work is being undertaken by its Members; and (b) the effectiveness of standards (both ethical and technical). In the absence of such a mechanism, there is a gap in the information available to the IFoA to inform its regulatory role.
- 1.12 Moreover, monitoring, as proposed, should provide useful feedback to Members and the wider profession, reducing risk for Members and their employers and reinforcing public confidence in the profession.

**Diagram 1.1: Summary of the proposals**



# 2: Category A monitoring, direct review

- 2.1 The proposed Category A monitoring will be mandatory for all IFoA PC holders and will involve an IFoA Review Team<sup>2</sup> carrying out a review visit.

## Summary of Category A reviews

- 2.2 The detail of how the proposed visits will work in practice is set out in **Appendix 1** but, in summary, would involve:

- onsite visits at the PC holder's offices (or other location by agreement);
- an interview between the Review Team and the PC holder;
- review of key pieces of actuarial work relating to the PC holder's role (the specific work to be reviewed will differ between roles and also, to some extent, be informed by the interview process);
- review focused on the requirements of actuarial professional standards (both the ethical and technical standards of the IFoA and FRC), but with sufficient flexibility to allow for the critical exercise of professional judgement;
- a (peer reviewed) report provided to the PC holder with a summary of the reviewers' findings and best practice recommendations (if appropriate);
- the Review Team reporting to the IFoA Regulation Board any emerging themes or issues arising from their work; and,
- publication of regular high-level, anonymised reports of generic findings.

## Duration and frequency of review visits

- 2.3 More detail on the likely duration and frequency of visits for different PC holders is set out in **Appendix 1**.
- 2.4 In summary, the duration and frequency of review visits will be determined according to a number of factors, including: the type of PC holder, the number of PC

appointments they hold, the particular work involved, whether the PC holder's employer is QAS accredited, the IFoA's level of comfort given information that may already exist as a result of other industry wide measures already in place to assess the work of certain PC holders, or the extent to which work being carried out with respect to a PC is assessed as part of an internal or external audit<sup>3</sup>.

- 2.5 The scope of Category A monitoring may change from time to time as the IFoA's requirements to hold PCs change (for example, if new PCs are required for other roles or existing PCs are no longer required<sup>4</sup>).

## QAS adapted process

- 2.6 An adapted process will apply for PC holders that are employed by an organisation that holds the IFoA's QAS accreditation.
- 2.7 This will be relevant in two ways. Firstly, it will be taken into account in the risk assessment for the purposes of determining the extent of the review (duration and frequency as well as, for Scheme Actuaries, the number of individual PC holders reviewed). This recognises that the QAS process already involves independent assessment that the organisation is meeting a range of outcomes that support and promote the production of high quality actuarial work and compliance with actuarial standards. Therefore the IFoA already holds more information about the working environment of those PC holders and those organisations have signed up to the additional requirements of the QAS. Secondly, the QAS will be used, at a practical level, to make the process more straightforward and efficient for organisations and PC holders.

- 2.8 Details of how the process will be adapted for QAS organisations is set out at **Appendix 2**.

2. Made up of a team of paid (not volunteers), suitably qualified and experienced actuaries and other IFoA contracted/employed staff.

3. Detailed proposals on setting the frequency of review for individual PC holders are set out at **Appendix 3**.

4. It is currently anticipated that the category of 'Reviewing Actuary' PC will be recommended for removal by the IFoA's Practising Certificates Review Steering Group and so it is not specifically addressed in these proposals.



## Confidentiality and Protection of Sensitive Information

- 2.9 A key concern for the IFoA is to provide reassurance to PC holders and their employers about the protection of confidential and/or sensitive information, including personal data, that may be considered as part of Category A monitoring.
- 2.10 The IFoA already has significant experience of dealing with this type of issue in terms of the QAS assessment visits it carries out and through its disciplinary investigations.
- 2.11 Therefore the following is proposed:
- the IFoA will provide an undertaking to the employers of PC holders in the form included at **Appendix 5**;
  - the process for review visits will be designed so that access to confidential and/or sensitive information is minimised as far as possible – this might include a degree of redaction if that can be applied without affecting the quality of the review;
  - appropriate measures in relation to data security will be in place in relation to the IFoA's IT systems;
  - where possible, documents and advice will be reviewed onsite at the PC holder's offices and not be removed or copied by the IFoA Review Team;
  - reports will be drafted to avoid inclusion of confidential and/or sensitive information other than in exceptional circumstances where necessary to communicate a finding; and,
  - the IFoA will have in place appropriate insurance to cover its monitoring activities recognising that these may involve access to confidential and/or sensitive information.

## Use of the Outputs of Reviews

- 2.12 The reviews will result in reports produced by the Review Team that are shared with the PC holder and will, where appropriate, make best practice recommendations for the PC holder to consider. It will be for the PC holder to decide whether to share the report with their employer. Those reviews will themselves be subject to internal review, to ensure the quality and consistency of the review process, within the Review Team.
- 2.13 The Review Team will share high-level reports flagging up themes or issues for consideration to the IFoA's Regulation Board. They might also recommend additional thematic reviews or identify areas where particular issues might merit further attention/consideration by the IFoA/FRC.

- 2.14 The sort of outputs expected to arise as a result of the monitoring are:
- individual reports providing feedback to PC holders, fostering continuous improvement;
  - high level, regular, anonymised reports published to summarise the Review Team's findings;
  - new IFoA (and FRC) actuarial standards and guidance;
  - changes to (or removal of) actuarial standards and guidance;
  - changes to the qualification requirements for actuaries;
  - publication of additional educational material;
  - CPD events and roundtable sessions arranged on relevant topics; and,
  - relevant issues incorporated into Professional Skills Training materials.
- 2.15 The focus of the monitoring activity is therefore on continuous improvement and on gathering information to improve standards, guidance and educational materials and activities.
- 2.16 If, as a result of the review, the Review Team has a serious concern about a particular PC holder's suitability to be a PC holder then they would flag that in their report and share those concerns with the PC holder, who would have an opportunity to respond. If, after receiving the response, the Review Team remains concerned then their report will be passed to the Practising Certificates Committee (PCC) along with the PC holder's response for the PCC to decide whether further steps are required. It is expected that this will occur only in circumstances of significant concern (and not just as a result, for example, of best practice recommendations).
- 2.17 It is also possible that the Review Team may, in serious cases, identify instances of potential misconduct on the part of an IFoA Member. As a professional regulator with a responsibility to protect the public interest, and the reputation of the actuarial profession, such circumstances would lead to further enquiries being made to determine whether the matter should be referred for formal investigation under the IFoA's Disciplinary and Capacity for Membership Scheme. It is worth noting that the test for misconduct is not simply a breach of standards or that the quality of a Member's work might be improved. It requires a failure to comply with the standards of behaviour, integrity, competence or professional judgement which other Members or members of the public would reasonably expect from an actuary. Referral for disciplinary investigation will accordingly only occur where evidence obtained through monitoring suggests a basis for serious concern or risk to the public.



# 3: Category B monitoring, thematic reviews

3.1 The IFoA proposes additionally to carry out a programme of regular thematic reviews, looking at particular topics, roles and/or areas of work. This will not be limited to work within the scope of the PC Scheme.

## Identifying themes

3.2 The thematic reviews will potentially apply to any area of actuarial work and themes will be identified using a range of sources, including: ongoing risk analysis undertaken by the IFoA's Regulation Board; the Risk Perspective document published (and renewed from time to time) by the JFAR<sup>5</sup>; the risk analysis work carried out by the FRC in determining the scope of the specific Technical Actuarial Standards<sup>6</sup> (TASs); insights shared with the IFoA by regulators with an interest in actuarial matters including the FCA, FRC, PRA, and TPR; as well as, the IFoA's other regulatory activities (including its disciplinary process). It is anticipated that thematic reviews will not be restricted only to UK work but might have a wider geographic scope.

3.3 Some potential topics flagged for possible thematic review are:

- actuarial investment advice, including, in particular, investment modelling work for banks/investment firms;
- corporate pensions advice;
- advice on terms of exchange of pensions for cash;
- advice on setting longevity assumptions; and,
- role of actuarial advice in the pricing of specific General Insurance (GI) products.

3.4 Illustrations of how a thematic review might be carried out are included at **Appendix 4**.

## Agreement with organisations

3.5 Thematic reviews will be carried out only with the agreement of participant organisations and/or individual Members (as appropriate). The IFoA hopes that the benefits to organisations of enhanced information about the quality of the actuarial work upon which they rely to make significant decisions will encourage them to agree to participate.

3.6 As thematic reviews are carried out by agreement with organisations, the IFoA will offer the same undertakings in relation to confidentiality and protection of sensitive information (including personal data) as for Category A monitoring.

## Form of reviews

3.7 The form of thematic reviews will depend on the particular theme and will involve a mixture of smaller targeted and larger scale reviews. It is expected that, for many of the reviews, the format will involve a site visit and interview with a Member of the Review Team and/or a review of particular work, in much the same way as for Category A monitoring. There may also be scope for reviews to be carried out by providing documents to the IFoA for a desk based review and/or for them to be done by telephone.

3.8 It is expected that, for some more specialist reviews, it will be necessary for the IFoA to seek external expertise to assist the Review Team. This might be the case for any category of monitoring (including Category A) but is more likely to arise for Category B monitoring given the specific focus of such reviews. The IFoA is very mindful of the potential for conflicts of interest and commercial sensitivities in such circumstances and will ensure that this is assessed when appointing external assistance and any potential commercial conflicts addressed with those involved in the review.

## Anonymity in the review process

3.9 The IFoA will explore ways in which reviews might be anonymised, for example, not identifying the author of particular work when attending a site visit or an organisation providing documents to the IFoA that are anonymised/redacted, while recognising that this might not always be practical (or helpful).

## Outputs from reviews

3.10 It is anticipated that the outputs for thematic reviews will be very similar to Category A but will depend, to some extent, on the form of the particular review.

5. Risk Perspective document

6. Section 2 of the FRC's Consultation: Revised Specific TASs

3.11 Where there is a high-level report published and shared more widely than with the individuals/organisation involved in the review, for example where it is published on the IFoA website or is presented at a conference, it will be anonymised so that no individuals or organisations are identified.

3.12 In some cases, where the review is not carried out anonymously, there might be reports provided to individuals with some good practice recommendations and/or a feedback meeting or call. Those reports would not be shared publicly.

3.13 The nature of thematic reviews also means that published reports are likely to be more specifically targeted at particular issues.

# 4: Category C monitoring, data gathering

- 4.1 In addition to the Category A monitoring directed at PC holders and the Category B thematic reviews, the IFoA will also take steps to enhance its wider data gathering activities.
- 4.2 This will complement (and inform) Category A and B monitoring, with information/data obtained from a range of sources, including the IFoA's QAS, periodic surveys, workshops, and focus groups.
- 4.3 Such wider information gathering will, as appropriate, be both scheduled and thematic and might also cover some work within the PC Scheme (for example – looking at a different aspect of that work through a survey).
- 4.4 A key aspect of this proposal is to look at improving, within the requirements of existing legislation, the information sharing arrangements between the IFoA and other regulators with an interest in actuarial matters, primarily in the UK. This not only improves the information available across the regulators but also allows for a more coordinated approach to their respective activities and should help to avoid duplication.

# 5: Commentary on benefits of proposals against impact

5.1 In summary, the benefits of the proposed approach include the following. It will:

- improve the effectiveness of actuarial regulation by using the information acquired to enhance the relevance of standards, guidance, and educational material;
- serve to reinforce the public reputation of the profession in the face of considerable competition from other experts and professionals;
- enhance the credibility of the PC Scheme, by providing substantive assurance of the actuarial quality of the work undertaken in relation to these important public interest roles;
- be a scheme designed for the profession by the profession, in the spirit of maintaining the benefits and privilege of effective and accountable self-regulation, subject to independent oversight; and,
- provide a mechanism and opportunity for meaningful, credible, independent feedback to Members, both on an individual and collective basis, enabling ongoing reinforcement and continuous improvement.

5.2 While the scope of the arrangements will be broad (in terms of the work which will be covered), the additional requirements will be relatively narrowly focused around reserved work, i.e. they will be proportionate.

5.3 The IFoA would be able to deliver Category A monitoring more efficiently through the vehicle of QAS, meaning that the impact is materially reduced for the significant and increasing proportion of PC holders working within QAS entities.

## Impact on members/employers

5.4 The most obvious impact on Members/employers will be the time required to engage with the scheme (to different extents, in respect of each of Categories A, B and C).

5.5 This will likely be most significant for PC holders, in relation to Category A monitoring. The IFoA aims to ensure that this impact is minimised so far as possible, by adopting a risk based approach to the frequency and duration of Review Visits. The impact will also be reduced for the significant and increasing proportion of PC holders working for a QAS accredited organisation (and therefore also for the QAS accredited organisation itself).

5.6 The monitoring will be funded in part from existing IFoA revenue streams. The FRC has agreed in principle, and expressed publicly, that it will contribute to the initial costs.

5.7 The IFoA does not, as a result, currently envisage the necessity to increase subscription or PC fees as a result of the introduction of monitoring. Decisions in relation to the level of fees are, however, made annually in the normal course of business, having regard to the IFoA's overall budgetary position.

5.8 Feedback on the likely impact of these proposals is sought as part of this consultation.

# 6: Key questions answered

## **Q1 What will be used as the baseline for assessment of actuarial work? Is this a compliance review or something more than that?**

6.1 The reviews will focus on compliance with the IFoA's (and, where appropriate, the FRC's) standards. These will include both ethical and technical standards. However, it is important to note that those standards are not rules-based or 'tick box' standards, but are principles based. This means that there will be a degree to which the IFoA will need to consider the professional judgement applied to the work in order to provide meaningful feedback. There will also be consideration of whether the work is in line with generally accepted good practice, taking into account publications and other materials that set this out.

## **Q2 Who will carry out the reviews?**

6.2 The IFoA proposes to recruit a team of suitably qualified and experienced actuaries to carry out the reviews and is now reviewing the experience profile needed. These reviewers will either be employees of or contracted by the IFoA (i.e. not unpaid volunteers). Their work will be supplemented by specialist actuarial advice that will be obtained from time to time, for example to assist with thematic reviews on specialist topics.

## **Q3 Isn't there a risk that the reviewers will just have a different professional opinion and that this doesn't make the original opinion 'wrong'?**

6.3 The nature of the reviews and of actuarial technical and ethical standards (being principles based) means that there will need to be an element of professional judgement applied by the reviewers. However, the purpose of the review is not to replace the judgement of the actuary being reviewed with the opinion of the reviewer nor is it to say that any opinions are 'right or 'wrong'. The reviewer will be very aware of the scope for different professional views and opinions and will reflect that in the review process they follow and in their report.

## **Q4 Will there be a review of the reviewers' findings?**

6.4 The scheme will provide for the peer review of findings by other reviewers within the IFoA's Review Team, as well as for review of the outputs at a more general level by a committee made up of suitably experienced and qualified actuaries and lay persons. This should ensure quality and consistency in reviews. The IFoA will be inviting feedback from participants on an ongoing basis.

## **Q5 Will the reviews be anonymised?**

6.5 It is proposed that Category B thematic reviews might be carried out on an anonymous basis, so far as that is possible and where that is the most pragmatic approach. Category A monitoring of the work of PC holders will by definition relate to the work of an individual PC holder who is actively using their PC, recognising that those roles are individual appointments and a key purpose is to provide individual feedback. Specific recommendations or information relating to individual PC holders will not, however, be published or shared more widely.

## **Q6 How will the information arising out of reviews be used?**

6.6 Individual feedback will be provided to PC holders (Category A monitoring) with suggestions and recommendations that should be useful for the individual. More general, anonymised feedback will be published, for the benefit of the wider actuarial community.

6.7 If the Review Team identifies issues that cause significant concern about the individual's continuing suitability to be a PC holder it may advise the PCC about its concerns and make recommendations to the PCC in that regard. In such situations the PC holder will be given the opportunity to respond to those concerns. The information otherwise made available to the PCC will ordinarily simply be the fact that a review took place.

6.8 Otherwise information from the monitoring (including thematic reviews) will be used to inform the IFoA's regulatory work, including standards and guidance (e.g. amending Actuarial Profession Standards (APSS), producing new guidance documents, withdrawing standards, or guidance that are not effective/redundant), as well as relevant educational material (e.g. ensuring the relevance of professional skills training material). In short, information obtained will help to ensure the relevance and usefulness of our work, for the benefit of our Members and for the users of actuarial work.

## **Q7 What will happen if the reviews identify potential misconduct? Could the findings from a review be used to discipline IFoA Members?**

6.9 The aim of the monitoring proposals is to improve the information available to us about the quality of actuarial work. This will, in turn, help to promote the quality of actuarial work, and to enhance the relevance and

effectiveness of the IFoA's and FRC's regulatory activities (including standards and guidance, CPD events and risk alerts). In terms of Category A monitoring, it should help ensure appropriate individuals are appointed to undertake the most significant, high risk public interest actuarial roles.

**6.10** The proposals are not designed to seek out examples of poor quality work or to identify potential misconduct that would lead to a referral to the IFoA's disciplinary process.

**6.11** If, however, the IFoA does uncover instances of potential misconduct it could not, of course, as a professional regulatory body with responsibility for upholding professional standards for actuaries, turn a blind eye to those situations. In such cases the matter would be referred to the IFoA's Disciplinary Investigations team to investigate further.

**6.12** The purpose of this initiative is, however, to improve the quality of information available to us about the quality of key actuarial work, and to provide purposeful feedback to those Members responsible for delivering it.

**Q8 Will the findings from Category A monitoring be taken into account in decisions to award or renew PCs?**

**6.13** This will only apply where the Review Team has identified a significant concern about an individual's suitability to hold a PC. In such cases they would give the individual an opportunity to respond and both the reviewer's findings, with recommendations, and the PC holder's response would be passed to the PCC for consideration. The PCC will also have the opportunity to ask the Review Team to carry out reviews if they have concerns about a PC holder (or applicant).

**6.14** The PCC will be able to see that an applicant has been subject to a review.

**Q9 Will the monitoring process lead to a delay in the awarding or renewal of PCs?**

**6.15** The proposed monitoring scheme would be operationally quite separate to the process for awarding or renewing PCs so there should not be delays caused as a result.

**Q10 What sort of assurances will the IFoA provide about protecting the confidentiality of materials that are reviewed?**

**6.16** The IFoA proposes to put in place a range of proactive steps to protect the confidentiality of materials (including for example not removing sensitive materials from an organisation's office) and will also provide a formal undertaking in relation to its monitoring activities, confidentiality and protections of sensitive material and personal data.

**Q11 How will the costs of this enhanced monitoring be met? Will subscription rates or PC fees be increased as a result?**

**6.17** It is not currently proposed that subscription rates or PC fees will be raised as a result of the monitoring proposals. Rates and fees are already reviewed on a regular basis to take into account matters such as inflation. The IFoA will fund the proposed scheme to an extent from existing and budgeted income streams. The FRC has also publicly committed, in principle, to providing a contribution to the costs of these proposals for the initial period of operation, subject to further consultation on any longer term arrangements.

**Q12 Will there be a trial period for the proposed system?**

**6.18** There will be a phased approach to the introduction of the different types of monitoring in the proposals so that lessons can be learned from the different stages of implementation. See **1.7-1.9** above.

**6.19** The proposal, if introduced, will also be reviewed after a period of operation. It is important that there is a reasonable period allowed before that review so that the conclusions are meaningful. The IFoA envisages undertaking the first such formal review after 3 years of operation of the full system.

**Q13 Do the proposals only apply to UK work?**

**6.20** Currently the IFoA only issues PCs in relation to UK regulated insurance entities (including Lloyd's syndicates) and UK pensions schemes under the Pensions Act 1995. Therefore, practically speaking, Category A monitoring will currently apply only to UK work. There is potential for the geographic scope of the PC Scheme to be widened in the future.

**6.21** The focus of Category B (thematic reviews) and Category C information gathering will be informed by a range of different considerations and prioritised according to a risk based analysis. This may involve consideration of work undertaken by Members working in different geographic and regulatory contexts.

**Q14 Why would organisations provide the IFoA with access to sensitive or confidential information if they aren't required to do so?**

**6.22** The IFoA expects organisations to see the value in and importance of independent review of important actuarial work that has significant implications for their business and hopes that they will be reassured by the rigorous safeguards that the IFoA proposes to put in place to protect confidentiality and sensitive information.

6.23 In terms of Category A monitoring, agreement to the new scheme would be required as a condition of obtaining a PC.

6.24 The IFoA is committed to ensure that the proposals are both meaningful and proportionate. The proposals have the support in this respect of its oversight body, the FRC, and the relevant UK sectoral regulators, as well as the UK Government.

**Q15 Why is the QAS part of this proposal? Is this an attempt to force organisations to sign up for QAS accreditation?**

6.25 The QAS is, and will remain, a voluntary accreditation scheme open to the employers of actuaries. It is quite separate from the proposed monitoring scheme and has a different focus.

6.26 However, it is recognised that organisations that have the QAS accreditation have been independently assessed as having in place certain processes and procedures on relevant issues such as work review and conflicts of interest and that these organisations are therefore already demonstrating that they are achieving relevant outcomes in relation to quality assurance. This means that the IFoA already hold more information about the working environment of PC holders employed by QAS organisations and there is therefore scope to reduce the amount of monitoring required. This reflects the risk based approach to the monitoring proposal, with more focus on work where there is less information available and/or existing review and monitoring in place.

6.27 There are also practical opportunities to coordinate QAS and Review Visits to make the process more efficient for organisations and Members from a practical perspective.

**Q16 Has the IFoA taken legal advice on the lawfulness of the proposals?**

6.28 Yes, the IFoA has obtained independent legal advice on the proposals to the effect they are lawful and consistent with its Royal Charter powers and responsibilities.

**Q17 Are the statutory regulators not already monitoring this work?**

6.29 A number of organisations and Members that will be affected by these proposals are already subject to some form of regulatory oversight. However, there is no other regulator (in the UK or elsewhere) with specific responsibility for monitoring the quality of actuarial work. Other regulators have a different focus and are therefore unable to provide the IFoA with specific information about actuarial quality and compliance with actuarial standards. Other regulators are however able to support this initiative in sharing wider issues and themes which will help to inform the prioritisation of the IFoA's activity. The IFoA

aims in effect to achieve a control cycle of feedback and continuous improvement specifically for actuarial quality, albeit one delivered as practically as possible, drawing so far as possible on all sources of relevant information, including from its co-regulators.

**Q18 Will the additional cost of monitoring, coupled with the existing regulatory burden, render IFoA Members uncompetitive?**

6.30 The monitoring scheme, as proposed, has been designed to be as practical and proportionate as possible, recognising that adding layers of regulatory burden is undesirable for everyone. The self-regulatory status of the IFoA means that it has the flexibility and opportunity to design a scheme which serves both the profession and users of actuarial work, upholding both the public interest and the reputation of the profession. The IFoA welcomes however alternative suggestions as to how these objectives might be achieved.

6.31 The monitoring scheme should help to improve the information available, not only to the IFoA, but also to practitioners and to users. It should also emphasise the importance of actuarial work and of the high standards to which IFoA Members are held, increasingly relevant in a world where there is heightened scrutiny of standards and professionalism across the financial services sector. At the same time, by focusing Category A monitoring on key public interest roles which are identified in legislation or regulation and for which PCs are required, the IFoA will ensure that those in more competitive fields are not placed at disadvantage.

**Q19 Why is the IFoA doing this now? Is there a problem with the quality of actuarial work?**

6.32 The proposals are not being advanced in response to any identified issues with the quality of actuarial work. However, there is growing public scrutiny on industries in which actuaries play a crucial part (e.g. pensions and insurance) and the proposals recognise that there is an expectation that actuaries are subject to a robust and credible regulatory framework.

**Q20 As an active PC holder how frequently can I expect my work to be subject to Category A review in practice?**

6.33 This will depend on a number of factors but is likely to range between 18 months and 7 years. **Appendix 1** provides further guidance.



# 7: Consultation process and how to respond

- 7.1 The Institute and Faculty of Actuaries invites your comments on the proposals for an enhanced system to promote the quality of actuarial work. The proposals outlined in this consultation document have been developed with significant input from practitioners and aim to present a starting point for dialogue with our Members and stakeholders. The IFoA fully welcomes suggestions and feedback on the proposals and would appreciate it if you could take the time to respond.
- 7.2 The closing date for responses is **midday on 28 September 2018**.
- 7.3 Where possible, responses should be provided using the online questionnaire which can be found on the IFoA's website at:  
**<https://www.actuaries.org.uk/upholding-standards/regulatory-communications-and-consultations/current-consultations/monitoring-project-consultation>**
- 7.4 You can also send a response by email or post using the details below. If responding by email or post it is requested that, where possible, the downloadable version of the questionnaire be used. This will help us analyse responses in the most effective manner.  
**[ams@actuaries.org.uk](mailto:ams@actuaries.org.uk)**  
Actuarial Monitoring Scheme  
The Institute and Faculty of Actuaries  
Level 2 Exchange Crescent  
7 Conference Square  
Edinburgh  
EH3 8RA
- 7.5 A downloadable version of the questionnaire can be found here:  
**<https://www.actuaries.org.uk/documents/response-form>**
- 7.6 If you would like a copy of this document in an alternative format such as large print or coloured background please contact us at the email or postal address above.
- 7.7 Please indicate whether you wish any of the information you supply in your response to be treated confidentially. Unless you so indicate, the IFoA may make responses to this paper available on its website at:  
**[www.actuaries.org.uk](http://www.actuaries.org.uk)**  
If you do not wish your contribution to be anonymous any personal data you supply will be stored and used only for the purposes of this consultation, according to data protection law and in line with our privacy policy:  
**<https://www.actuaries.org.uk/privacy-policy>**
- 7.8 Responses to the consultation will be collated and analysed by an independent party and a report will be published on the IFoA website.
- ## Consultation meetings
- 7.9 Consultation meetings will be open to the public and free to attend by booking on the events page of the IFoA website:  
**<https://www.actuaries.org.uk/learn-develop/attend-event>**
- 7.10 A recording of a consultation meeting for each practice area will be made available on the IFoA website for viewing at a later date.

# 8: Continuing professional development

## 8.1 Members of the IFoA are entitled to claim up to:

- one hour of private study CPD time for reading this consultation paper and one hour for completing the relevant questionnaire; and,
- two hours of CPD time for attending or viewing one of the consultation meetings, provided that the topic can be shown to be personally relevant and developmental.

## 8.2 Please remember to record your learning outcome within your online CPD record and, if attending a meeting in person, record your name on the registration form.

## 8.3 Thank you for your time and interest.

# Appendix 1:

## Monitoring process (Category A monitoring)

**A.1.1** This is an illustration of how Category A monitoring might work in terms of the Practising Certificates (PCs) process. The proposed structure of the Review Team is still in development. The arrangements will be subject to further refinement in light of consultation responses.

**Table A1.1**

1 PC process
1.1 Initial application process
<p><b>Application Form</b></p> <ul style="list-style-type: none"> <li>• Set out how they meet the criteria</li> <li>• Examples of experience</li> <li>• Attestation by another PC holder</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• Assessment of suitability by PC Executive Team and Practising Certificates Committee (PCC)</li> <li>• PCC decides whether to grant a PC</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• PCC may be given the facility to require the Review Team to carry out a special Review Visit (Including possible review of relevant work) so that this can be taken into account in deciding an application for a PC. This possible facility is subject to further consideration and would, if introduced, be at a later stage.</li> <li>• In such cases the Review Team will make recommendations, the report will be agreed with applicant and then shared with the PCC – in cases where agreement can't be reached applicant's comments will be presented to the PCC along with Review Team's recommendations</li> </ul>
1.2 PC renewal process
<p><b>Application for renewal</b></p> <ul style="list-style-type: none"> <li>• Confirm intending to continue in role(s) and seeking renewal</li> <li>• Flag any relevant changes/issues arising in the past year</li> <li>• Some questions probing activities and compliance with professional standards</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• Decision on renewal made by PC Executive Team and PCC</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• PCC may be given the facility to require the Review Team to carry out a special Review Visit (Including possible review of relevant work) so that this can be taken into account in deciding an application for renewal of a PC. This possible facility is subject to further consideration and would, if introduced, be at a later stage</li> <li>• Including possible review of relevant work</li> <li>• Report will be agreed with applicant and then shared with the PCC – in cases where agreement can't be reached applicant's comments will be presented to the PCC along with Review Team's recommendations</li> </ul>

### 1.3 Requirement to notify

- PC holder required to keep their records up to date with the details of appointment(s) relating to their PC
- PC holder provides information about internal/external audit applying to their PC work so that this can be used to help determine appropriate frequency of monitoring

## 2 Review visits

### 2.1 Format

Onsite Review Visit by Institute and Faculty of Actuaries (IFoA) Review Team at PC holders' offices (or other venue by arrangement)

- Planning call/meeting to discuss and make practical arrangements
- Interview with PC holder where they will talk about the work relevant to their role
- Reviewer will identify key pieces of work to be reviewed (discussed at interview)
- Reviewer's focus will be on considering the quality of actuarial work and on assessing compliance with actuarial professional standards: Actuaries' Code; Actuarial Profession Standards (APSS); Technical Actuarial Standards (TASs); and, Guidance Notes (GNs)
- Files and work will be considered onsite and not removed, copied, or sent to the IFoA
- Reviewer will prepare a report with findings and best practice suggestions
- Report and findings 'peer reviewed' by another member of the Review Team before it is shared further
- The report will be shared with the PC holder for comment/response
- There will be a call/meeting to explain the feedback
- The report will then be agreed with the PC holder
- It will be for the individual PC holder to decide whether to share the report with their employee

### 2.2 Review team

The reviews will be carried out by a team of qualified and suitably experienced actuaries employed or contracted by the IFoA

The team is likely to involve a combination of very experienced senior actuaries with suitable experience and qualifications to carry out a meaningful review of PC work, supported by more junior, but still qualified and appropriately experienced, actuaries acting under their direction (e.g. the split of work might be 70% more junior actuaries; 30% senior actuaries but with flexibility to adapt to different situations and issues). The IFoA is still considering the experience profile of the team needed. The structure of the Review Team will also be subject to further consideration and refinement in light of consultation responses

### 2.3 Work reviewed

This will depend on the particular PC role and also be informed by the interview

### 2.4 Work reviewed

The duration of the onsite visit (plus feedback) will depend on a range of factors but is expected to be between the following ranges:

- Chief Actuary (CA)/With Profits Actuary, 3-7 days onsite;
- CA (smaller non-directive insurer), 2-5 days onsite;
- QAS organisation with Scheme Actuaries(sampling approach), 0.5-2 days onsite per organisation; and,
- individual Scheme Actuary 1-2 days onsite per individual

N.B. This is illustrative for the purposes of consultation and has been developed with the benefit of informal consultation with actuaries involved in this type of work as well as those with experience of carrying out other monitoring and review activities. It will be confirmed and refined following further analysis

## 2.5 Frequency

The frequency of the visit will be determined according to the IFoA's assessment of the level of assurance already in place in relation to a PC holder's work, or working environment because of scrutiny that already exists. The proposed approach is set out in **Appendix 3**

The expected frequency of visit for PC holders (or QAS entities employing Scheme Actuaries, if applicable) is:

- Band A: 6-7 years;
- Band B: 4-5 years;
- Band C: 2-3 years; and,
- Band D: 18 months - 2 years

N.B. This is also illustrative for the purposes of consultation (both as to frequencies and the relative bandings) and has been developed with the benefit of informal consultation with actuaries involved in this type of work as well as those with experience of carrying out other monitoring and review activities. It will be confirmed and refined following further analysis

## 2.6 Timing

The timing (in terms of time of year) of the Review Visits will try to avoid the busiest periods for PC holders. This will differ for each type of PC holder

## 2.7 Oversight

- Monitoring Panel (made up of experienced volunteer Members and lay representatives) to oversee the process and consider feedback from the Review Team on themes and issues arising from reviews
- Panel will also oversee the issue of generalised, anonymous briefings/reports that may be published by the IFoA if there are themes/trends that arise from the monitoring and it is beneficial to create awareness
- Panel will make recommendations to Regulation Board, through the IFoA Executive team, about changes to the standards framework, the need for new guidance, the need for focus on particular issues in educational materials, suggestions for Continuing Professional Development (CPD) events, as appropriate

## 2.8 Interactions with

### PCC

- Where a review is carried out and the Review Team has significant concerns about a PC holder's (continuing) suitability to hold a PC then the reviewer will make recommendations and share their findings with the PCC
- If the report has not been agreed with the PC holder then the PC holder's comments and responses will be provided to the PCC alongside the report
- The PCC may also require further information or response from the PC holder in terms of the PC process

### Disciplinary

- The monitoring process is targeted at information gathering NOT identifying instances of misconduct or matters for referral under the disciplinary scheme
- If, however, a serious matter of potential misconduct is identified by a reviewer then this will be likely to trigger the IFoA's Executive Referral process, with possible consideration under either the IFoA's or FRC's disciplinary scheme

## 2.9 Confidentiality

The IFoA will provide an undertaking to PC holders' employers in relation to the handling of sensitive and confidential information. A copy of the proposed undertaking is included at **Appendix 5**

It would be open to the PC holder to agree, with the Review Team, to the redaction of sensitive information from documents if that information is not necessary for an effective review

# Appendix 2:

## Monitoring process (Quality Assurance Scheme)

Table A2.1

1 Overall approach	
<ul style="list-style-type: none"><li>• For those Practising Certificate (PC) holders that are employed by QAS accredited organisations, a modified approach to monitoring will apply.</li><li>• This approach recognises the independent assessment applied to those organisations through the QAS processes and that they have been determined to be meeting a range of outcomes that make it more likely that their actuarial employees and staff are complying with professional standards and are producing good quality work.</li><li>• The approach also allows the Institute and Faculty of Actuaries (IFoA) to take into account other forms of review and monitoring of actuarial work that take place within an organisation.</li><li>• The modifications are slightly different for each of the categories of PC holder.</li></ul>	
2 Pensions practice	
2.1 Organisation requirements	<p>QAS accredited, including assessment that it meets requirements to:</p> <ul style="list-style-type: none"><li>• have in place processes to ensure compliance with Technical Actuarial Standards (TASs) (where applicable);</li><li>• have a review policy that meets the requirements of Actuarial Profession Standard (APS) X2; and,</li><li>• demonstrate (through interviews) that those processes and procedures are embedded and followed by staff.</li></ul> <p>Demonstrated that the following is in place (assessed through QAS):</p> <ul style="list-style-type: none"><li>• an Internal Audit Process that includes a review by a suitably qualified individual of processes for compliance with TASs and APS X2 (where appropriate); and,</li><li>• an External Audit that covers actuarial work.</li></ul>
2.2 Modification to monitoring process	<ul style="list-style-type: none"><li>• Random sampling of Scheme Actuaries within organisation (not all<sup>7</sup>)</li><li>• Review Visit at same time as QAS visit (only one visit – not two)</li><li>• Shorter Review Visit</li></ul>

7. N.B. If the random sampling suggests there are particular issues then it may be that more Scheme Actuaries are interviewed at that organisation.

## **3 Insurance practice**

### **3.1 Organisation requirements**

QAS accredited, including assessment that it meets requirements to:

- have in place processes to ensure compliance with TASs (where applicable);
- have a review policy that meets the requirements of APS X2; and,
- demonstrate (through interviews) that those processes and procedures are embedded and followed by staff.

Demonstrated that the following is in place (assessed through QAS):

- an Internal Audit Process that includes a review by a suitably qualified individual of processes for compliance with TASs and APS X2 (where appropriate);
- an External Audit that covers actuarial work; and,
- a Prudential Regulation Authority (PRA) review of reserving.

### **3.2 Modification to monitoring process**

- Monitoring at same time as QAS visit (only one visit – not two)
  - Shorter Review Visit
  - Less frequent monitoring
-



# Appendix 3:

## Approach to prioritising resource for Category A monitoring

### Rationale

- A.3.1** In order for the Category A monitoring to be practically deliverable and not disproportionately onerous, it is necessary to develop a system for prioritising the allocation of resource and determining the appropriate frequency and duration of reviews.
- A.3.2** The Institute and Faculty of Actuaries (IFoA) proposes to use an approach that considers the extent to which information already exists about the activity of certain Practising Certificate (PC) holders<sup>8</sup> that provides some degree of comfort as to the activity of these actuaries.
- A.3.3** The sort of information taken into account is the fact that different categories of PC holder are already subject to some form of review or checking (such as industry related monitoring or relevant internal/external audits involving actuarial work); that they are subject to some form of monitoring by another statutory (or other) regulator; or that they have had their processes and procedures reviewed by virtue of their employer obtaining the IFoA's Quality Assurance Scheme (QAS) accreditation.
- A.3.4** What is important to note here is that the IFoA is not taking any view about the relative intrinsic risks associated with work within a particular practice area, or within a particular industry. All that is being considered is what information already exists about the work of a particular PC holder, and to what extent that information increases the level of comfort the IFoA has in reducing the frequency of reviews for that individual.
- which PC is held. This appendix seeks to categorise PC holders according to what information already exists about their activities with respect to work undertaken within the scope of the PCs they hold.
- A.3.6** The purpose of categorising in this way is to ensure that PC holders, who for a variety of reasons are already subject to considerable scrutiny and regulatory responsibilities, are reviewed with a frequency that appropriately accounts for other review or information that already exists in relation to their activities, and can therefore be appropriately reduced to minimise unnecessary burdens (both on PC holders subject to direct review and on the IFoA in delivering the associated programme).
- A.3.7** What emerges from the analysis in Table A3.1 is four distinct 'Bands' within Category A<sup>9</sup>, and several 'Sub-bands'. This will allow the IFoA to adapt the frequency of direct review to specific circumstances.
- A.3.8** A distinction has been drawn between the insurance and pensions industries to recognise the different regulatory and statutory environments applying to each.

### Assurances from existing information

- A.3.9** STEP 2 and STEP 3 of Table A3.1 show the proposal for the categorisation of PC holders according to whether or not one or more of three assurances relating to pre-existing information held by the IFoA apply to them in their work. Those are: 1) whether they hold a regulated function under the Approved Persons Regime (APR) or the Senior Insurance Managers Regime (SIMR)<sup>10</sup>; 2) whether or not they are subject to oversight with Lloyd's; and, 3) whether or not they work at a QAS organisation (or accredited part of an organisation).

### Overview

- A.3.5** As described in **Sections 1 and 2** (above), Category A monitoring is designed to involve the direct review of work done by IFoA Members who hold PCs in the context of that role. Within the cohort of PC holders there is a variety of activity undertaken depending on

8. The requirement for a PC for the role of Reviewing Actuary is currently under review and therefore a detailed proposal is not included in relation to that particular role.

9. Please refer to the '2.5 Frequency' section of table A1.1, above

10. Soon to be combined to create the **Senior Managers and Certification Regime** (SM&CR).

- A.3.10** As regards 1), any holder of a Chief Actuary (CA) Life, CA (non-Life with Lloyd's), a CA (non-life without Lloyd's), or a With Profits Actuary PC will, if they hold that post in at least one organisation, be involved in providing actuarial work that contributes to activities subject to supervisory regulation by the Prudential Regulation Authority (PRA) through the SIMR, or Financial Conduct Authority (FCA) through the APR.
- A.3.11** As regards 2), any holder of a CA (non-Life with Lloyd's) PC is subject to additional review by Lloyd's, again, when they occupy an associated post.
- A.3.12** The IFoA will already have a level of assurance in relation to policies and procedures in place as well as their organisation's commitment to quality assurance with regard to any PC holder carrying out their associated work at a QAS accredited organisation. Understanding these assurances, makes clearer the categorisation into Bands<sup>11</sup> A, B, C and D. Band A applies in the case that 3 assurances are in place; B applies when 2 assurances are in place; C applies when 1 assurance is in place; and, D applies where none of the identified assurances are in place.

### Assurances from members' submissions

- A.3.13** There is a number of assurances that may be applied to a PC holder because of arrangements undertaken at the organisation(s) at which they work; in particular they may be subject to either: 1) an external audit; or 2) an internal audit (whether carried out by their own area of business, or by the group of which they are a subsidiary). Members would have the opportunity to submit any such relevant material, but these assurances would be provided by the PC holder and not a matter of record already known to the IFoA.
- A.3.14** These assurances have been tabulated at Table A3.2 and will be considered as factors that may be taken under consideration when setting the frequency of reviews, but only on a case by case basis. This allows PC holders the opportunity to submit supporting information at the start of the process to explain why a less frequent review might be appropriate.
- A.3.15** The idea here is that, should an actuary be able to show that there is an audit process in place that looks at appropriate matters (such as reviewing compliance with professional standards) then that will be taken into account alongside other, pre-existing, information (such as their work being subject to review by a statutory regulator) in determining the frequency of reviews.

### Lexical ordering

- A.3.16** The assurances have been given a lexical order, such that those appearing above another are considered to provide a higher level of assurance. Similarly, if an assurance is below another it is considered to provide less assurance than one shown above.
- A.3.17** Assurance that would be provided by the PC holder have been ordered according to the level of independence and regulatory/statutory framework applying. Hence, audit by a third party, i.e. 'External Audit' provides greater confidence of independence than an 'Internal Audit' carried out by an organisation upon itself.

### Special cases

- A.3.18** The IFoA recognises that there is a number of special cases, where there is a risk of a small, but significant, minority of Members being exposed to overly burdensome review. The various categories are outlined below, but it should be noted that having identified these rare cases, adaptations would be made to ensure that these individuals are only subject to levels of review consistent with the rest of the cohort.
- A.3.19** There are those who hold more than one PC and also those who hold multiple appointments in relation to their PCs. Notionally this would mean that each role would need to be reviewed separately, however, the intention here is to assess individuals, not roles. Bespoke approaches to review would be adopted to ensure that no extra burdens are placed on these individuals, whilst also ensuring that all the work carried out against PCs is covered.
- A.3.20** There are those who operate in more than one post against a particular PC, (most likely multiple Scheme Actuary appointments or a PC holder acting as a CA at more than one organisation). As in the case of 3.19 above, steps would be taken to ensure that burdens did not escalate to an unmanageable degree with the number of roles an individual undertakes.
- A.3.21** It is also recognised that there may be a small number of cases where it has been appropriate for a CA (Life, Non-directive) to make arrangements with the PRA to perform an Senior Insurance Management Function (SIMF) 20 function. Similarly, since the SIMF 20 function is not mandated, it will sometimes be the case that a firm has not made arrangements for that function with the PRA, but may still engage with the PRA to evidence the fulfilment of an actuarial function within their business. This might result in bespoke arrangements that, whilst not as burdensome as the potential consequences of having an SIMF 20 function, are burdensome nonetheless.

11. As mentioned at A3.7, above.

**A.3.22** It is expected that the numbers of actuaries in either of the situations outlined in A3.21 are small, and, therefore, such instances would be dealt with on a case-by-case basis and have not been included in Tables A3.1 or A3.3. What is important however, is to note that the same principle of reducing the frequency of reviews would be applied when there is evidence of regulatory activity or review already taking place.

**Table A3.1 Proposed steps to identify the direct review sub-category for an individual**

Step 1	In which industry does the PC holder work?										
	Industry worked in	Insurance								Pensions	
	Industry Code	I								P	
Step 2	How many assurances apply, where those assurances are provided through information we already have?										
	Number	3	2		1			0	1	0	
	Band Code	A	B		C			D	C	D	
Step 3	With regard to STEP 2, which specific assurances apply?										
	1. Regulated Function	✓	✓	✓	✗	✓	✗	✗	✗	Not applicable	
	2. With Lloyd's	✓	✓	✗	✓	✗	✓	✗	✗		
	3. QAS	✓	✗	✓	✓	✗	✗	✓	✗	✓	✗
	Sub-band Code	1	1	2	3	1	2	3	1	1	1

**Table A3.2 Information from PC holder, considered when setting the frequency of review**

Assurances	4. External Audit	✓	✓	✗	✗
	5. Internal/Group Audit	✓	✗	✓	✗
	Consideration Code	1	2	3	4

### Tale A3.3 Definitions for proposed industry, band and sub-band codes

Insurance <sup>12</sup>	
<b>I.A.1</b>	An actuary in this sub-band holds a CA (non-Life with Lloyd's) PC; has at least one associated regulated function; and, carries out the associated work only at a QAS accredited organisation, or at QAS accredited organisations.
<b>I.B.1</b>	An actuary in this sub-band holds a CA (non-Life with Lloyd's) PC; has at least one associated regulated function; and, carries out the associated work at least one non-QAS accredited organisation.
<b>I.B.2</b>	An actuary in this sub-band holds a Lloyd's Syndicate PC; functions in their current post(s) carrying out work associated with their PC; and, carries out that work only at a QAS accredited organisation or QAS accredited organisations.
<b>I.B.3</b>	An actuary in this sub-band holds either a CA (Life), a CA (non-Life without Lloyd's), or a With Profits Actuary PC; has at least one associated regulated function; and, carries out the associated work only at a QAS accredited organisation, or at QAS accredited organisations.
<b>I.C.1</b>	An actuary in this sub-band holds either a CA (Life), a CA (non-Life without Lloyd's), or a With Profits Actuary PC; has at least one associated regulated function; and, carries out the associated work at least one non-QAS accredited organisation.
<b>I.C.2</b>	An actuary in this sub-band holds a Lloyd's Syndicate PC; functions in their current post(s) carrying out work associated with their PC; and, carries out that work at at least one non-QAS accredited organisation.
<b>I.C.3</b>	An actuary in this sub-band holds either a CA (Life, Non-directive), or a Lloyd's Syndicate PC; functions in their current post(s) carrying out work associated with their PC; and, carries out that work only at a QAS accredited organisation or QAS accredited organisations.
<b>I.D.1</b>	An actuary in this sub-band holds either a CA (Life, Non-directive) or a Lloyd's Syndicate PC; functions in their current post(s) carrying out work associated with their PC; and, carries out that work at, at least, one non-QAS accredited organisation.
Pensions	
<b>P.C.1</b>	An actuary in this sub-band holds a Scheme Actuary PC, and works only at a QAS accredited organisation, or QAS accredited organisations.
<b>P.D.1</b>	An actuary in this sub-band holds a Scheme Actuary PC, and works at least one organisation which is non-QAS accredited.

12. CA (Life, Non-directive) holders may, at times, be included in I.A.1, I.B.1, I.B.2, or I.C.1, in line with A3.21 to A3.2, above. Similarly, in a small number of cases other CA PC holders may not be performing in a regulated function.

# Appendix 4:

## Thematic review proposals

**A.4.1** The process for and approach to thematic reviews will be different for each one, reflecting the particular focus and scale of the review. The general approach is outlined in Table A4.1.

**Table A4.1**

1 Theme identified
<p>Range of sources for themes, including: Joint Forum on Actuarial Regulation (JFAR) activities (including the Risk Perspective document); Institute and Faculty of Actuaries' (IFoA) Risk Outlook; thematic information from co-regulators; IFoA Regulation Board matters; and, issues raised by the IFoA's Practice Communities.</p> <p>Theme will be agreed by Regulation Board.</p>
2 Scoping
<p>The Review Team will scope the review exercise and plan the most appropriate approach for the particular review.</p> <p>This will include considerations such as:</p> <ul style="list-style-type: none"><li>• the appropriateness of anonymity (as to the actuary involved) for the particular review - (e.g. anonymised at the point of receipt by the IFoA and their identity not disclosed to the reviewer; or, where organisations are asked to provide anonymised examples of particular work that don't disclose the actuary or actuaries involved in preparing it);</li><li>• how many actuaries/organisations should be involved;</li><li>• the specific work to be reviewed; and,</li><li>• the format of the review (interviews? written exercise? onsite at actuary's office?).</li></ul>
3 Engage with participants
<p>As thematic reviews will be carried out with the agreement of individual actuaries and their employers, there will be early engagement with participants in the review.</p> <p>Confidentiality undertakings will be agreed.</p>
4 Review
<p>The review may be onsite (at the individual actuaries' offices); it may involve the individuals/employers providing the IFoA Review Team with documents/reports/information; or, in some circumstances, it might be most appropriate to obtain the work from a third party (such as a user of actuarial work).</p>

## 5 Reporting

It is not proposed that the names of individual actuaries associated with particular findings would be made public.

For openly-named reviews (where the actuary or actuaries involved in preparing the work are identified to the reviewer), it is anticipated there will be individual feedback and good practice recommendations provided to actuaries and to organisations. Where appropriate, there would also be general thematic reports from the IFoA.

For anonymous reviews (where the individual actuary, or actuaries, are not identified) there is less likely to be individual feedback and this is more likely to focus on general, thematic reports from the IFoA that don't name individuals or organisations.

### Illustration of potential thematic reviews

A.4.2 This sets out three illustrations of how such a review might work using some potential<sup>13</sup> examples.

#### Example 1

A.4.3 Thematic review of actuarial investment modelling advice provided by those employed by banks and investment firms and their compliance with Technical Actuarial Standard (TAS) 100:

- Openly-named review
- Onsite
- UK limited
- Identify an appropriate number of actuaries providing this sort of advice in relation to UK investment work (within scope of the TASs)
- Set out the specific aspects of the work that the Review Team would like to see
- Discuss with the actuary and their employer about confidentiality undertakings and how the information will be accessed, e.g. only onsite with nothing taken away by the Review Team
- Planning meeting/call with each individual and/or key contacts at their employer to agree dates of visit
- Onsite review takes place over 2-3 days: includes interview(s)
- Focus on general compliance with professional standards but, in particular, on TAS 100 compliance
- Feedback to individual actuary with suggestions for good practice
- Report published once all reviews carried out identifying general findings, themes and suggestions (not identifying those who participated or, allocating particular findings to any individual or organisation).

#### Example 2

A.4.4 Thematic review of actuarial advice in the pricing of specific General Insurance (GI) products:

- A number of general insurers asked to participate and to provide relevant reports and samples of work
- Not anonymous but focus on organisations rather than individual actuaries – asking the insurer to provide samples of work
- Onsite review
- Would potentially include non-UK work
- Set out the specific aspects of the work that the Review Team would like to see
- Agree with the insurer confidentiality undertakings and how the information will be accessed, e.g. only onsite with nothing taken away by the Review Team
- Planning meeting/call with key contact to agree dates of visit
- Onsite review takes place over 2-3 days
- May include interview with Chief Actuary (CA) and/or Pricing Actuary and/or other actuarial team members
- Focus would be on reviewing the actuarial advice against relevant professional actuarial standards
- Feedback and good practice recommendations would be provided to the insurers participating
- Report published once all reviews carried out identifying general findings, themes and suggestions (not identifying those who participated or allocating particular findings to any individual or organisation).

13. N.B. These are just potential examples of reviews that might be carried out – they are not necessarily reviews that the IFoA will undertake

### Example 3

A.4.5 Thematic review of actuarial advice provided to employers in relation to the terms of exchange of pensions for cash:

- Anonymous review
- UK focused
- IFoA engages with individual actuaries/their employers involved in this work to agree their participation but the actuary's/employer's identity is not disclosed to the Review Team – the Review Team carries out its review anonymously
- Confidentiality arrangements would be put in place by the IFoA including agreement of undertakings
- Material could be anonymised to protect client confidentiality
- Focus would be on the advice provided and compliance with actuarial professional standards
- There would not be individual feedback provided but a general report of thematic findings would be shared/published.



# Appendix 5:

## Confidentiality undertaking<sup>14</sup>



Institute  
and Faculty  
of Actuaries

Name and  
address of employer  
of IFoA member actuary

Date

Dear Sirs,

### CONFIRMATION OF NON-DISCLOSURE OF CONFIDENTIAL INFORMATION

We acknowledge the disclosure to us by you of confidential information and know-how of a commercial, technical, personal or other nature which is owned or used by you (whether or not contained in documents) (together the "Protected Material") for the purpose of (i) gathering information about the work being carried out by IFoA members; (ii) using that information to provide evidence of the quality of actuarial work; (iii) promoting best practice; and (iv) developing and/or adapting training, education, standards and guidance as appropriate (together the "Monitoring Purpose").

We also note that the Institute and Faculty of Actuaries ("IFoA") exercises certain functions as regulator of the professional standards and conduct of its members pursuant to its Royal Charter of Incorporation, Bye-laws, Rules, Regulations and Disciplinary and Capacity for Membership Scheme (the "Regulatory Purpose").

We undertake to you to respect and preserve the confidentiality of the Protected Material and accordingly we shall not, without your prior written consent, either:-

1. communicate or otherwise make available the Protected Material to any third party except as set out below; or
2. use the Protected Material for any purpose other than the Monitoring Purpose or the Regulatory Purpose.

We may disclose Protected Material:

1. to any employee of ours who needs to have access to the Protected Material in connection with the Monitoring Purpose or the Regulatory Purpose, provided that we procure that such employee complies with the obligations set out in this agreement;
2. to any person to the extent required for the purposes of applying the Disciplinary Scheme of the IFoA made in accordance with its Bye-laws 59 and 60; and
3. to the minimum extent required by:

14. N.B. This document remains subject to further refinement by the IFoA's external counsel.

- 3.1 any order of any court of competent jurisdiction or any competent judicial, governmental or regulatory body;
- 3.2 any arrangement with a regulatory body; or
- 3.3 the laws or regulations of any country with jurisdiction over our affairs.

The obligations set out in this letter shall not apply, or shall cease to apply, to such of the Protected Material as:-

- 1. has become public knowledge other than through disclosure by us in breach of this agreement; or
- 2. was already known to us prior to disclosure by you; or
- 3. has been received by us from a third party who did not to our knowledge acquire it in confidence from you or from someone owing a duty of confidence to you.

We shall, whenever you so request, return to you all documents and other records of the Protected Material or any of it in any form and whether or not such document or other record was itself provided by you, unless it is required by us for the Regulatory Purpose.

The obligations set out in this letter shall at all times be subject to each of our duties, rights and obligations under the Charter, Bye-laws, Rules, Regulations and Disciplinary and Capacity for Membership Scheme of the IFoA as amended from time to time. Nothing in this letter shall qualify or otherwise affect the professional obligations of IFoA members.

This letter and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England and Wales. The parties irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with this letter or its subject matter or formation (including non-contractual disputes or claims).

Yours faithfully,

.....  
For and on behalf of the Institute and Faculty of Actuaries

We hereby acknowledge receipt and accept the contents of this letter

.....  
.....  
For and on behalf of [NAME OF DISCLOSING PARTY]

.....  
Date

<b>Beijing</b>	14F China World Office 1 · 1 Jianwai Avenue · Beijing · China 100004 · <b>Tel:</b> +86 (10) 6535 0248
<b>Edinburgh</b>	Level 2 · Exchange Crescent · 7 Conference Square · Edinburgh · EH3 8RA · <b>Tel:</b> +44 (0) 131 240 1300 · <b>Fax:</b> +44 (0) 131 240 1313
<b>Hong Kong</b>	1803 Tower One · Lippo Centre · 89 Queensway · Hong Kong · <b>Tel:</b> +852 2147 9418
<b>London (registered office)</b>	7 <sup>th</sup> Floor · Holborn Gate · 326-330 High Holborn · London · WC1V 7PP · <b>Tel:</b> +44 (0) 20 7632 2100 · <b>Fax:</b> +44 (0) 20 7632 2111
<b>Oxford</b>	1 <sup>st</sup> Floor · Park Central · 40/41 Park End Street · Oxford · OX1 1JD · <b>Tel:</b> +44 (0) 1865 268 200 · <b>Fax:</b> +44 (0) 1865 268 211
<b>Singapore</b>	163 Tras Street · #07-05 Lian Huat Building · Singapore 079024 · <b>Tel:</b> +65 6906 0889

[www.actuaries.org.uk](http://www.actuaries.org.uk)

# Appendix 6:

## Glossary of abbreviations

APR	Approved Persons Regime
APS	Actuarial Profession Standard(s)
CA	Chief Actuary
CPD	Continuing Professional Development
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
GI	General Insurance
GN	Guidance Note
IFoA	Institute and Faculty of Actuaries
JFAR	Joint Forum on Actuarial Regulation
Lloyd's	Lloyd's of London
PC	Practising Certificate
PCC	Practising Certificates Committee
PRA	Prudential Regulation Authority
QAS	Quality Assurance Scheme
SIMF	Senior Insurance Management Function
SIMR	Senior Insurance Managers Regime
SM&CR	Senior Managers and Certification Regime
TAS	Technical Actuarial Standard(s)
TPR	The Pensions Regulator



Institute  
and Faculty  
of Actuaries

#### **Beijing**

14F China World Office 1 · 1 Jianwai Avenue · Beijing · China 100004  
Tel: +86 (10) 6535 0248

#### **Edinburgh**

Level 2 · Exchange Crescent · 7 Conference Square · Edinburgh · EH3 8RA  
Tel: +44 (0) 131 240 1300 · Fax: +44 (0) 131 240 1313

#### **Hong Kong**

1803 Tower One · Lippo Centre · 89 Queensway · Hong Kong  
Tel: +852 2147 9418

#### **London (registered office)**

7<sup>th</sup> Floor · Holborn Gate · 326-330 High Holborn · London · WC1V 7PP  
Tel: +44 (0) 20 7632 2100 · Fax: +44 (0) 20 7632 2111

#### **Oxford**

1<sup>st</sup> Floor · Park Central · 40/41 Park End Street · Oxford · OX1 1JD  
Tel: +44 (0) 1865 268 200 · Fax: +44 (0) 1865 268 211

#### **Singapore**

163 Tras Street · #07-05 Lian Huat Building · Singapore 079024  
Tel: +65 6906 0889

[www.actuaries.org.uk](http://www.actuaries.org.uk)

© 2018 Institute and Faculty of Actuaries