


Institute and Faculty of Actuaries

Update on Regulatory Developments

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30 April 2015 – Current Issues in Life Assurance 2015

Regulatory Update - Overview

- Role of the FRC
- Technical Actuarial Standards Framework Review (JFAR)
- APS X2- Review of Actuarial Work
- Quality Assurance Scheme
- Other regulatory hot topics – not Solvency II
- Questions

2

Joint Forum on Actuarial Regulation

Identification of and response to the UK public interest risks to which actuarial work is relevant.

- Financial Reporting Council
- Institute and Faculty of Actuaries
- Prudential Regulation Authority
- Financial Conduct Authority
- The Pensions Regulator

3

Risk Perspective

- Consultation October 2014 – February 2015
- Intended to promote discussion
- Areas where there is a potential risk to the UK public interest and in which actuarial work plays a part in the risk or its management
- Identification of:
 - High level risks
 - Hotspots
 - Common themes

4

A Risk Perspective - IFoA's Response

Input sought from Practice Boards and Committees

- Helpful in initiating the discussion
- Regulation is not always the best response
- The mitigation of risks is not always within the control of actuaries
- Need to move to a more targeted approach
- Prioritisation with regard to the public interest
- Focus on the issues where a collective response will make the greatest impact

5

A Risk Perspective - the IFoA's Response

Recognition of the role of actuaries in

- Educating and informing the debate
- Raising awareness of public interest issues
- Identifying unfair practices
- Speaking up

6

JFAR - Next Steps

- Consultation feedback to be published in mid 2015
- Prioritisation of risks
- Further analysis of those key risks
- IFoA propose : Pilot/case studies eg pension reforms

7

New framework for Technical Actuarial Standards

- FRC consultation November 2014 – March 2015
- Proposals
 - Replace Generic TASs with a single Generic TAS
 - Review of the content and structure of the Specific TASs
 - Implement a risk assessment process focusing on risks to the public interest
 - But starting with TAS 100 ?
- Consolidation of documents
- A more principles based approach

8

Proposed Framework

Framework for FRC Actuarial Standards

TAS 100

Specific TASs: TAS 200, TAS 300 etc

Guidance

9

TAS 100 - next steps

- Feedback to be published in mid 2015
- Competing definitions of actuarial work - ISAP1
- Sensible to review TAS100 alone or with other proposals ?

10

Review of Actuarial Work

- A global first !
- APS X2: 'Review of Actuarial Work'
- Guidance for APS X2
- Imposes requirements in relation to review of actuarial work
- Principles-based, cross practice, not limited by any geographic scope
- In force from 1 July 2015
- Withdrawal of APS P2

11

Actuarial Work

APS X2

- "Work undertaken by a Member in their capacity as a person with actuarial skills on which the intended recipient of that work is entitled to rely. This may include carrying out calculations, modelling or the rendering of advice, recommendations, findings, or opinions."



12

The requirements

Para 1.1 APS X2

- Must consider whether to apply *Work Review* to *Actuarial Work* for which they are responsible
- Should, to the extent appropriate and proportionate, ensure that *Work Review* is applied

Para 1.2 APS X2

- Must give particular consideration to whether it would be appropriate and proportionate to apply *Independent Peer Review*

Work Review and Independent Peer Review

Work Review

- Consideration of work by another individual or individuals
- A broad definition involving a spectrum of different forms of review

Independent Peer Review

- A sub-set of *Work Review* with specific requirements for the reviewer(s) to be independent and a peer
- Independent = not otherwise involved in the work in question
- Peer = would have had the experience and expertise to take responsibility for the work themselves



The key requirements broken down

Requirement to 'consider' applying Work Review

- Members will need to exercise professional judgement 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'

Other requirements of APS X2

- Only 'hot review' will be appropriate to meet the requirements of APS X2 – Para 2.3 APS X2
- Requirements to take certain reasonable steps in relation to individuals involved in the review process
- Members must ensure they are in a position to justify the approach they have taken – Para 1.4 APS X2
 - Not prescriptive
 - Good practice might involve making a note of certain decisions

Quality Assurance Scheme

- Accreditation scheme for organisations that employ at least 1 Member
- Aims to promote a working environment for actuaries that is conducive to producing quality actuarial work through

Quality Assurance Scheme

- In order to obtain QAS status, organisations must show that they meet the standards set out in APS QA1
- A team will come in to visit organisations and carry out an assessment with feedback being provided on areas for improvement

QAS- Benefits

- Promotes users' confidence in the work of their actuaries
- Provides recognition associated with holding the status
- Gives them a direct line of engagement with the IFoA as a regulatory body

19

QAS- what's next?

- We anticipate opening up for applications in early October (subject to approval) with materials published in the summer
- Initially restricted to the UK but open to all types of employer to participate

20

What is on the horizon?

Solvency II Practising Certificates

- Introduction of a compulsory Practising Certificate for Chief Actuaries
- APS L1 is currently being revised to take account of the changes.
- Materials expected to be published in summer 2015
- The new regime will be in force from 1 January 2016.

21

What is on the horizon?

Professional Skills

- New ethical video case studies for the Stage 3 Professional Skills Training for the 2015/16 CPD year are currently being developed.
- The new material covers a range of topics, including
 - application of the Actuaries' Code
 - implementation of Solvency II
 - ethical issues around handling of data
 - whistleblowing
- New materials are expected to be released in late August
- Professional Skills sessions based on the new materials will take place at all IFoA conferences.

22

What is on the horizon?

Standards Framework Review

- Holistic review of the standards framework to ensure that it is:
 - working and serving the public
 - proportionate and fit for purpose.
- Identification of any gaps or overlap in the framework
- Consultation expected later this year

23

Any Questions?



24
