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.