



Institute  
and Faculty  
of Actuaries

# Summary of Consultation Responses

Exposure Draft ED32: APS X2

Regulation Board

January 2015

## **CONTENTS**

|                   |                                 | <b>Page No.</b> |
|-------------------|---------------------------------|-----------------|
| <b>1</b>          | Introduction                    | 3               |
| <b>2</b>          | Explanatory note                | 4               |
| <b>3</b>          | The consultation process        | 6               |
| <b>4</b>          | Summary of responses            | 7               |
| <b>5</b>          | Conclusions and final proposals | 8               |
| <b>Appendix 1</b> | Final version of APS X2         |                 |
| <b>Appendix 2</b> | Final version of Guide          |                 |
| <b>Appendix 3</b> | Detailed responses and comments |                 |

## 1. INTRODUCTION

I am pleased to introduce this summary of the feedback received in response to the Institute and Faculty of Actuaries' (IFoA) Consultation Paper on the proposed standard 'APS X2: Review of Actuarial Work' and the accompanying Guide issued by the Regulation Board.

The Cross Practice Working Party was set up to consider the introduction of new cross-practice Actuarial Profession Standards (APSs) and that working party has developed a draft APS with application across all practice areas on peer review of actuarial work.

The working party is comprised of a number of experienced members from different practice areas (including pensions, life insurance and general insurance) and sizes of organisation, along with a lay chair.

The proposals developed by the working party were put out to consultation in late 2013 and a substantial number of responses and comments were received.

The IFoA has now analysed all of the responses received and this paper sets out (1) a summary of those responses and (2) the conclusions reached in light of those responses. This document also sets out final proposals for a new APS and Guide.

We are extremely grateful for the care and attention shown by all respondents in preparing their comments on the discussion paper and I hope you will find this summary of the feedback received both useful and informative.



**Desmond Hudson**  
**Chairman of the Regulation Board**

## 2. EXPLANATORY NOTE

The IFoA recently consulted upon the proposed introduction of a standard on review of actuarial work (APS X2) along with an accompanying Guide. The consultation package can be found on the IFoA's website<sup>1</sup>. This document explains the outcome of that consultation process and sets out the final proposals.

### **Objectives of introducing APS and Guide**

As explained in the consultation document, the proposals are intended to introduce a mandatory APS for members which relates to the review of actuarial work for the purposes of quality assurance of that work.

The introduction of such an APS recognises the significant role that review processes can have in terms of both improving the quality of actuarial work and providing reassurance to users of that work. The production of a Guide is also intended to assist members when applying review processes to their work, either in terms of the requirements of APS X2 or otherwise.

Introducing an APS on review of actuarial work will achieve a number of objectives. Those include:

- Supplementing the requirements of the Actuaries' Code and recognising that there are certain circumstances, because of the importance of and/or element of risk associated with the work, where it is in the public interest for actuarial work to be considered by at least one other suitably qualified and experienced individual;
- Recognising the fact that the nature of actuarial work lends itself to being peer reviewed in a way that the work of other professionals may not;
- Providing specific clarification for members that there is an expectation that in certain circumstances they should apply review processes to a piece of work and that in some circumstances that should be review by someone who is independent of the work and would have the experience and expertise to have taken responsibility for the work themselves;
- Giving formal reinforcement of the existing good practice in terms of review processes that firms have in place;
- Ensuring that there is a high frequency and volume of review being carried out by members and that it is review appropriate to the particular circumstances of the work; and
- Recognising and endorsing the requirements of international actuarial standards; in particular the International Actuarial Association's (IAA's) model standard International Standard of Actuarial Practice 1 (ISAP 1).

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<sup>1</sup> <http://www.actuaries.org.uk/research-and-resources/documents/actuarial-quality-and-peer-review-consultation-package>

The proposals also aim to achieve those objectives in a way that is principles based as far as possible and which recognises the need to balance regulatory aims against the practical implications of imposing requirements in relation to review.

The new APS X2 and accompanying Guide are part of a range of measures being introduced by the IFoA directed at supporting the principles set out in the Actuaries' Code. We recognise that quality assurance is an important limb of any regulatory framework, but equally that this is not an area in which there will necessarily be a single appropriate solution.

We believe that review, and in particular independent peer review, can play an important role for the actuarial profession in providing reassurance to the public as to the quality of actuarial work. This is complemented by the IFoA's proposed Quality Assurance Scheme, which aims to work with employers of actuaries to promote a professional working environment and which specifically includes requirements in relation to review of actuarial work.

### **3. THE CONSULTATION PROCESS**

#### **Draft APS X2 and Guide – the draft documents put out to consultation**

As explained in the consultation documents, the proposals in the exposure draft of APS X2 put out to consultation involved a requirement that members consider applying a review process to actuarial work for which they are responsible and that they apply it where appropriate. A number of factors were set out in the APS to guide members in deciding whether it is appropriate or not to apply 'peer review'.

The draft APS X2 consulted upon also contained a presumption that 'peer review' will be applied to work which involves a material element of judgement or analysis and has consequences which are expected to be significant for the user.

It also set out that there should be clear agreements reached amongst those involved in the peer review as to each person's role and that the person responsible for the piece of work should have the appropriate skills and experience and be able to (and be seen to) act objectively.

The draft 'Peer Review Guide' provided more detailed practical guidance on the application of review to actuarial work.

#### **The process**

The consultation was published on 22 November 2013 and closed on 21 February 2014. Two consultation events, one in Edinburgh and one in London, were also held. Those responding to the consultation were also asked for their views on the proposals.

In summary, 125 responses were provided: 77 were provided via the online questionnaire and a further 48 submissions were sent to the IFoA by email or post. The level of detail in the responses varied.

A summary of some of the key issues arising from the responses is set out in section 4 below while the detailed responses are appended to this document (see Appendix 3).

Please note that some respondents preferred to keep their comments confidential so they are not provided in this document although they have been considered by the working party. So it should be borne in mind when reading those sections that, by necessity, they do not set out all of the comments provided.

#### **4. SUMMARY OF RESPONSES**

Details of the responses to the consultation (as far as respondents were content with those being published) are set out in Appendix 3.

As the detailed comments show, there were a range of different responses with some respondents very supportive of the proposals, some supportive with caveats around the specific wording of the drafts, some who questioned the necessity of an APS and others who were strongly opposed to its introduction.

The percentages set out show that a majority of those responding to the questions indicated that they supported the introduction of the APS.

From the comments provided, certain common themes could be identified. Those are set out below.

- A number of respondents questioned the need for a mandatory standard in relation to peer review. This included some respondents (mainly from larger firms) who felt that there were already systems in place in their firms, so the APS was unnecessary.
- Respondents were generally supportive of a principles based approach.
- Specific issues were raised around the potential impact of the requirements upon expert witness work, particularly in terms of the costs of doing so making the services prohibitively expensive for potential litigants.
- Some respondents questioned whether it might be difficult for smaller firms to comply, particularly sole practitioners.
- A number of comments were provided in relation to the specific wording used in the APS including the definitions used for peer review and actuarial work.
- Some respondents suggested it might be helpful to make a clear distinction between a 'peer review' and a 'technical review' (although different respondents used different language to describe those two different types of review).

The working party discussed each of those common themes when finalising the proposals.

##### **APS P2**

The consultation paper also sought the views of members on what changes, if any, should be made to APS P2 in light of the proposals for APS X2 and a range of different comments were provided in response.

A number of respondents indicated that they felt unable to comment on this question as they had no experience of applying APS P2 while others simply omitted to answer it,

There were a range of different views and thoughts expressed in the comments provided:

- Some respondents thought that no changes were needed in relation to APS P2 as it was compatible with the proposed APS X2.

- Some thought that there should be a single standard which combined the requirements of APS X2 and APS P2 into one APS.
- Others felt that APS X2 rendered APS P2 obsolete and that it should therefore be withdrawn.
- Views were also expressed about how the requirements under APS P2 might 'fit in' to the APS X2 requirements or were detailed comments about the specific provisions of APS P2.

The IFoA's Pensions Standards Committee were provided with, and took into account, the responses provided in relation to the consultation question on APS P2 when reviewing APS P2 in light of the new APS X2 proposals.

## 5. CONCLUSIONS AND FINAL PROPOSALS

The working party considered all of the responses in relation to the proposals and concluded that there was a firm basis upon which to proceed with the proposal to introduce APS X2 and an accompanying Guide but that there should be a number of changes made to the structure and requirements of the APS

In response to the issues raised about the need for the APS, the working party concluded that there was actuarial work which was of such significance that it should be subject to a review process even where to do so presented a level of practical inconvenience or difficulty (provided of course that such inconvenience or difficulty was reasonably and proportionately surmountable).

There was no mandatory requirement in place for members to consider applying a review process outside of the pensions practice area although, in practice, many firms already had adequate review procedures. It was felt that the importance of this process being applied where appropriate meant that it was in the interests of the public and the profession to introduce an APS that imposed such a requirement.

It concluded that there were a number of changes that could be made to the APS and Guide to take into account some of the concerns and issues flagged up in the consultation responses. For example, the introduction of 'proportionality' into the requirements and making the APS even more principles based in its approach. However, there was still a need to balance the impact of the requirements against the aims of assuring the quality of actuarial work and protecting users of that work and the changes could not be allowed to undermine that objective.

The impact of the proposals on small firms and sole practitioners was specifically considered by the working party and it was considered that introducing the concept of proportionality would assist in addressing some of the issues raised from that perspective (in terms of not imposing a disproportionate burden upon those who might need to take additional steps to find someone suitable to carry out a review), as would the restructuring and rewording of the requirements in the APS.

It was also felt that using the bare term 'peer review' might cause confusion as to its meaning given that it is a term in common usage with different natural meanings attributed to it. Therefore the less ambiguous terms 'independent peer review' and 'work review' were deemed more suitable.

The changes are intended to restructure and clarify the proposed requirements that were set out in the version of the APS that was consulted upon by introducing the concept of 'work review' as a broad ranging spectrum of different types of review of which 'independent peer review' would be one form. The changes do not alter the substantive requirements of the APS.

## Detailed changes

The changes to the APS and the Guide have been incorporated into the final APS (set out in Appendix 1) and Guide (at Appendix 2). Descriptions of those changes are set out below.

- The changes have focused on: (1) introducing clarity in the terminology and definitions used; (2) restructuring the requirements of the APS; (3) expressly introducing the requirement to apply proportionality in the application of the APS's requirements; and (4) updating the Guide to reflect the changes to the APS.
- The APS now includes the concept of 'work review' which is a broad term intended to cover a spectrum or range of different types of review involving a piece of work being considered by another individual or individuals with appropriate expertise and experience.
- The term 'independent peer review' has been introduced and defined as being a particular 'subset' of 'work review' which has the additional requirement that the person (or persons) carrying out the review is (or are) independent (in the sense that they are not otherwise involved in the work in question).
- The requirements of Section 1 have been revised so that there is a requirement to consider applying work review (now paragraph 1.1) and then a requirement to consider, in particular, whether that should take the form of independent peer review (now paragraph 1.2).
- The presumption that was in the original (consulted upon) version of the APS that members should ensure that peer review is applied to work involving a 'material element of judgement or analysis' has been deleted and the APS now contains a simple presumption that members should apply work review where 'appropriate and proportionate' and that they should also consider whether that should take the form of independent peer review.
- The list of factors to consider when determining whether and to what extent a review process should be applied has been expanded and revised (it is now paragraph 1.3).
- The previous sections 2 and 3 have been revised and put into a single section 2. The wording of this section has also been tidied up and refined to avoid repetition.
- The title of the APS has been amended to reflect the new terminology used within the rest of the APS.

## APS P2

The Pensions Standards Committee separately considered the position of APS P2 in light of the introduction of the new APS X2 requirements and concluded that it was most appropriate to withdraw that standard.

They reached that conclusion on that basis that:

- APS X2, if properly applied, should result in a 'Work Review' being undertaken for scheme actuary work which would meet the material current requirements of APS P2.
- There may be smaller items of work within the current scope of the APS P2 requirements where the actuary, applying the principles of APS X2, including the 'appropriate and proportionate' criterion in paragraph 1.1, will apply a less comprehensive review process than currently prescribed by APS P2 and this would be a desirable outcome as the full 'compliance review' required under APS P2 is not always appropriate or proportionate.
- It was not clear to the Pensions Standards Committee that there was a need for any additional specific requirements (to those imposed by APS X2) for those carrying out work as a scheme actuary.
- APS X2 meets the same needs of APS P2, thereby obviating the need for APS P2; the alternative of having two standards with the same objectives would not appear to be proportionate regulation.
- Whilst the outcomes of the two standards are the same, the approach taken in meeting the aims is very different. APS X2's principle-led approach is preferable to the more prescriptive, rules-based approach of APS P2. This is also more in line with the IFoA's regulatory approach.

Regulation Board accepted the recommendation of the Pensions Standards Committee and agreed to withdraw APS P2 at the same time as APS X2 is introduced.

## List of Respondents to the Consultation<sup>2</sup>

### Individual respondents

|                       |                      |
|-----------------------|----------------------|
| Stephen Ainsworth     | Chi Cheng Hock       |
| Chris Barnard         | Richard Kelsey       |
| Stuart Bell           | Michael Kipling      |
| Keith S Brown         | Colin Ledlie         |
| Neil Bruce            | Julian Leigh         |
| Simon Carne           | Kathryn Morgan       |
| Raj Kishor Chaurasia  | John Mortimer        |
| S Chidambaram         | Ian Francis Shepherd |
| Christopher Critchlow | Paul Windle          |
| Jan Harrington        | Ian Woodcock         |

### Organisations which responded

|                                    |                                   |
|------------------------------------|-----------------------------------|
| Adrian Eastwood Consulting Ltd     | Hymans Robertson LLP              |
| AON Hewitt                         | Jardine Lloyd Thompson            |
| Barnett Waddingham LLP             | Johnston Actuarial Services Ltd   |
| Capita Employee Benefits           | Legal and General                 |
| Censeo Actuaries & Consultants Ltd | Lane Clark & Peacock LLP          |
| Close to Zero Actuaries            | Mercer                            |
| Crystal Risk Consulting Ltd        | M L Owen & Co                     |
| Excalibur Actuaries                | Royal London Consulting Actuaries |
| EY                                 | Scatha Associates Ltd             |
| First Actuarial LLP                | Standard Life                     |
| Friends Life Group                 | Stephen Makin Consulting Ltd      |
| Grant Thornton UK LLP              | Towers Watson Ltd                 |
| Harry Taylor Consulting Ltd        |                                   |

### Other

IFoA – Life Board  
IFoA – Risk Management Board  
PPF  
Society of Actuaries in Ireland

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<sup>2</sup> The respondents listed are those who confirmed that they were content for their names and organisations to be published



Institute  
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## APS X2: Review of Actuarial Work

|                  |   |
|------------------|---|
| Author:          | The Regulation Board  |
| Status:          | Approved under the Standards Approval Process   |
| Version:         | 1.0, effective from 1 July 2015   |
| To be reviewed:  | No later than 1 July 2018   |
| Purpose:         | To set out the responsibilities of all <b>Members</b> in relation to the application of <b>Work Review</b> , which may include <b>Independent Peer Review</b> , to promote the quality of <b>Actuarial Work</b> . |
| Authority:       | Institute and Faculty of Actuaries  |
| Target Audience: | <b>Members</b> in all practice areas. This <b>APS</b> may also be helpful to employers of actuaries.  |

### General Professional Obligations:

All **Members** are reminded of the Status and Purpose preamble to the **Actuaries' Code**, which states that the Code will be taken into account if a Member's conduct is called into question for the purposes of the Institute and Faculty of Actuaries' Disciplinary Scheme. Rule 1.6 of the Disciplinary Scheme states that misconduct:

"means any conduct by a Member in the course of carrying out professional duties or otherwise, constituting failure by that Member to comply with the standards of behaviour, integrity or professional judgement which other Members or the public might reasonably expect of a Member, having regard to any code, standards, advice, guidance, memorandum or statement on professional conduct, practice or duties which may be given and published by the Institute and Faculty of Actuaries and/or by the [Financial Reporting Council] (including by the former Board for Actuarial Standards)".

**Members** are required to comply with all applicable provisions of **APSs**.

In the event of any inconsistency between this **APS** and the **Actuaries' Code**, the Code prevails.

Use of the words "must" and "should":

This **APS** uses the word "must" to mean a specific mandatory requirement.

In contrast, this **APS** uses the word "should" to indicate that, while the presumption is that **Members** comply with the provision in question, it is recognised that there will be some circumstances in which **Members** are able to justify non compliance.

## 1. Application of Work Review

- 1.1. **Members** must consider whether to apply **Work Review** to **Actuarial Work** for which they are responsible and should, to the extent it is appropriate and proportionate, ensure that **Work Review** is applied, either in totality or by component, to that **Actuarial Work**.
- 1.2. In complying with paragraph 1.1, **Members** must give particular consideration to whether it would be appropriate and proportionate for such **Work Review** to be in the form of **Independent Peer Review** and, if so should, to the extent appropriate and proportionate, apply **Independent Peer Review** to that **Actuarial Work**.
- 1.3. In considering for the purposes of paragraphs 1.1 and 1.2 whether and to what extent **Work Review** should be applied to a piece of work (including whether and to what extent **Work Review** should be in the form of **Independent Peer Review**), **Members** should have regard to all of the relevant circumstances, including the following:
  - 1.3.1. the degree of difficulty of the piece of work and its complexity;
  - 1.3.2. the significance of the piece of work, including any financial, reputational or other consequences for the person(s) for whom the work is produced;
  - 1.3.3. whether the circumstances of the piece of work make it more likely that errors could be made;
  - 1.3.4. the reasonable expectations of the person(s) for whom the work is produced;
  - 1.3.5. the extent to which judgement and/or analysis is required;
  - 1.3.6. the application of other quality assurance controls to the piece of work; and
  - 1.3.7. the desirability of assuring public confidence in the quality of the work in question.
- 1.4. **Members** must ensure that they are in a position to justify the approach which they have taken to the application of **Work Review** for the purposes of this **APS**, if reasonably called upon to do so.

## 2. Requirements of Work Review

- 2.1. Where **Work Review** is to be undertaken in relation to **Actuarial Work** for which they are responsible, **Members** must take reasonable steps to ensure that:
  - 2.1.1. everybody involved has appropriate experience and expertise and a clear understanding of their relevant role; and

- 2.1.2. the requirements of paragraph 2.2 are met.
- 2.2. Individual(s) undertaking **Work Review**, including **Independent Peer Review**, must be in a position to do so, and be seen to do so, with objectivity.
- 2.3. Where any form of review is applied to meet the requirements of this **APS**, it should be undertaken at a time such as to be capable of influencing the conclusions and outputs of the work.

### 3. Definitions

| Term                    | Definition  |
|-------------------------|---|
| Actuarial Work          | 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. |
| Actuaries' Code         | The ethical code for Members issued by the Institute and Faculty of Actuaries (available at: <a href="http://www.actuaries.org.uk/regulation/pages/actuaries-code">http://www.actuaries.org.uk/regulation/pages/actuaries-code</a> ).                                       |
| APS                     | Actuarial Profession Standard, issued by the Institute and Faculty of Actuaries.  |
| Member                  | A Member of the Institute and Faculty of Actuaries.   |
| Independent Peer Review | Work Review undertaken by one or more individual(s) who is, or are, not otherwise involved in the work in question and who would have had the appropriate experience and expertise to take responsibility for the work themselves.  |
| Work Review             | Process by which a piece of Actuarial Work (or one or more parts of a piece of Actuarial Work) for which a Member is responsible is considered by at least one other individual for the purpose of providing assurance as to the quality of the work in question.           |



Institute  
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# Guidance

## APS X2: Review of Actuarial Work

by the Regulation Board

July 2015

## Contents

|     |   |    |
|-----|---|----|
| 1.  | Introduction  | 3  |
| 2.  | The requirements of APS X2  | 4  |
| 3.  | Applying review to actuarial work   | 6  |
| 4.  | Scope of review and clarity of roles for those involved                       | 7  |
| 5.  | Timing of review  | 8  |
| 6.  | Skills and experience of individual(s) taking part in the review              | 8  |
| 7.  | Objectivity   | 9  |
| 8.  | The role of challenge by the recipient or the Member responsible for the work | 10 |
| 9.  | Resolution of issues  | 11 |
| 10. | Output of the review  | 12 |
| 11. | Other sources of guidance   | 12 |
| 12. | Contact us  | 12 |

*This guide imposes no obligations upon Members over and above those embodied in APS X2. The guide does not constitute legal advice, nor does it necessarily provide a defence to allegations of misconduct. While care has been taken to ensure that it is accurate, up to date and useful, the IFoA will not accept any legal liability in relation to its contents. The defined terms used in APS X2 apply to this guide.*

## 1. Introduction

- 1.1 Review of work, in a variety of forms, is one of a number of means that professionals use to maintain the quality of the work that they perform. Actuaries have developed a practice of making significant use of review of their work. This serves to provide reassurance to actuaries and the users of actuarial work that the work has been performed to relevant technical and ethical standards, and in so doing, to reduce the risk that users of actuarial work make poor decisions as a consequence of the actuarial work.
- 1.2 The nature of actuarial work is such that users of the work will often need to place a high degree of reliance on it. Frequently the circumstances will permit the actuary to take an approach and make assumptions that can give rise to a wide spectrum of results. Applying a review process can help the actuary to provide assurance about the quality of the work and about the reliability of the resulting advice and information and continue to provide output that meets the Financial Reporting Council's (FRC) Reliability Objective.<sup>1</sup> Review may also assist in mitigating risk to the Member, their firm and the client.
- 1.3 The Institute and Faculty of Actuaries (IFoA) places requirements on Members in terms of APS X2 which call for the exercise of judgement in relation to the review of actuarial work. The provisions of APS X2 are of general application and build on the existing principles set out in the Actuaries' Code.
- 1.4 This guide addresses a number of issues that may assist Members when deciding whether review should be applied to a piece of work and what form that review should take.
- 1.5 This guide has been prepared by the Cross Practice Standards Working Party and issued by the Regulation Board of the IFoA for the use by and the benefit of Members. This is a high level guide which supports APS X2 and is intended to assist Members in deciding when and how to apply a review process by serving the following purposes:
- to standardise the terminology used relating to review of actuarial work;
  - to provide a means of communicating to external stakeholders how actuaries use review processes to enhance the quality of their work; and
  - to help identify the situations that can give rise to ambiguity regarding responsibility for the quality of actuarial work, and to indicate how they can be addressed.
- 1.6 The material in this guide may be helpful to firms in developing quality assurance arrangements for the purpose of meeting the requirements in APS QA1: Organisations and Employers of Actuaries.<sup>2</sup>
- 1.7 Members are encouraged to use this guide as a starting point for developing their own practice relating to review processes. The authors recognise that this is an area that requires the exercise of a significant degree of judgement. In addition, a number of possible forms of review are referred to in this guide; however, we do not explore all of them in depth.

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<sup>1</sup> "Reliability Objective means the objective that the users for whom a piece of actuarial information was created should be able to place a high degree of reliance on the information's relevance, transparency of assumptions, completeness and comprehensibility, including the communication of any uncertainty inherent in the information." Financial Reporting Council; Scope & Authority of Technical Actuarial Standards; Version 4; August 2012.

<sup>2</sup> Currently in draft and being considered in light of conclusion of a pilot scheme .

- 1.8 This guide has taken significant inspiration from the discussion paper in the American Academy of Actuaries 2005 Professionalism Series No 1-A *Peer Review – Concepts on Professionalism*. It has been guided by the FRC's Actuarial Quality Framework and it has drawn on the experience of members practising in a wide variety of areas served by the profession.
- 1.9 The introduction of requirements in APS X2 is also intended to be substantially consistent with the provisions in the international model standard issued by the International Actuarial Association (IAA) known as 'International Standard of Practice 1' (ISAP 1) and the model standard issued by the Actuarial Association of Europe (AAE) known as 'European Standard of Practice 1' (ESAP 1<sup>3</sup>). In both of those model standards the term 'peer review' is used. In APS X2 the term 'independent peer review' has been used to describe the same form of review. The decision to use that phrase reflects that there are a variety of uses of the term 'peer review' often with a broader meaning that encompasses a wider range of different types of review, particularly in the UK. However, the substantive requirements remain substantially consistent with ISAP 1 and ESAP 1.

## 2. The requirements of APS X2

- 2.1 APS X2 requires Members to consider whether it would be appropriate and proportionate to apply 'work review' to actuarial work for which they are responsible and to give particular consideration as to whether that review should take the form of independent peer review.
- 2.2 It further provides that, where they determine that to apply such a review would be appropriate and proportionate, they should apply that review (whether in the form of independent peer review or otherwise) to the work to the extent that it is appropriate and proportionate.
- 2.3 The term 'actuarial work' has a broad meaning in this context and the definition provided by APS X2 is "*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.*"
- 2.4 There is a range of different terms used to describe these different review processes (such as 'technical review', 'peer review', 'compliance review') and those terms or names are used in different ways by different people, often with different meanings. This is true not only in terms of their use in actuarial work and amongst different organisations but also amongst other professionals and in general use. The IFoA has decided to use the terms 'work review' and 'independent peer review' as broad terms that suit the particular purpose of APS X2, although the review processes might be known by other names in other contexts.

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<sup>3</sup> ESAP 1 largely replicates the contents of ISAP 1

**What is work review?**

- 2.5 At its simplest, work review for the purposes of APS X2 is the use of a second pair of eyes to review and challenge some or all of a person's work. More generally, it provides a mechanism to test work and the decisions taken.
- 2.6 In APS X2 Review of Actuarial Work (APS X2), 'Work Review' is defined as a:
- Process by which a piece of Actuarial Work (or one or more parts of a piece of Actuarial Work) for which a Member is responsible is considered by at least one other individual(s), having appropriate experience and expertise, for the purpose of providing assurance as to the quality of the work in question."*
- 2.7 This definition of 'work review' in the APS is a wide one, reflecting the broad range of contexts in which it may be applied, and requires judgement as to the form it should take in different circumstances.
- 2.8 Work review, for the purposes of APS X2, is intended to describe a spectrum of different types of review that might be applied. This might amount to independent peer review (as defined in APS X2) or it might involve a different type of review (for example a review by someone who is a 'peer', in the sense of being someone who would have the expertise and experience to take responsibility for the work but who is not fully independent of the work in question).
- 2.9 Work review may take a number of forms, including verifying that calculations have been checked, considering compliance with appropriate standards, evaluating the assumptions used and reviewing the clarity of communications.

**What does independent peer review involve?**

- 2.10 Independent peer review is defined in APS X2 as a particular form of work review with additional requirements relating to the independence, experience and expertise of the individual(s) reviewing the work. It is defined as:
- "Work Review undertaken by one or more individual(s) who is or are not otherwise involved in the work in question and who would have had the appropriate experience and expertise to take responsibility for the work themselves."*
- 2.11 Independent peer review is therefore a particular type or subset of work review which involves the person reviewing the piece of work as the second pair of eyes being independent from the work in question and being a 'peer' in the sense that they have the appropriate experience and expertise that would have meant they could take responsibility for the work themselves.
- 2.12 This guide discusses the variety of forms that review may take, for the purposes of APS X2.

### 3. Applying review to actuarial work

- 3.1 The decision as to whether a review process should be applied and, if so, whether that review should take the form of independent peer review will depend on a number of factors including the consequences and implications of the piece of work in question.
- 3.2 Often these factors will not be clear-cut and Members will have to exercise judgement about when and how a review process should be applied in the circumstances. The IFoA requires Members to consider applying work review and, if they decide that they should, to do so to the extent that it is appropriate and proportionate. It also specifically requires Members to consider whether that work review should take the form of independent peer review.
- 3.3 This requirement is of particular relevance to situations where risk management frameworks in respect of review and challenge are not already in place or where those existing frameworks are not sufficiently complete or adequate for situations involving significant pieces of work. It is not intended to place additional burdens on Members where there are sufficient, and appropriately sophisticated, systems in place.
- 3.4 Where review is applied to a piece of work in accordance with APS X2 and the Member responsible for the piece of work determines that the review should take the form of independent peer review, this requires the individual(s) carrying out the review to be independent of the work in question (which does not necessarily require them to be independent of the organisation carrying out the work) and to have the experience and expertise that would enable them to take responsibility for the work themselves. This is more likely to be appropriate and proportionate where the piece of work is particularly significant in terms of complexity, value and/or consequences.
- 3.5 APS X2 is applicable to all Members, including students. Members must be in a position to explain and justify the approach they have taken and therefore may wish to document their decisions (and the reasoning supporting those decisions) and the outcomes of review under APS X2 with reasons. This might include, for example, the reasons for deciding which form of review to apply to the work having decided that it is appropriate and proportionate to apply such a process. This might also include an explanation as to why it was not appropriate for the review to take the form of independent peer review.
- 3.6 APS X2 sets out factors for Members to take into account when deciding whether and what form of review should be carried out (including whether it should take the form of independent peer review). These factors will be relevant to considerations as to the appropriateness of the review and whether it is proportionate in terms of the circumstances of the work involved.
- 3.7 The greater the significance of a piece of work, the greater the potential impact of a shortcoming in the work on those who will rely upon the work. Greater significance will therefore imply a greater need for review.

- 3.8 Other quality assurance controls which may already be in place will provide further scrutiny of the work which would then not need to be duplicated by review or other additional quality assurance processes. Examples may include where the work is subject to effective challenge by the client or by third parties, such as auditors (and their reviewing actuaries). Other quality controls affecting the work may also be stipulated by other regulators, based on the regulatory context in which the deliverer or recipient of the work operates. For example, the firm may be subject to separate regulatory oversight because it provides other regulated financial services, e.g. investment advice.

#### 4. Scope of review and clarity of roles for those involved

- 4.1 Where a review process is carried out, it is important that all of those involved in the process understand their particular role and what is expected of them. It is also important that this is addressed early on in the process.
- 4.2 The individual(s) taking part in the review will need to be provided with all the information regarding the work, and the context in which it is being undertaken, that is necessary to enable them to carry out the review in accordance with the agreed scope.
- 4.3 APS X2 specifically requires the Member responsible for the work to take reasonable steps to ensure that everybody involved in the review has a clear understanding of their relevant role.

The following non-exhaustive list includes some of the activities that might be carried out as part of the review process:

- verifying whether the accuracy of the calculations has been checked or, in some circumstances actually checking those calculations;
- a review of the methodology and assumptions underpinning the work;
- a review of the reasonableness of the results;
- a review of the extent to which the work has been carried out in accordance with the Actuaries' Code, Actuarial Profession Standards, the FRC's Technical Actuarial Standards (if/where applicable) and other applicable regulatory and/or legislative requirements;
- assistance with professional or ethical considerations (including scoping of a piece of work, identifying or managing conflicts of interest). The IFoA Guide for Actuaries on Conflicts of Interest<sup>4</sup> highlights the potential value of review in assisting a Member in evaluating and resolving conflicts of interest;
- a review of the clarity and/or quality of communication associated with the piece of work; and/or
- a review of the extent to which the work is suitable for the needs and reasonable expectations of the user of the work or of the user of the outputs to which it gives rise.

<sup>4</sup> [http://www.actuaries.org.uk/Conflicts\\_of\\_Interest\\_Guide\\_for\\_Actuaries\\_version\\_1.1](http://www.actuaries.org.uk/Conflicts_of_Interest_Guide_for_Actuaries_version_1.1)

## 5. Timing of review

- 5.1 A review for the purposes of APS X2 should be undertaken at a time when it is capable of influencing the conclusions and outputs of the work. The review does not necessarily have to be undertaken at the end of a piece of work, but can form part of the ongoing process as the work is being carried out. Members should therefore incorporate adequate time for the review into their work plan so that it can be carried out before the work is finalised.
- 5.2 Some Members may also find it helpful to carry out a review after the work has been finalised or after it has been issued to the user as part of a control cycle. While such reviews do not meet the requirements of APS X2, they can still be helpful and may assist in identifying improvements in processes and procedures which can be put into practice for future pieces of work.
- 5.3 While the circumstances will often make the position obvious to the user, the Member may feel that it is helpful, if he or she judges that review would not be appropriate or proportionate having regard to all of the circumstances including the factors set out in 1.3 of the APS, to stress that the advice has not been subject to a review process (or alternatively that it has been subject to review but that this review has in some way been limited, for example it did not take the form of independent peer review) and that the user should therefore exercise caution when acting or taking decisions based on the advice.

## 6. Skills and experience of individual(s) taking part in the review

- 6.1 Different review roles require different skill sets. It will be up to the Member responsible for the work to determine the necessary mix of skills required. It is important in any type of review that the person has the necessary skills and experience to carry out that role. A particular factor that the Member responsible might wish to consider is whether the individual taking part in the review has been involved in actuarial work of a similar nature.
- 6.2 There may also be a number of individuals involved in the review process rather than one individual reviewer.
- 6.3 APS X2 does not specify that the individuals carrying out the review should be qualified actuaries, and recognises that, depending on the circumstances, many other individuals may be suitable. It is, however, important that the individuals identified have suitable skills and experience to undertake the review sought from them in order to provide reasonable assurance about the quality of the work.
- 6.4 APS X2 specifically requires Members to consider whether it is appropriate and proportionate for a review to take the form of independent peer review. For the purposes of APS X2, independent peer review will involve the individual carrying out the review being a 'peer' in the sense of being someone who would have had the appropriate experience and expertise to take responsibility for the work themselves.

- 6.5 Members are reminded of their obligations under principle 2.2 of the Actuaries' Code: *"Members will not act unless they have an appropriate level of relevant knowledge and skill."* Where the individuals taking part in the review are Members, they must be satisfied that they are competent to do so. The individual responsible for the piece of work should keep in mind that individuals who are not Members may be subject to different regulatory regimes and that the regulations and standards that apply to them might be less comprehensive than those applying to Members.
- 6.6 Some types of work may require specialist skills, for which the supply of available reviewers is limited. It may be the case that only a small group of individuals have the necessary skills and experience to carry out the review. The individual is expected to take reasonable steps in identifying a suitable person to be a reviewer. Where the Member is unable to identify a suitable person (or persons), they might consider what alternative arrangements can be put in place to manage risks and assure quality. The Member might also ensure that the person commissioning the work is aware of these limitations as regards review of the work and is able to consider whether or not to modify his or her instructions to the Member.

## 7. Objectivity

- 7.1 APS X2 provides that the individual(s) undertaking the review should be in a position to take part in, and be seen to take part in, the review with appropriate objectivity. The person responsible for the work is also required to take reasonable steps to ensure that this requirement of objectivity is met.
- 7.2 Members should consider whether it is appropriate for the reviewer to be someone not otherwise involved in any aspect of the work. For the review to fall within the scope of 'independent peer review' as defined in APS X2, the review should be carried out by a person (or persons) who is (or are) not otherwise involved in the work in question. In some circumstances, it may be sufficient for the reviewer not to have been involved in the specific element of work being reviewed or, as noted in paragraph 7.4 below, it can in some circumstances be appropriate for the reviewer to have been already involved in carrying out the piece of work (i.e. someone who would not meet the independence criterion in the definition of 'independent peer review'.)
- 7.3 If the individual carrying out the review has a conflict of interest then this may impact upon the objectivity requirements set out in paragraph 2.2 of APS X2. In such circumstances, Members can find guidance on identifying conflicts of interest in the IFoA's Conflicts of Interest Guide for Actuaries.<sup>5</sup> That guide also explains how the use of a review process might, in some cases, help to mitigate conflicts of interest.
- 7.4 There may be circumstances in which it may be appropriate for two or more individuals of suitable experience to carry out a piece of work together, but Members may consider that there are benefits in involving a fresh pair of eyes in the process. In some circumstances, reviewers involved in the review process might co-develop a solution with the individual responsible for the work. However, where the reviewer becomes a significant contributor to the piece of work it may then be appropriate to obtain further review of that part of the work.

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<sup>5</sup> [http://www.actuaries.org.uk/conflicts\\_ofInterest\\_Guide\\_for\\_Actuaries\\_version\\_1.1](http://www.actuaries.org.uk/conflicts_ofInterest_Guide_for_Actuaries_version_1.1)

- 7.5 Where another Member takes over responsibility for the work, it will be important to consider whether the Member previously responsible will be capable of being sufficiently objective to perform a review in line with the objectivity requirements in APS X2. However, in some circumstances the insights provided by such an individual may actually provide a more effective form of review.
- 7.6 Principle 3 of the Actuaries' Code requires that: *"Members will not allow bias, conflict of interest, or the undue influence of others to override their professional judgement."* This is particularly relevant where there is an inequality of status between the person responsible for the piece of work and the individuals taking part in the review. An inequality in status could arise from material differences in position in an organisation's managerial hierarchy or simply arise from differences in professional standing.
- 7.7 The risk when material differences of this type arise is that the individual(s) taking part in the review exert too little or too much influence over the results of the analysis. Work review is a process applied for the purpose of providing assurance as to the quality of the work in question. As such, the Member responsible for the piece of work may wish to consider whether they are satisfied that they have had appropriate regard to the comments of the reviewer.

## **8. The role of challenge by the recipient or the Member responsible for the work**

- 8.1 Some actuarial work will make use of the review and challenge by the recipient of the actuarial work. This is particularly the case for work undertaken by in-house actuaries or those in similar roles.
- 8.2 Review by the recipient of the work can represent a valuable form of quality assurance. However, the knowledge and experience of the particular recipient needs to be taken into account. Their role may be limited and there is a risk that the recipient may have particular objectives that introduce a bias into the process. Care should be taken where the inclusion of the recipient in the work review process introduces a significant risk of bias into the actuarial work.
- 8.3 In other circumstances, the Member responsible for the delivery of the actuarial work may not have been involved in the detailed performance of the work but will review the work that has been performed before signing it out. In such circumstances it is important that the team performing the work has sufficient skills and experience to carry out the required work.
- 8.4 When this approach is taken, it will be important that the Member responsible for the actuarial work takes particular care to ensure that, in circumstances of disagreement, suitable objectivity is maintained. This is likely to include giving proper consideration to the opinion provided and providing a reasoned explanation for the final position adopted. It is important to be mindful of the risks arising from inequality of status between the reviewer and person responsible for the work, and that where individuals involved in peer review are at different levels of seniority, this does not impact upon an individual's willingness or ability to express their views or to challenge the work of those who are more senior.
- 8.5 APS X2 requires Members to consider whether a review process should take the form of independent peer review with the person carrying out the review being independent of the

work in question. Some of the forms of review described in this section 8 would not involve independence in the way that independent peer review (as defined in APS X2) provides. When a Member is considering which form of review it is appropriate and proportionate to apply (if any) in accordance with APS X2, they may give attention to whether the form of review would provide sufficient assurance as to the quality of the work in question, or whether, in the circumstances, it is appropriate for the work in question to be subject to independent peer review (as defined in APS X2), in part or in whole.

## 9. Resolution of issues

- 9.1 Effective work review (including independent peer review) inevitably has the potential to involve robust challenge. Differences of opinion between the member responsible for the work and the individuals involved in the review may therefore arise.
- 9.2 Review can be an iterative process which can involve the reviewer passing comments back to the person responsible for the work and that person responding to those comments until they are satisfied that the work has been suitably reviewed. Where there are differences of opinion between the person responsible for the work and the reviewer, these can normally be resolved through discussion or further analysis. Throughout the process, it is important that both parties remember that the Member responsible for the piece of work is ultimately accountable.
- 9.3 It is acceptable for the person responsible for the work and the individual taking part in the review to disagree on a point. There can be different levels of disagreement. For example, it may be the case that the individual who is not responsible for the work will be happy for the person who is responsible to make the decision as to how to resolve the disparity. Where the issue is material, it may be prudent to mitigate the risk to users of their advice by ensuring that the element of reasonable professional difference is given sufficient prominence in reports they provide to the user. In some circumstances the disagreement might be so significant that it is preferable to obtain a third opinion.
- 9.4 Where the actuarial work in question is being carried out by a Member in the capacity of reserved role holder (such as an Actuarial Function Holder or a Scheme Actuary), it is important for the Member to bear in mind they will remain legally responsible for the work in terms of their statutory duties. This means that they must be content with the opinion that they are providing even where that piece of work is subject to review by two other individuals who both take a different view to the Member carrying out the reserved role (even if there are two or more such reviewers who both or all take this different view). The fact that the reviewers have taken a different view should not mean that a reserved role holder is providing an opinion which goes against their own judgement.

## 10. Output of the review

- 10.1 There is a range of practice regarding the output of a review. The following is a non-exhaustive list of possible outputs:
- record of the review taking place;
  - record of the review taking place and all issues having been resolved;
  - record produced in the form of completed checklist of review issues considered; or
  - detailed record of review feedback and resolutions arising.
- 10.2 APS X2 does not prescribe the format of review output; however, Members may find that it is useful in terms of being able to demonstrate that review has taken place to keep a record of that fact along with the date and name of the individual(s) involved in the review.
- 10.3 While standard forms and checklists can ensure all relevant aspects of the review have been completed, a more superficial 'tick box' approach should be avoided. Recording of review can assist the Member responsible for the piece of work in the event that their work is challenged, and may also be useful when reviewing the effectiveness of review policies and processes.

## 11. Other sources of guidance

- 11.1 The IFoA offers a confidential Professional Support Service<sup>6</sup> to assist Members with professional and ethical matters.
- 11.2 Members may also find the quality assurance sections of APS QA1: Organisations and Employers of Actuaries<sup>7</sup> and the accompanying guide<sup>8</sup> helpful.

## 12. Contact us

- 12.1 The content of this guide will be kept under review and for that reason we would be pleased to receive any comments you may wish to offer on it. Any comments should be directed to:

Professional Regulation Team  
 The Institute and Faculty of Actuaries  
 Level 2, Exchange Crescent  
 7 Conference Square  
 Edinburgh EH3 8RA

or

[regulation@actuaries.org.uk](mailto:regulation@actuaries.org.uk)

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<sup>6</sup> <http://www.actuaries.org.uk/regulation/pages/professional-support-service-0>

<sup>7</sup> <http://www.actuaries.org.uk/research-and-resources/documents/revise-apsqa1>

<sup>8</sup> <http://www.actuaries.org.uk/research-and-resources/documents/guide-apsqa1>

## DETAILED RESPONSES TO CONSULTATION

**Q12:** Do you agree that it is appropriate to introduce principles-based requirements for members in all practice areas to consider the appropriateness of actuarial quality control processes (referred to as 'peer review' in this consultation), and if appropriate to ensure that a suitable review/process is applied?

| Answer Options           | Percent | Response Count |
|--------------------------|---------|----------------|
| Yes                      | 72      | 54             |
| No                       | 28      | 21             |
| <i>Answered question</i> |         | 75             |
| <i>Did not respond</i>   |         | 3              |

| Y/N | Comments  |
|-----|---|
| Y   | The proposals appear to find the right mix of achieving quality yet providing flexibility to meet the potentially very wide range of circumstances.   |
| N   | I believe that the existing system falling under the high level requirements of the Actuaries Code works well and there is no need for further much more wide reaching prescriptive mandatory requirements placed upon actuaries in this area.  |
| Y   | With caveats as regards the requirement to ensure that a suitable review/process is applied; (1) the client should in effect have a right of veto except for reserved work (or if they in effect seek to publicly claim "stamp of approval" by an actuary), (2) the definition of 'Actuarial Work' proposed appear to broad, (3) practicality taking into account time constraints, confidentiality requirements should be recognised as valid factors to take into account. (However, except in the case of verbal advice or opinions, time constraints should not become a regular excuse). |
| Y   | Peer review is essential to maintain accuracy and reliability of actuarial work. While there may be market pressure for actuaries to become less accurate and simply faster and cheaper, this does not serve the Profession in the long-term, nor the public interest should companies find themselves in trouble in the future. Peer review is also essential for training. It ensures that actuaries of all levels have their work challenged and along with the CPD regime is vital to ensuring actuaries keep their competence up to date and relevant to their role.                     |
| Y   | Provided that the element of judgement as to what is within and without scope is limited, since otherwise there will be an extra layer of work in deciding (and potentially evidencing) in each instance whether work is within or without scope, thus increasing costs relative to work performed by non members.  |
| N   | We believe that peer review as envisaged in the guide is too widely defined. Peer review should be at a high level and check for clarity, compliance, consistency,  |

competency, completeness and comprehensiveness. This is very different from checking processes. We think that peer review needs to be more clearly defined. We also question whether it should apply to all members. We can see dangers if it applies to, for example, junior students whose work would normally be subject to a checking process.

We also suggest that some thought be given to modelling. Where a firm spends resources building models for use in businesses these tend to be subject to a robust testing system and would be expected to comply with the TAS regime. We do not see that applying the peer review proposals to such exercises would add value. We also think it could create a competitive disadvantage in activities that could be carried out by a non-actuary who is not subject to peer review. For example, actuaries working in the investment area. (In this regard, we could not quite understand the rationale for excluding members covered by another regulatory body – such as FRC – from the scope. Whilst we would agree with the outcome it produces - that it would thereby narrow the areas of activity, and, for example, potentially take actuaries working in investment out of the ambit of peer review - we could not understand the rationale in the context of the rest of the Guide.) We are not aware of other professional bodies that have mandatory peer review for their members (lawyers, accountants, etc.). Where the work we do is Reserved or Required (as defined by the FRC), this does not create a problem as clients have to engage actuaries and so have to embrace the professional constraints on the way the actuaries operate. In other areas (particularly wider fields) where clients could choose to employ an actuary or another professional, the constraints imposed on the actuary could tip the balance.

There may also be areas where actuaries are involved where there is no obvious method of peer review – eg, acting as a non-executive director.

We also think that the Guide undermines the “principles” approach aimed at in APS X2. The Guide lends itself to be converted into a checklist and there is a danger then that a tick-box approach results.

One suggestion might be to narrow the scope of APS X2 to cover the types of activity that would correspond to “Required” or “Reserved” word as envisaged by the TASs.

- N** I see the draft standard and guidance as:
1. Poorly worded - the requirement that there should be a peer review of "actuarial work that involves a material element of judgement or analysis" captures most actuarial work to my mind.
  2. Superfluous - for insurance, validation requirements of Solvency II will limit the extent to which peer review is required; while for pensions, there are already peer review arrangements in place.
  3. Places actuaries at a disadvantage in wider fields such as risk management and banking, as we have to compete with risk professionals who are not bound by peer review requirements.
  4. Impractical - 5.1 of the Guide requires peer review to be carried out alongside work but it may not be possible to do this for time critical assignments i.e. the time taken to peer review undertaken will add to the overall time to produce results for the client who may require these sooner.
  5. Discriminatory - the peer review requirements discriminate against small

firms who may have to use external providers to have their work peer reviewed, thus adding to their costs - which it may not be possible to pass on to the client - and compromising their intellectual property (IP). I believe the profession should check whether imposing these requirements is consistent with competition law. As well as discriminating against smaller firms, they effectively bundle review services into core consulting services - ultimately it should be up to the client to decide if they wish work peer reviewed and if so by whom.

**Y** However, the lack of peer review does not constitute the lack of an actuarial quality control process.

**Y** But not if that only means Tier 1 (before report) peer review - see later

**N** We believe that good practice for most actuarial work includes a peer review. However, for the review to be effective it needs to be practical and appropriate for the work undertaken by IFoA members. We hope the IFoA bears this in mind before it makes any amendments to the peer review policy.

**Y** but only for work under reserved actuarial roles as defined by TAS. Whilst not adamantly against the idea, we note that there is no clear statement of the outcomes the Regulation Board is expecting to achieve from the introduction of the standard. This makes it difficult to judge the appropriateness of the proposed approach (i.e. the introduction of cross-practice principles-based requirements via a new APS). If these were explicitly stated we would be better able to say whether this approach is necessary, or whether, for example, the objectives might be achieved by education, based on a combination of the Actuaries' Code and the contents of the Peer Review Guide. Notwithstanding this concern, we answer the remaining consultation questions on the basis that a standard will be introduced unless we state otherwise.

**Y** Provided that the requirements remain high level and leave Members with adequate flexibility to make judgements about whether a) the work is actuarial and b) peer review is appropriate.

**Y** Most organisations would agree that having a quality control process for significant decisions is sensible – the difficulty is establishing how and when it should be applied, particularly for smaller companies. It is therefore important therefore that a proportionate approach can be adopted.

**N** First, there are several areas of actuarial work which is of a routine nature like say measurement of the liability value for accounting purposes – example: Lump sum benefits given to employee related to the duration of their service to the employer and also dependent on career average salary or terminal salary at exit. These benefits are paid at the time of permanent cessation of employer-employee relationship subject of course to certain conditions. Most of these benefits are run without any funding. The company's assets themselves remain as its ultimate backing. Companies want a measurement of value from time to time by actuaries. These can be done by regular actuarial methods and since no investment or funding is involved there is no great problem on account of solvency. In short the

solvency is dependent on the solvency of the business only. Benefit rules either impliedly or expressly indicate that such benefits are subject to the financial capability of the company from time to time. The company's also have an option to change the benefit rules as no contribution from the side of the employees is involved.

Secondly the choice of the mortality and other exit risk base earlier to eventual exit on a superannuation age can be fixed without much difficulty by reference to standard assured lives mortality tables available or can be chosen as appropriate for the population of employees. The discounting rate of interest can also be so fixed with reference to Government bonds of a duration which is roughly the average unexpired duration of the scheme liability as on the valuation date. The salary escalation can also be similarly fixed with reference to the historical wage structure applicable to a given employer company or the industry.

Thirdly, since the liability value required is for accounting purposes year after year, there is a general expectation of those who are interested in such valuations that the emerging liability value from year to year should remain less volatile. For these reasons such valuations have become a matter of some reasonable judgement as to how much of the company's assets are accounted by such employee liabilities. A fully qualified actuary who has some experience should feel little difficulty in carrying out such functions without the need of a "Peer Review" which is both time serving and costly for the employer company.

**N** In our practice area (occupational defined benefit pension scheme advice) we value an independent review of advice in addition to the other quality assurance controls that are applied, including but not restricted to the checking of work, review of data quality, use of company standard templates, models etc. Hence we agree that Members in all practice areas should consider the appropriateness of having a second pair of eyes review and challenge some or all of their work. We agree with the statement in 1.1 of the guide that "At its simplest, peer review is the use of a second pair of eyes to review and challenge some or all of the work of the person who performed that work." and that "Peer review is one of a number of means that professionals use to maintain the quality of the work that they perform." However we have serious misgivings about APS X2 and the Guide as drafted. In coming up with a framework that works for all business areas and all Members (including those Members who do not work with other Members), we believe the term "peer review" has lost its intended meaning. APS X2 describes a range of quality assurance controls, of which peer review is but one. It does not however describe the full range of quality assurance controls. Our misgivings stem from the definition of peer review and the idea that peer review equates to actuarial quality control processes (as stated in this question). We are concerned that in attempting to provide broad, principals based standards, the result is ambiguity. Given the challenges described in the last paragraph, we believe the principles in the Actuaries' Code are sufficient taken together with area specific requirements such as APS P2. Consideration should be given as to whether additional area specific APSs are requirement to address the risks that APS X2 attempts to address. The comments in the remainder of this response are based on the assumption at APS X2 will arrive in some shape or form. We are keen to point out that we are advocates of peer review in the form "of a second pair of eyes to review and challenge some or all of

the work of the person who performed that work.” and would welcome APS X2 if it used a definition of peer review consistent with this approach.

- Y** Principles based are more flexible and easy to interpret unusual conditions.
- N** Whilst I sympathise with the aims, after attending the London Consultation I have strong reservations. In particular I think the support that I give and get from my Actuary NED and my AFH/WPA works in practice but may not easily form within the framework. A typical Board paper prepared by me would certainly be subject to challenge, but "after the event". I am also concerned that the standard will need to be strengthened if we go this route, despite assurances that this was not under current consideration. I would certainly support the guidance, but do not think a professional standard is capable of being both robust and practical.
- Y** The APS as it stands is very high level and generic and has much to commend it...the guide provides a useful commentary.
- Y** With ever-growing complexity of work and increased reputational risk for the individual, his/her employer and the profession, the requirement for peer review is no longer optional. However, a cornerstone of any profession must be that its members have the understanding and awareness to interpret the requirements as they relate to any specific piece of work. To have specific requirements for this would involve extensive and unhelpful detail, and would undermine the perception of actuaries as being able to exercise judgement.
- Y** There is support across the organisation for the principle of peer review/quality assurance. However, some individuals questioned whether there is a need for a separate Actuarial Practice Standard on the subject when the principles could be equally well captured via the existing TASs, e.g. TAS(R), TAS(D) or TAS(M).
- N** I believe that this proposal does not take into account the nature of work within an insurance company or a company such as my employer. An employer of this type engages an actuary, or any other employee, for the skills and experience that the employee has, and will expect him to be capable of carrying out his duties accordingly. The benefits of employing an actuary would be diminished if a requirement for peer review were introduced. The extra cost will be significant if more actuaries need to be employed or, in small companies, frequent reference needs to be made to consultants. If I needed to get a piece of work peer reviewed I would almost certainly have to go outside the company to a consultant; this would impose considerable expense given consultants' need fully to document any project they carry out and, indeed, to have their work peer reviewed internally

I realise that the proposed standard will require actuaries merely to consider whether or not to get their work peer reviewed, which implies that the answer will frequently be “no”. However, I also think that there is an implication that the answer will also frequently be “yes”. Certainly, the actuary will have to be able to show that he considered the question, which will require a form of documentation. I think that actuaries' employers expect them to be capable of doing the normal work for which they are employed and to recognise which pieces of work are sufficiently unusual

(in difficulty, importance or the work being close to the boundary of the particular actuary's own experience and competence) to require reference outside the organisation itself; almost all insurers, large or small, have relationships with consultants.

Secondly, I think that the proposals arise from a mindset that regards actuarial work as something separate from other work. It is almost as if the actuary occupies his own ivory tower to which others bring questions, the actuary works on them and then delivers his work product to grateful recipients. In fact, much of the time an actuary will be working with colleagues who are not actuaries in a project to which all contribute. Such work would meet the definition of actuarial work (which I thought was a good one), but peer review would be impossible. Impossibility might be a good reason for not seeking peer review, but isolating individual pieces of actuarial work for which one would need to show that one had considered peer review might also be impossible.

I do not consider that there is any need to impose this on consultants. Consultants invariably have their own peer review process. While the proposals are sufficiently flexible to encompass all existing schemes, they add nothing. They may, however, run into similar problems when working in teams of more than one specialisation that the need to consider peer review for the actuarial work in isolation creates difficulties.

As a former consultant I am very used to peer review being required and am aware of how it can enhance the actuary's work if well used. I am not at all opposed to the concept of peer review, but consider that a mandatory standard is unnecessary and inappropriate.

In view of the above, my answers to the remainder of this questionnaire are somewhat difficult to compose: I am giving my opinion on how to do something that I consider is better not done.

I don't think the IFoA has made out a case for this intervention. Without a proper case, the intervention is not appropriate and in violation of the IFoA's own regulatory strategy. If there is a case, properly made out, the intervention may be justified. See my accompanying written comments.

**N** We agree that it is appropriate to introduce principles-based requirements for members in all practice areas to consider the appropriateness of actuarial quality control processes.

However, we consider that Provision 1.2 should be reworded to state that members must 'take reasonable steps to ensure that peer review is applied - members might not be in a position to control a decision in this regard, given that there are cost implications, in terms of time and money.

Also the APS should acknowledge that it is a reasonable alternative for members of other actuarial associations, who work outside the UK, to apply the provisions of ISAP1 or other local standards that are substantially consistent with ISAP1.

- N** This should be covered by guidance rather than requirements. Peer review is such a broad term, the circumstances of actuarial work so varied and the range of views on what is 'appropriate' likely to be so wide that firm requirements are unsuitable. Instead, judicious use of peer review could be added to the Actuaries' Code.
- Y** Yes, and I agree with the broad high level approach proposed in the consultation.
- Y** I do agree with this but, as I explain a number of times below, I believe that the application of a proportionality concept is vital for this to be successful and not unnecessarily burdensome.
- Y** Not only is this good practice but in my view it encourages broader thinking on topics and assists with the sharing of skills. The fact that it's not prescriptive is to be applauded and leaves scope for professional judgement to be applied as to whether or not a peer review is appropriate, what form that will take, whether it is applied to the whole piece of work or only sections and who has the appropriate skills to undertake the peer review.
- N** We do not believe that introducing these requirements will improve the quality of actuarial work in our firm due to our existing quality control procedures. Firms should be allowed as now to agree with their clients the extent of quality control to be applied to their work. Introducing a new standard will increase the costs of delivering work to our clients. We know from our experience of the TASs that our clients will not be prepared to pay for this nor will they see this as adding anything to the quality of our advice. We understand it is unusual for a profession to impose requirements in relation to quality control. Actuaries are already subject to the Actuaries Code and the TASs. The IFoA needs to provide evidence that the existing requirement of the Actuaries Code (ie: Principle 2) is proving insufficient in practice and that the proposed standard will be an effective solution given the increased compliance burden across the profession. If the standard is introduced then we believe it should be improved in a number of areas which we outline in the remainder of this questionnaire response, in particular our responses to questions 13, 17, 21 and 25.
- Y** In my experience, many errors could have been avoided if there had been a sufficiently rigorous peer review system in place.
- Y** I particularly like the use of "must" so actuaries must consider whether peer review is appropriate. I consider that peer review improves the quality of actuarial work and so should be considered for all actuarial work.
- Y** Yes, for the reasons given in the consultation paper. Peer review offers the prospect of reassuring users of actuarial work that it is being produced to appropriate standards (which is clearly in the public interest), whilst at the same time providing a mechanism through which actuaries can manage their advisory risks. We broadly support the proposals as they have been set out. In developing the final standard and accompanying materials, we urge you to take care to ensure that the requirements remain principles-based, requiring judgement as to the application

and nature of peer review and providing discretion as to the means by which such review is carried out. Notwithstanding the fact that we are supportive of the proposals, we note that there will be an unknown period of time where both APS P2 and APS X2 will be in force. We are concerned that the two standards running concurrently may cause confusion, creating a risk of Scheme Actuaries in seeking to operate in accordance with both, running into difficulties. We are further concerned about the potential for additional costs to be passed on to clients in the absence of any obvious benefit to them, or indeed the public interest. Although we understand that APS P2 will be reviewed once APS X2 has been finalised, we suggest that further thought is given to the issues that may arise with concurrent standards and, if appropriate, bring APS X2 into force at the same time as a revised version of APS P2 is available.

**Q13:** The definition of 'peer review' in the draft APS X2 is deliberately wide and requires judgement as to the form it should take in different circumstances. Do you consider that the definition of 'peer review', as used in the Standard and Guide, is clear and appropriate?

| Answer Options           | Percent | Response Count |
|--------------------------|---------|----------------|
| Yes                      | 73      | 54             |
| No                       | 27      | 20             |
| <i>Answered question</i> |         | 74             |
| <i>Did not respond</i>   |         | 4              |

| Y/N | Comments  |
|-----|---|
| Y   | I am taking here the definition of peer review given in 1.2 of the Guide and in the section 4 of the Standard. I have a proviso to my affirmative response that the phrase 'assurance of quality' could be misinterpreted by some as indicating that a piece of actuarial work once peer reviewed could be taken as being definitive and error free.  |
| N   | I believe that the definition of peer review is too prescriptive in the standard. I have particular concerns re the clause "Where work involves a material element of judgement or analysis and the consequences of that work are expected to be significant for the recipient of the work, then peer review should be applied". This would seem to imply to most elements of actuarial work carried out involving financial modelling. To suggest that every piece of work carried out in this category is peer reviewed is in my view way over the top and unrealistic. I have nothing against Peer Review and I believe that members have a professional responsibility to ensure that some form of checking of significant work for clients is carried out. However if the actuary signs a piece of work that is considered his or her report and the guidance would seem to imply that this work (signed off by the actuary) has to then be peer reviewed by another experienced individual. In practice the modelling is carried out by an actuarial trainee, analyst or technician and then checked and signed off by the actuary. This system is robust and works well provided that spot checks are carried out from time to time by another experienced individual on the work carried out by the actuary. However to suggest that every piece of significant work signed off by the actuary then needs to be second checked by another individual is I believe insulting to the professionalism of the actuary who at the end of the day takes final responsibility for work that he or she is signing off. For category 1 work with statutory obligations on the actuary I think the criteria is different and a higher level of peer review is possibly required, but for category 2 work that does not need to be carried by an actuary in the first place (and could indeed be carried out by a non actuary) to try to apply similar requirements as to peer review imposes a straightjacket on the professional judgement of members. We have trained for many years to become actuaries and we should therefore be capable of signing off significant work ourselves without the requirement for this to then be second checked/peer reviewed by someone else. |

**N** The definition of peer review is extremely wide, and covers what we consider to be two separate activities:

- a) quality control (for instance the checking/scrutiny of calculations), and
- b) peer review - which we take to mean the peer review of advice (typically the final or near final version (prior to issue to the client).

Many actuarial firms will apply an overall process involving checking/scrutiny and separate peer review - but regard peer review as only part of the overall process.

- We are concerned that a strict reading of APS X2 and the Guide (particularly in the steps envisaged under 4.3) would require each person involved in a piece of work to individually consider and if necessary obtain peer review over their element of the work (including at the most junior levels).

- If APS X2 is to remain with such a wide definition, this distinction should be recognised so that actuarial firms which already include a peer review process within their quality assurance controls will be seen as complying.

- We accept that the overall definition is consistent with the principles-based nature of the APS/Guide which leaves the extent of need for peer review to judgement of individual. However if APS X2 ends up being more prescriptive/rules-based we would want a narrower definition.

- As an aside we believe that yet another definition of actuarial work is not particularly helpful and some standardisation may be desirable over the various APSs where appropriate (we appreciate that other APSs are limited in scope eg. to pensions work so that exact correspondence with eg. APS P1 is not appropriate).

**N** The distinction between checking and reviewing or challenging is not sufficiently well made. A wide range of activities is included in the guidance as possible activities that could be included in a peer review, but cost and time may be the constraints in this regard. There may be challenges in interpreting when a member is 'responsible' for a piece of work eg where a piece of work is produced jointly by a two or more people, one being a member one or more is not. Presents challenges and potential inconsistencies to an employer of mixed technical capability, not all of whom may be IFoA members eg similar pieces of work carried out by non-members and members.

**Y** There needs to be a wide-enough definition such that peer review improves accuracy and quality and is not just another tick-box exercise that fails to mitigate the key risks but ticks off dozens of small ones.

**Y** I agree generally with the wide discussion, subject to the comment on Q 12 regarding the need to change emphasis so the default is a requirement for peer review, and the actuary should avoid peer review only after documenting the reasons why an item should not require peer review. I believe that any actuary should resolve the question of "conflict of interest" BEFORE the actuary produces the analysis and presents it for review. A peer review actuary may be in a good position to identify conflict of interest situations and issues, but the resolution of any

such conflict of interest issue should occur before any actuary has done any work. Before doing any work, the actuary should either determine that no conflict of interest exists, perhaps with confirmation from a peer reviewer, or should determine the existence of a conflict of interest, alert all interested parties to that conflict of interest and receive their approval for the actuary to continue with the work. The actuary who performs the peer review of any work should also determine, before performing the peer review work, either that he/she has no conflict of interest in relation to the peer review work, or identifies the potential conflict of interest to all interested parties and receives their approval to perform the peer review of the work product. In any situation in which either the actuary who performs the work or the peer reviewing actuary has an actual or potential conflict of interest, the work product should include a statement that discusses the conflict of interest and the approval.

- N** The definition is clear but is not necessarily appropriate. It would be better to limit the requirement to work that must be done by an actuary - including work commissioned from an actuary by virtue of his/her actuarial skills, rather than work which could equally be done by an actuary or by a non member. Thus a better starting point might be Reserved/Required Work.
- N** We believe peer review should be more carefully defined and contrast APS X2 with APS P2 which has a clearer definition of what peer review is and what is required by a peer review. The definition of actuarial work that might come under APS X2 is not helpful as it could cover a very wide range of services.
- N** I think it is very unclear what "considered" might mean in this context.
- N** From above the requirement that there should be a peer review of "actuarial work that involves a material element of judgement or analysis" captures most actuarial work to my mind. Given that a member could be sued and/or disciplined for failing to adhere to this standard, greater clarity would be appropriate. I believe this standard should only apply to "reserved" work in the meaning of TAS - "required" and other work could be undertaken by non-actuaries who do not have peer review requirement and imposing these on actuaries would be unfair.
- Y** Recipients of actuarial work will probably not have read either the standard or the guide!
- Is the definition of peer review consistent with others' understandings?. This may be misleading as (i) the use of the wider definition may give false confidence to work; or (ii) the use of a stricter definition may seem disproportionate to a task involved. The 'gold standard' necessary for some 'high profile/risk work will be a full independent external peer review of work (even of a consultants work).
- N** Again, but not appropriate if APS X2 2.2 stands - see later.
- Y** Whilst we recognise it is difficult to have a definition which captures every situation the proposed wording appears reasonable.

**N** The definition used in APS X2 is indeed wide and could be interpreted as covering checking work as well as reviewing work. As a Scheme actuary, I interpret 'peer review' to mean the review of work by a peer, that is another Scheme actuary, or someone who has the necessary experience to be a Scheme actuary. The scope of that peer review is a review of written work to ensure compliance with actuarial standards, regulatory or legal requirements and to review whether any aspect of the written work may be unclear to the recipient. In section 3.7 of APS P2: Compliance Review, it states the Reviewer is not required to:

- 3.7.1 'test the accuracy or completeness of the analysis that supports the work;
- 3.7.2. review the process followed by the Scheme Actuary in carrying out the work;
- 3.7.3. review the quality of the documentation and files maintained by the Scheme Actuary;
- 3.7.4. complete an editorial and stylistic review of the work delivered to the client;
- 3.7.5. test the accuracy or completeness of the factual information contained in the document subject to any obvious inconsistency or error.

In APS X2, peer review is defined as the:

Process by which a piece of work (or one or more parts of a piece of work) for which a Member is responsible is considered by at least one other individual(s), having appropriate experience and expertise, for the purpose of providing assurance as to the quality of the work in question.

At a high level that does not seem unreasonable, until you read the Guide. In 1.4 of the guide to APS X2, it states

"To what does peer review apply? Peer review may take a number of forms, including checking calculations, considering compliance with appropriate standards, evaluating the assumptions used and reviewing the clarity of communications. In practice, junior students may carry out calculations. Typically, these would then be checked by a senior student, and then reviewed by the actuary signing out the work. As the calculation process is undertaken, it is not peers who are checking/reviewing the work, it is someone with greater experience and knowledge than the person who had done/checked the calculation respectively. This is similarly the case for the drafting of reports, although a further review stage is then undertaken if the work falls into scope of APS P2 – this review is what we would consider to be a peer review

We support the principle that work should be reviewed, but think the use of the term 'peer review' is confusing. We also call for consistent use of terminology between different actuarial professional standards.

**N** The scope should be restricted to the common understanding of the term - namely a piece of work being considered by a person of equivalent standing and expertise as to the appropriateness of the data, methodology and conclusions and the content and structure of the report to the end user.

- Y** The scope of actuarial work potentially subject to peer review needs to be narrowed to exclude routine calculations and processes where quality can be, and typically is, ensured by a 'do/check/review' process without the need for a second opinion on a matter of actuarial judgement.
- N** it should only apply (where appropriate) to reserved actuarial roles as defined by TAS. it should definitely not be applied to all 'Actuarial Work' as defined in draft ED32 of APS X2 which is very broad.
- Y** The definition is appropriate, although we would prefer not to include the reference to 'checking calculations' in 1.4 of the Guide. We regard peer review and checking to be distinct processes, and this could be interpreted as suggesting that checking calculations might preclude the need for any separate or further peer review.
- Y** Scope for judgement is critical in the area of Risk Management which is not clearly defined, widely drawn and evolving outside traditional insurance and pension activities. It is essential not to put actuaries at a competitive disadvantage versus other professionals such as statisticians, financial analysts etc. in newer business areas for actuaries through the imposition of heavy regulation or restrictive compliance requirements.
- Y** The definition does mean that the approach which is used in many instances is for the quality control process to be for a more senior member of staff to review the work of the more junior member. We are of the view that this is an appropriate process in most circumstances to satisfy the "peer review" requirement
- Y** First, can we not alter the nomenclature as "Parallel Review"? Broadly such a review may produce results which may be, some fault finding or some more fact finding or simply a further reinforcement of the original findings. Such reviews might be emerging from either purely actuarial inputs or non-actuarial expert inputs or even a combination of these two. For example suppose a Defined benefit Fund with a very long horizon with the prospects of continuous addition of membership to the scheme. The Fund has currently shown some financial difficulties from a routine valuation by a qualified actuary. The employer and perhaps the employees themselves want to know whether the difficulties are temporary in nature, its prospects of correcting itself over the years or whether it is actually heading for a totally unsustainable benefit structure. There may be a requirement to ensure whether the original valuation produced a reasonably acceptable liability value for a long enough time. How the assets would grow or decline in future and what additional funding may be required on account of this asset side problems? This is an investment problem while the former is a purely actuarial problem. May be an actuary as well as an investment expert fully aware of the economy in which the scheme operates may be called for. Yes this is a situation where what I would call a Parallel Review may be required. What should be the scope of such a review will be basically on the recommendation of the original valuing actuary plus the inputs that may be made by employer company and employee groups concerned. In such a situation, the original valuation forms the basis for developing a better valuation structure and remains relevant and serves a purpose. The Parallel Review should disclose the adequacy or otherwise of the current position with regard to

assets and liability accrued as well as accruing in the future. In my view such a recommendation along with the original valuation is a necessary complimentary action and does indeed add to the value of the original valuation as well as its recommendation.

When and at what time such a Parallel review is called for must for the time remain the prerogative of the original valuer.

- N** The definition is not clear or appropriate. It is too wide and, as mentioned in response to Q12, covers quality assurance controls other than peer review e.g. the definition could cover the checking of work prior to the member responsible for the work reviewing that work. This is not a “review”. In the guide in section 6.1 it is said that “the individual...need not be a peer.” In which case why use the term “peer”? Hence the term “peer review” is at odds with the definition. Those readings APS X2 with their own definition of peer review in mind may come to a different conclusion than those using the defined term. Either a term other than “peer review” should be used (with a better explanation of the intention for the APS) or the definition should change. If APS X2 will come into being then our preference is that the definition is changed in keeping with the “use of an additional pair of eyes”. The use of the term compliance review as set out in 3.3 to 3.7 of APS P2 could be suitably amended. As drafted we believe that APS X2 fails to standardise the terminology used relating to peer review (reference 2.2 of the guide). If the work in question is actuarial work, in what circumstances might it be appropriate for the reviewer to not be a Member? It is possible that the introduction of non Members as peer reviewers arises from the wide definition of peer review (since it might include the checking of work). It is also possible that this has been introduced to assist those Members working without access to other Members. Using our preferred definition of peer review, we disagree that peer review includes checking of calculations, which is not to say that someone who is peer reviewing work might not check calculations (reference 1.4 and 4.3 of the guide). As stated in 4.3, peer review might include a review of the reasonableness of the results.

The definition is clear, but we think there is a risk that applying the term ‘peer review’ to the definition could be misleading.

The ‘quality control process’ applied to actuarial work can involve several people with different sorts of expertise and levels of experience. Within our own organisation, when we introduced a business wide ‘peer review’ process it became clear that people interpreted what was intended differently. In particular, many colleagues distinguished ‘technical review’ from ‘peer review’, as follows:

- Technical review involves someone with a narrow specialism, confirming that part of the process involved has been completed ‘correctly’. This could be as simple as a junior colleague confirming that a calculation has been carried out correctly, or a specialist in a highly complex area confirming that the appropriate legislative and regulatory requirements have been taken into account;

- Peer review involves someone with similar skills and experience to the person responsible for the work being done (that is, a ‘peer’), ensuring that the result of the work (for example, the client facing report) has been properly prepared and presented, including being clear about the scope of the project and the matter being

addressed, and meets the client's needs. The guidance document refers to the peer review document produced by the AAA, and our understanding is that it applies to this definition of peer review.

Because the proposed APS permits Members to make judgements about the part of the work that needs review, we think it might be helpful to use a term other than 'peer review'. For example, under the proposed standard, if a Member was engaged to do a piece of work that is relatively minor, but is repeatable if produced via an excel model, it would be appropriate for the model to be extensively reviewed for correctness. However, the resulting output might not be reviewed at all. In that case, we would not normally consider the work to have been 'peer reviewed'. It is possible that we need to change our terminology to address this, rather than the IFoA, but in any case it seems crucial that the APS does not use terms that are open to different interpretations.

- Y** It provides useful clarification. My own understanding of peer review was slightly different to that set out in the Guide but feel that the approach adopted within the APS and the Guide is useful and appropriate.
- N** We support the principle of the definition being wide and its application requiring judgement. Nonetheless, we do have a couple of concerns with the proposed definition:
1. The definition would seem to preclude the peer-reviewer and the member responsible being the same person. Such a situation might arise where a piece of work was organised and internally signed off by a very capable actuary, but peer-reviewed and then signed out by the member responsible for the work. Section 8.3 of the draft Peer Review Guide appears to regard this as acceptable peer review.
  2. We would not regard the normal checking of a piece of actuarial work as part of peer review, although it is a vital part of quality assurance. It is not entirely clear to us that the proposed peer review definition does exclude this normal checking. Note that this is a separate issue from whether a checker can be a peer reviewer; we think this is acceptable in some contexts.
- Y** One of my previous employers, a consultancy, made a distinction between technical review and peer review. Technical review covered things such as data having been correctly entered, a formula having been correctly applied or a report table having been entered with the correct numbers. It might be carried out by a very junior member of staff, for example when data entry was the question. Peer review checked the appropriateness of the analysis and the report. It would invariably be carried out by a senior qualified person. These aspects are both covered by the definition of peer review in the document but I found it a useful distinction.
- Y** .... But only if there is a proper case for peer review.
- Y** We suggest that "for the purpose of providing assurance" could be reworded as "for the purpose of providing reasonable assurance" to reflect that peer review is applied "to the extent appropriate" and the result is not absolute.
- Y** It would be appropriate for the purpose of the guidance, as discussed above. There

is a typo in the definition: '(s)' should be deleted from 'individual(s)'.

- Y** I appreciate the approach as it will allow tailoring to the wide variety of work situations in which actuaries find themselves.
- Y** I do agree, but see my comments on proportionality and also on the definition of 'actuarial work'.
- Y** I think that the public understands and accepts the broad sense of what a 'peer review' process means and draws comfort that the work has been appropriately verified or challenged. The form that this takes will necessarily vary according to the content and significance of the particular piece of work and it's sensible that the wording of the proposal recognises this.
- N** The term and the definition should be consistent. The stated definition describes a quality review process. However, as described in para 6.1 of the proposed guidance, it does not entail the review being carried out by a "peer". Leaving the definition as it stands runs the risk of users of actuarial information being left with the impression that a peer has carried out the review. We suggest that the term "peer review" is replaced with another which does not refer to peer as such. Examples include "Actuarial Work Review" or "Advice Review". "reverse peer review" – where the person responsible for the piece of work is in fact the reviewer – is described in paras 8.3 and 8.4 of the guidance. APS X2 should be extended to make it clearer that this is within the definition of "peer review". A suggested definition would be ... "Process by which a piece of work (or one or more parts of a piece of work) for which a Member is responsible is or has been considered by at least one individual, other than the person preparing the advice, having appropriate experience and expertise, for the purpose of providing assurance as to the quality of the work in question." An alternative approach, which we do not favour, would be to amend the definition so that it is indeed a peer review. If this is done then we believe that the scope of the standard should be significantly reduced to higher risk work that might require an independent review by a "peer".
- N** I would like to see a distinction between checking calculations (which should be mandatory unless trivial) and peer review, which covers assumptions, methodology, communications, scope (ie the more judgemental areas). I see the latter as requiring more of a risk based/materiality assessment as to whether is required, and if so, its extent.
- Y** I consider that a wide definition is appropriate, given the different circumstances where peer review can be necessary.

We are content with the definition but an alternative to the phrase "Peer Review" needs to be found, because the term is suggestive of review by an individual who is necessarily a "peer" in terms of seniority within an organisation and who also is a member of the actuarial profession, neither of which necessarily have to hold as the consultation paper acknowledges. Within LCP we use the concept of a "second professional", where the professional who is not signing out the work would normally be someone who is equipped to sign out the work in their own right. We

call our process “Second professional review”. You may wish to consider using this phrase, or indeed, “professional review”, making clear that, although the process involves two sets of eyes, the professional whose work is being reviewed does not necessarily have to (and indeed is encouraged not to) use the same person to undertake the review of each element of their work.

**Q14:** Do you agree that the factors for consideration set out in 1.3 of the draft APS X2 are adequate and appropriate?

| Answer Options           | Percent | Response Count |
|--------------------------|---------|----------------|
| Yes                      | 77      | 57             |
| No                       | 23      | 17             |
| <i>Answered question</i> |         | 74             |
| <i>Did not respond</i>   |         | 4              |

| Y/N | Comments  |
|-----|---|
| N   | No I do not, I think that they are too prescriptive as set out in my comments re 14 above. Another (unintended) consequence of such prescriptive peer review requirements is that it would significantly increase costs for actuaries doing Category 2 work, where they are in a commercial environment compared to other organisations performing Category 2 work without using actuaries. An example of this is IFAs competing with Actuaries in preparing reports. To force up costs for Actuarial Firms by imposing much more prescriptive peer review requirements puts actuaries at an unfair competitive disadvantage compared to other professionals.   |
| N   | 1.4 should not be separate from 1.3, particularly with the draft definition of 'actuarial work' which should be amended. By way of example: over the last 12 months the majority of my paid work has been (1) providing management consultancy / quasi-NED input to an actuarial consultancy as it develops a new practice, and (2) acting as independent non-executive chair of with-profits committees. As I only obtained the work for (1) because my actuarial skills and mean that I am familiar with many of the challenges faced by my client and my client's target market; this seems therefore to be caught by the definition of 'Actuarial Work' although with the odd clear exception, the work is not actuarial, but provision of general business view and market intelligence, where peer review is inappropriate and I believe outside the spirit of what the Working Party intends should be peer reviewed. Much of the work for (2) is actuarial work and rightly caught by the definition of 'Actuarial Work', often requiring an opinion to be expressed based on the work of other actuaries in the insurance companies concerned where I was chosen as a member of the committee by virtue of my actuarial skills. This work (2) frequently involves a material element of judgement and the consequences of it can be reasonably expected to be significant for the person(s) for whom the work is produced - thus 1.4 applies. In my particular case the presence of another actuary on the committee may be argued to represent an appropriate form of peer review, but clearly there could be boards on committees where only one actuary is a member, and 1.4 would appear to require some form of peer review. Maybe my reading of 1.4 and the 'Actuarial Work' definition are too pedantic, but I suggest it would be better to refine both. |
| Y   | One could argue that the 'desirability of ensuring public confidence' is not an appropriate consideration when deciding whether and how to apply peer review to work that is intended for particular recipients. However we appreciate that this  |

aspect is addressing a desire for protection of third parties.

- Y** The factors are sensible, but very subjective and therefore would be difficult to enforce. How would you define significant? Is this a quantitative consideration? Should there be a factor relating to proportionality?
- Y** Though on a small point 1.3.1 could include a reference to including ethical concerns, though bias is covered in the guide in detail.
- N** These factors appear appropriate, but the IFoA should set a five year time horizon for assessing the appropriateness and adequacy of these factors and publishing such analysis along with a proposal either to change it (and why) or to keep it (and why.)
- N** 1.3.1 to 1.3.4 are adequate and appropriate. I have reservations about 1.3.5 since it is unclear how an actuary can assess the relative desirability of assuring public confidence.
- Y** Whilst we agree, on balance, with the factors set out in 1.3, we feel that the principles approach is to some extent undermined by paragraphs 3.5 and 3.6 in the Guide. For example, calculating a CETV for a member leaving a DB pension scheme may not be significant for the pension scheme but might be very significant for the member; we struggle with the second bullet in para 3.5 which suggests that there may be occasions where quality does not matter; the function and timing of the involvement of auditors in the process (eg, scrutinising accounting disclosures) may not meet the objectives that might be expected of a peer review; as pointed out earlier, we do not fully understand why separate regulatory oversight should be a factor.
- N** What is meant by "reasonable expectations" of the person for whom the work is produced, or the "desirability of assuring public confidence"? Why not just replace both with "degree of reliance on quality of work by user" if required?
- Y** Though I believe relevant circumstances should include the commercial needs of the actuary providing the service, particularly in relation to protection of IP.
- N** One use of peer review is to ensure clarity of message given in a report or advice and consistency with the work undertaken (example the client may form one view from a valuation report but the regulator may form a completely different view).
- Y** The factors described appear reasonable to us. We would note that it is important that the proposals continue to be practical and appropriate for the work undertaken by members. We would be keen to make sure that any proposed amendments to the current proposals do not change this concept.
- N** I consider them to be factors which the Regulation Board and Council should consider when setting the scope of the APS. However, if a piece of work is within scope, a materiality test similar to those determining TAS applicability ought to be sufficient.

**Y** Overall it is helpful to list some primary broad considerations but the list should not be extended as it might be interpreted as prescriptive and undermine the principle of Member judgement. Quite appropriately, many of the terms are subjective e.g. “significance”, “reasonable expectations”, “difficulty or complexity”, “other quality assurance”. In 1.3.5 the word “further” should usefully be inserted before “assuring” for consistency with the rationale behind the wording of Clause 3.2 of the Peer Review Guide.

**N** These factors should be expanded, in particular:

- 1.3.1 should be expanded to say more about how “significance” should be interpreted eg to overall project, to ultimate user, or organisation – this is important as it is intended that APS X2 applies to all members•

1.3.4 should cover the timing of other quality assurance as it may happen too late in the process• Consideration may also need to be given to local standards in overseas loca

**N** It is our view that the expectations of the person for whom the work is produced should not be a relevant consideration. It is our responsibility to provide high quality work in line with the Actuaries’ Code irrespective of the expectations of others. There are circumstances where the person for whom the work is being produced might not expect the work to be peer reviewed (e.g. cost concerns or lack of understanding of the importance and value of peer review) but where peer review is valuable. See Q15 for suggested changes to 1.3.1 and an additional consideration.

Whilst the factors all seem reasonable, some of them can be interpreted in different ways. For example:

- In 1.3.1, it is not clear how ‘significance’ should be determined, or to whom it applies (that is, to the preparer of the work, or to the user);
- It is hard to know when 1.3.5 would not apply, particularly in the context of The Actuaries’ Code, which says its principles should be observed “in the public interest”.

Overall, it is not clear where the threshold for determining that there is a need for ‘peer review’ would be. For example, if the intention is that meeting any one of the points listed would be a sufficient indication that peer review is necessary, then it would be sensible to say so

We are a little confused by 1.3.4, which says that other quality assurance controls applied to the piece of work can be taken into account when deciding whether and how to peer review. Our understanding from the definition is that the peer review would include all the quality assurance controls applied. That is, we would conclude that, if the quality assurance controls applied are deemed adequate, then the peer review requirement has been met, rather than having to separately take a view as to whether peer review needs to happen at all.

However, it is possible that what is meant is that, if some other body, independent from the Member responsible for the work, will also review the work, then that can be taken into account. For example, decisions taken by companies following (for example) actuarial advice given to in relation to a defined benefit schemes that is used for their published accounts is subject to audit, in which case there might be less need for peer review (disregarding other reasons why you might want to get this work peer reviewed).

- Y** 1.3 of the draft APS X2 states "Members *should* have regard to all of the relevant circumstances ....." Are there any circumstances where Members would be able to justify not having regard for all the circumstances, or would it be more appropriate for this to say "must"?
- Y** They strike an appropriate balance between completeness and leaving some discretion to the individual actuary to justify a limited review (or in some circumstances no review at all).
- Y** In addition, the following views were expressed by two individuals:
- There is no mention of the experience or skill level of the Member who undertook the work; we would expect this to have an impact upon the nature /depth of any peer review.
  - 1.3.2 – The term 'reasonable expectations' is used. As it is not possible to be 100% clear on what another person's 'reasonable expectations' are, would it not be better to remove this and replace with wording such as 'having regard to the person(s) for whom the work is produced'?
- Y** The first four seem sensible and are the sorts of questions I would consider in asking myself whether I wanted outside help. However, my work is for my employer and I do not expect the public to have or not to have confidence in it. Even if I became the signing actuary for my syndicate I would expect Lloyd's to have confidence in my work, not the public.
- N** The factors are incomplete. They invite users to expect/assume that peer review will be carried more often than is justified - see my accompanying written notes.
- Y** However, the intent of 1.3.5 is not clear unless read in conjunction with paragraph 3.5 of the (draft) Guide.
- N** In guidance (or, even more so, requirements) on peer review there needs to be consideration of whether or not the experience and expertise of the responsible actuary are relevant. There may be more call for peer review if the actuary has not often carried out similar work that if he has, or perhaps if he is just not the brightest of actuaries. Is this the intention in the APS and Guide? This list includes 'the difficulty and complexity of the piece of work'. 'Difficulty' lies more in the actuary than the work: what is difficult for one may be easy for another. Will an actuary be justified in dispensing with peer review because he does not find a very complex piece of work difficult?

- N** The factors set out in 1.4 should be subsumed into 1.3.
- N** Broadly yes although I did wonder if 'significance' in 1.3.1 might be replaced by the word 'materiality'.
- Y** 1.3.5 could be amplified. Work going into the wider public domain should probably be seen as a separate category from say a pension fund valuation report.
- Y** Yes and we bring to your attention LCP's risk based approach to peer review and our processes, which are focussed on the significance of a piece of work. In relation to "the reasonable expectations of the person(s) for whom the work is produced" we suggest that the accompanying Guide addresses the situation where a member (and, in particular, an actuarial student) is delivering actuarial work within an organisation where the recipients are also actuaries and can be expected to challenge it. Otherwise the impression may be given through paragraph 1.3.2 and the definitions of "Actuarial Work" and "Peer Review" that there is a presumption that all such internal work should be subject to formal peer review before it is delivered. More generally we feel that it would be beneficial for section 3 of the Guide to articulate the meaning of "reasonable expectations", as the absence of this leaves the term open to wide and varying interpretation.

**Q15:** Do you agree that it is appropriate to introduce a presumption (as provided by 1.4 of the draft APS) that peer review will be appropriate where the work involves a material element of judgement or analysis and the consequences of the work for its recipient are likely to be significant?

| Answer Options           | Percent | Response Count |
|--------------------------|---------|----------------|
| Yes                      | 65      | 48             |
| No                       | 35      | 26             |
| <i>Answered question</i> |         | <b>74</b>      |
| <i>Did not respond</i>   |         | <b>4</b>       |

| Y/N | Comments   |
|-----|--|
| Y   | I agree that the presumption should be as drafted, but maybe a "comply or explain" approach would better cover unusual circumstances.  |
| N   | Para 1.4 effectively makes peer review compulsory for virtually all work carried out by a member of the profession. The scope is too wide. It does not allow for the member's individual judgement to be the defining factor in determining whether peer review is necessary or appropriate. As a consequence it will lead to significant increases in costs and time delays to clients where the additional work may not be necessary or proportionate. It will also put members of the profession at a commercial disadvantage with regard to non-members undertaking the same type of work.   |
| N   | No. I strongly object to 1.4 for the reasons set out above.  |
| N   | See comments on 1.4 for exceptions. 1.4 could nevertheless be okay if the definition of 'Actuarial Work' were amended.   |
| Y   | I am happy with the rebuttable presumption in this case.   |
| Y   | We believe that many firms will already apply a similar rationale (or go beyond that when deciding whether to apply a peer review process).  |
| N   | See comments in 14 about definition of 'significant'.  |
| Y   | I think this should be strengthened. I believe the presumption should be that peer review will always be appropriate, regardless of these factors, and an actuary should not present any work product without peer review unless (a) the actuary performs an analysis of the factors that lead the actuary to believe that peer review is not necessary, (b) the actuary includes a clear statement accompanying the work product that states that it received no peer review, and (c) the actuary includes with the work product the analysis of the factors that lead the actuary to believe that peer review is not necessary. This will allow the user of the work product, including any principal, the opportunity to assess the validity of such analysis and to request peer review. |

- N** Its unclear that this adds a great deal to the criteria in 1.3 but involves an unhelpful element of judgement, particularly with the proposed definition of Actuarial Work.
- Y** Provided that APS X2 is narrowed in scope (see comments above), on balance we think this is okay. However, we suggest some thought be applied to the words “person(s) for whom the work in produced” given the Actuaries’ Code requirement to consider third parties affected by the advice.
- N** In practice almost all actuaries will do this anyway. However, the inclusion of this prescriptive requirement prevents the draft standard from being wholly principles-based and, indeed, might be seen to call into question the actuary's judgment under 1.3 of the draft. Such a requirement also goes beyond those incorporated in ISAP 1 - is this another case of the UK gold-plating requirements that originate abroad?!
- N** I am struggling to think of any actuarial work which does not involve a material element of judgement or analysis, and this presumption is far too broad. From above, this should be restricted to reserved work from TAS.
- Y** However, this may be difficult to achieve with a ‘strict’ interpretation of 3.1.2. where a business manager or the recipient of the report may be in a unique position (particularly for a small organisation) to provide robust peer review.
- Y** This appears a sensible addition.
- N** As mentioned above, if scope is largely determined (e.g. by a much more specific definition of actuarial work) and a materiality condition applies, then the APS should mandate peer review (i.e. use 'must' instead of 'should').
- N** It would be preferable to reword section 1.3 to make it clear that peer review is required where there is material judgement with significant consequences. Section 1.4 would then not be required in its current form.
- N** peer review should only apply to reserved actuarial roles
- N** Whilst this conclusion would seem a natural one in the world of the Scheme Actuary, we are concerned that there may be examples of other actuarial work where this presumption is not appropriate. For example, an individual actuary employed as an expert witness might be expected to testify, if asked, as to whether the advice they have given is their personal view. If the peer review process had modified their advice in a material way, the actuary might be in a difficult position, depending on the exact wording of the question posed to them.
- Y** Peer review is an established part of quality assurance for organisations undertaking actuarial work so the concept will not be a radical change for many Members.
- Y** But would note that the wording in 1.4 which states “reasonably expected” is preferable to the wording in the question which uses “likely”

I am not able to decide on a criteria that would need such a course of action.

- Y** .3.1 could be changed to reflect the sentiment of 1.4 e.g. “the significance of consequence of the piece of work to the person(s) for whom the work is produced”. We recommend adding another consideration to 1.3 along the lines of “the degree of judgement or analysis undertaken in producing the piece of work.”
- N** The significance to the recipient is difficult to gauge.
- N** It depends on the circumstances of the case. For example if a with-profits actuary presents non-contentious bonus recommendations (and where the impact is arguably significant and requires judgement and analysis) which will be subject to scrutiny by a with-profits committee (WPC) (which will have actuaries on it) before approval by a Board of Directors, is it necessary for that report to be subject to formal peer review prior to its release to the WPC? My concern is that there is a real risk of significant duplication of effort without any tangible protection to the end user - indeed they have to bear the costs of that duplication. In fact I think the issue is around the interpretation of the words "material" and "significant". I would suggest that some examples are given in the Guide as to how peer review might work in practice to give members a feel for what might be considered "significant" or "material".
- Y** It is hard to think of a piece of work that involves judgement or has significant impact that is so straightforward as to require no review - and if it is that straightforward, the review will be simple anyway. However, in some such cases it may be that the reviewer identifies something that seemed obvious, but is not a given (for example an implicit or explicit assumption which has been selected with little thought, but is in fact open to debate).
- N** The current wording potentially places additional requirements upon those in Controlled Functions or ‘experts’ to have their work peer reviewed. We do not believe this is desirable.

From a perspective of insurance companies, rather than consultancies, employing actuaries it will be difficult to demonstrate who is suitably qualified to peer review the work of an approved person or holder of a Life/Pension Actuary Practicing Certificate.

For example, work presented by the Actuarial Function Holder (AFH) of a firm to the firm's Board would be expected to go through quality checks via reviews within the business/actuarial department but would not necessarily have been reviewed by a 'Peer' of the AFH or an actuary with a Life Actuary Practicing Certificate. There will also be times when an actuary (e.g. the With-Profits Actuary of a with-profits fund) is being asked to express a view based on their professional judgement and experience and so review by a 'Peer' may not be appropriate nor add any value to the customer (e.g. the with-profits committee/fund).

Paragraph 1.4 should be removed and an additional sub-paragraph added to

section 1.3 highlighting that when considering the need for Peer Review the amount of judgement/analysis should be taken into account.

If there is a belief that the work of those in Controlled Functions should be subject to formal Peer Review, a specific Actuarial Practice Standard should be introduced.

- N** We do not feel it necessary to extend 1.4 to introduce such a presumption. In particular we are concerned that the final sentence of 3.1 of the draft Guide extends the coverage of those relying on the actuary's work to other persons to whom the work is not addressed and who may have different interests to those of the person or body that commissioned the work.
- N** The recipients of my work are all likely to be people who know me well and will discuss the results of my work with me to understand the judgements and the analysis. They will be able to assess with me the appropriateness or otherwise of getting external help and I do not think that a presumption in favour is appropriate.
- N** It seems to me that the principles in 1.3 should be the overriding ones - for example the reasonable expectations of the person for whom the work is carried out should override other issues. In any case, the question of "significance" is already covered in 1.3.1. Much better to omit 1.4 altogether. In the case of an independent actuary, the fact that he is independent is often a major feature in the client's decision to appoint him, having regard to any particular expertise he may have. This is covered by "reasonable expectations" (1.3.2) and should not then be overridden. In the case of advice depending on significant intellectual property, where it would be anti-competitive or in breach of non-disclosure agreements to disclose details to a third party, again the "reasonable expectations" should not be overridden.
- N** You only have to think of the work of other professions, such as doctors, barristers, accountants, etc to realise that these criteria are frequently present without peer review being considered necessary or desirable.
- N** Almost all actuarial work involves material judgement and analysis and has significant consequences. Surely the intention is not that it should all be peer reviewed? That would be akin to expecting GPs to seek a second opinion on every consultation and tantamount to a presumption that the work of an actuary is unreliable unless it is checked by another. If, more reasonably, the intention is that exceptionally large and important pieces of advice should be peer reviewed the wording needs to make that much clearer.
- Y** Yes, but it is important to recognise that there will be many such circumstances where it won't be appropriate to carry out peer review. There may be uncertainty as to whether the work is actuarial work or there may be speed requirements that mean introducing a peer review process is impractical.
- Y** I agree with the broad thrust of the presumption, though would note that peer review (in its most general sense) is rarely inappropriate and so prefer to think of 1.4 somewhat differently, namely that it is normally inappropriate not to subject material

work to peer review. The drafting of 1.4 is perhaps a little loose: are the consequences referred to consequences of the Actuarial Work or consequences of the judgement / analysis contained therein. The drafting of 1.4 suggests the latter, while the drafting of this particular questions suggests the former. Please clarify the intended meaning.

**Y** I also consider that peer review should be applied where the conclusions include an element of judgement. For example, an opinion is expressed by the actuary about the course of action that should be taken in the light of the analysis.

**Y** For the reasons given.

**Q16:** Sub-paragraph 1.5 of the draft APS X2 requires members to "ensure that they are in a position to justify the approach which they have taken to the application of Peer Review for the purposes of this APS, if reasonably called upon to do so." Sub-paragraph 3.3 of the draft Peer Review Guide states as follows: "Members must be in a position to explain and justify the approach they have taken and therefore may wish to document their decisions (and the reasoning supporting those decisions) and the outcomes of peer review under APS X2 with reasons." Do you consider that this principle should be strengthened?

| Answer Options  | Percent | Response Count |
|---|---------|----------------|
| Yes - members should be required to document the decision and its reasons.  | 9       | 7              |
| Yes - there should be a presumption that members should document the decision and its reasons, unless there are circumstances in which they are able to justify not doing so. | 8       | 6              |
| No, the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so.             | 70      | 53             |
| Other   | 13      | 10             |
| <b>Answered question</b>  |         | <b>75</b>      |
| <b>Did not respond</b>  |         | <b>3</b>       |

| Y/N   | Comments  |
|---|---|
| Yes - there should be a presumption that members should document the decision and its reasons, unless there are circumstances in which they are able to justify not doing so. | In many types of work it is appropriate to have an audit trail. Furthermore, it helps explain outcomes for our successors - be they only ourselves. Where peer review is not undertaken, the reasons for not doing should be justified. |
| No, the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so.             |   |
| No - the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so             | Members should not be required to document their decision, but should be required to justify their position on peer review if called upon to do so.   |

No - the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so

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Other - please specify in comments box

No, the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so.

The guide gives enough of a hint that documentation would be a good idea if a member may have to justify the decision some time after the event.

It might be sensible to document this.

a requirement for documentation starts to move away from a principles-based approach, and introduces a rule which would be unnecessary and/or onerous in some cases. The guidance (in particular) needs to ensure it doesn't suggest anything which might be interpreted as a rule.

Given very wide-ranging definitions of 'peer review' and 'actuarial work' it would be onerous to require documentation in every case.

In a SII context, the level of documentation and justifications will be significantly increased and this will mean that this requirement is substantially being met. The responsible member may be a student with limited experience and influence to identify the need and format of the peer review.

In a SII context, the level of documentation and justifications will be significantly increased and this will mean that this requirement is substantially being met. The responsible member may be a student with limited experience and influence to identify the need and format of the peer review.

No - the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so

This requires members to consider peer-review but allows for the fact that in insurance companies some decisions are last minute and may not be in control of the actuarial department. For example if a windstorm occurred a day before year-end, an actuary may be called upon to determine an impact to book in the year end account. They should consider whether to discuss and peer review their recommendation. However they may not have enough time to document the work before accountants have to book the number and fulfil their professional obligations. Introducing a mandatory documentation requirement could in circumstances as this force the actuary not to act (jeopardising their employment and could lead to worse estimates by non-actuaries) or to reschedule work to reduce its actual robustness to satisfy documentation standards imposed.

No, the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so.

Yes - members should be required to document the decision and its reasons

As noted in my answer to question 15, I believe the actuary should provide a written analysis of any reason for not performing peer review. I believe it is appropriate for the actuary to document reasons for having a document subject to peer review also, even if - as I recommend - peer review should be the default requirement for all actuarial work products. In documenting the reasons for peer review, the actuary should also document (a) the extent to which the work product and its underlying calculations and worksheets has been subject to peer review, (b) the name(s), qualifications and experience of the actuary or actuaries who perform the peer review, and (c) an analysis of any conflict of interest issues, or lack thereof, in relation to any actuary who performs the work and actuary who performs the peer review.

No - the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so

In practice it will be difficult to justify a decision not to peer review after a period of several years possibly unless that decision has been documented so that there is a real risk that there will be a strengthening of the stated principle regardless (with a consequential increase in actuarial costs) unless the scope of the peer review is clearly limited as indicated above.

Yes, members should be required to document the decision and its reasons.

Where a member chooses not to apply a peer review, we think that it is appropriate that the member should have records indicating his/her justification. In case of challenge, not only must the member be able to protect himself/herself and his/her firm, but the integrity of APS X2 would be undermined if actuaries were unable to satisfactorily explain themselves when challenged. However, we note that this will introduce a burden of administration and therefore cost.

No - the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so

No - the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so

Yes - there should be a presumption that members should document the decision and its reasons, unless there are circumstances in which they are able to justify not doing so

Unfortunately, if there is to be a standard, and it is to cover pretty much all actuarial work under 1.4, then there will need to be documentation to support why peer review was not considered, if only to protect the actuary against claims of negligence or misconduct.

No, the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so.

No - the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so

No, the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so.

We think that it is reasonable to leave it to the members' judgement the extent to which the members needs to document the approach which they have taken to the application of Peer Review. For example, if a peer reviewer has been appointed then there seems little need to document the rationale for doing so, whereas it may be more beneficial to document the reasons for not conducting a peer

review.

No, the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so.

Other - please specify in comments box

It is unhelpful and to some extent leading to phrase a question in consultation which offers the main choices of 'agree' or 'agree and strengthen' and not 'disagree'. If the APS is implemented with the broad scope as planned, all members will be faced with the effective requirement to keep a daily diary throughout their whole career of every single piece of work the complete or oral advice they give, justifying why they did or did not consider peer review appropriate. To avoid this ridiculous outcome, the APS (not the guidance notes) should state explicitly that a written record is not expected to be kept, perhaps requiring instead that all reports should contain a statement of whether they have been peer reviewed or not. If the scope of the APS is limited as I have suggested earlier, then disclosure in reports should be made that peer review has occurred or that the report has not been reviewed either on materiality grounds or on grounds of time (in which case stating by when a review will have occurred). It could additionally be suggested in guidance that reports on areas which the author considers out of scope but which another actuary might consider in scope should contain a statement that no peer review has taken place, nor will, if that is the case.

Other

As currently drafted, with all actuarial work in scope, the requirement to document the decision is too burdensome. Practical problems are also raised by the requirement for members to keep personal records in the event of them leaving the company on whose behalf they have performed the work.

Yes - members should be required to document the decision and its reasons

Other - please specify in comments box

only reserved actuarial roles work should be subject to the potential of peer review in which case the requirement of 1.5 is sufficient

No, the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so.

No, the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so.

No, the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so.

Other - please specify in comments box

No - the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so

The principle, together with the guidance, is sufficient. We do not think it is proportionate to require all decisions as to the necessity and nature of peer review to be documented. We would expect, however, that where peer review does take place, that there is evidence of the nature and outcome of that review.

If members are required to document their decision and reasoning, it will continue to add to the administrative complexity and cost of their work. The information is likely to be needed for a very small percentage of work where dispute and misconduct issues arise but would be a burden for all work. If we go down this route, we might we require documentation of the rationale for selecting the Peer Reviewer which may be important in newer, or controversial areas. Suggesting a brief record of the rationale as good practice may be useful but beyond this the natural next step would be to develop standards for adequate documentation of reasoning for the approach taken to Peer Review.

We believe that in most circumstance the reporting of a key decision will adequately document the rationale for the decision without a requirement for additional documentation of the quality assurance process itself. In our view the principle in APS X2 is sufficient without the additional guidance in 3.3 of the Peer Review Guide.

I am not able to make my mind.

1.5 is too prescriptive. We recommend that the requirement is that there is evidence that a peer review was undertaken. Members of the profession to have to apply the professional codes and therefore must be able to justify their actions if reasonably called upon to do so. Members (or their firms) should decide to what extent documentation of rationale is required, recognising that documentation might be seen to be a barrier to peer review and hence counter productive.

No, the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so.

Yes - members should be required to document the decision and its reasons

No, the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so.

No, the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonable called up to do so

No - the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so

Yes - there should be a presumption that members should document the decision and its reasons, unless there are circumstances in which they are able to justify not doing so

No - the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so

According to the proposed guide, peer review covers all sort of things including checking (section 1.4) and all members of the profession including students (APS X2 target audience). Providing formal documentation of every decision of this nature is likely to produce an amount of work which would drastically outweigh the potential benefits.

Our view is that members should only be required to explain why they have chosen not to carry out peer review. If they have carried out peer review, then a record of the fact should be sufficient (that is, there should be no need to demonstrate the effect of the peer review, which seems to be the implication of 3.3 of the draft guide).

No, the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so.

Other - please specify in comments box

No - the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so

No, the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so.

No - the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so

Other

It would be useful if there was some clarification or guidance as to the circumstances under which the Regulation Board envisages members may be called upon to justify the approach taken for peer reviewing. For example, would it only be in cases where the suitability or quality of the original piece of work was questioned? Would justification be required in respect of whether a peer review had been carried out or the suitability of the review itself?

Members should only be required to document a decision to proceed with no (or very limited) peer review. This is to alert recipients to the situation so that they may decide to insist on a peer review if they feel it necessary, or to act upon the advice with a clear understanding of possible limitations. Arguably the limited nature of review is one of the limitations of advice that is required under the TASs anyway.

No additional comments.

Paragraph 1.2 imposes a requirement to consider peer review for every piece of work. I do not consider that this is consistent with not keeping documentation of the decision, and any further reference is unnecessary.

Paradoxically, if a peer review is carried out then it makes unnecessary the recording of the decision on whether or not a peer review is appropriate.

No - the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so

No, the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so.

Yes, there should be a presumption that members should document the decision and its reasons, unless there are circumstances in which they are able to justify not doing so.

No, the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so.

No - the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so

Other - please specify in comments box

Don't make rules for the sake of rules. The principle is clear enough.

My response here follows on from my previous answers.

Members should, however, have latitude to decide on the form/content of the documentation, and should be free to take into account considerations such as proportionality and the reasonable expectations of the member's employer/client. Please see also our response to Q19.

We do not consider that this principle should be strengthened. The requirement in sub-paragraph 1.5 is sufficient. It would be onerous to document the thought process for small or trivial pieces of work, but to strengthen the principle incorporating an exception for small pieces of work would require a definition of "small". On balance, it is better to let actuaries choose the approach to documentation, with the proviso that they be able to justify it, if reasonably called on to do so.

A requirement to document decisions will cause even more bureaucracy and box-ticking.

I would be strongly opposed to a strengthening of the requirement. Actuaries may be involved in high volumes of relatively small pieces of work and an expectation of documenting the peer review considerations for each could become onerous. The current wording is strong enough as it will encourage actuaries to document peer review decisions for material pieces of work.

Members should be required to document the decision and its reasons unless there is a valid reason (restriction) which would either prohibit this or otherwise make it preferable not to. (This differs from option 2 in its motivations and incentives.

Yes - there should be a presumption that members should document the decision and its reasons, unless there are circumstances in which they are able to justify not doing so

No - the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so

No - the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so

No - the requirement in paragraph 1.5 is sufficient - members must ensure that they are in a position to justify the decision, if reasonably called upon to do so

The standard requires the application of “peer review” in a large proportion of areas of advice. If the actuary believes “peer review” is unnecessary then this will be for types of actuarial work that do not fall within the provisions of paragraphs 1.3 and 1.4. This work will range from that which just fails the tests set out in 1.3 to types of work that are trivial or are arguably not actuarial work at all. The requirement to document the thought processes in the cases of these trivial types of advice would be disproportionate.

Yes - there should be a presumption that members should document the decision and its reasons, unless there are circumstances in which they are able to justify not doing so

Other - please specify in comments box

I look at this the other way round. starting from a presumption that peer review will take place, members should be required to document exceptions

Yes - members should be required to document the decision and its reasons.

No

No. One of the clear benefits of the draft APS (vis-à-vis APS P2) is the flexibility that it gives to members to design quality assurance processes that are appropriate to their client's circumstances, bearing in mind the firm's structure, whilst ensuring that certain key principles are observed. Whilst it is highly likely that individual firms will develop (or already have in place) their own forms of documentation so that their actuaries have a mechanism through which they can explain and justify the approach they have taken, we do not see it as necessary to either force documentation or to describe the nature it should take. In paragraph 1.5 of the APS it is not clear to whom the member has a duty. Is it to the client, to the actuarial profession upon an investigation, to any intended recipient of the work, or anyone else? We suggest that to whom this duty is owed is clarified in the standard. This will then help to place in context the "if reasonably called upon to do so" phrase.

**Q17:** Sub-paragraph 7.3 of the draft Peer Review Guide states as follows: "There may be circumstances in which it may be appropriate for two or more individuals of suitable experience to carry out a piece of work together, but members should consider the benefits of involving a 'fresh pair of eyes' in the process." Do you consider that the individual(s) who are themselves jointly engaged in carrying out the piece of work can provide appropriate quality assurance controls? Please also comment on circumstances in which you consider that a 'fresh pair of eyes' may nonetheless be required.

| Answer Options           | Percent | Response Count |
|--------------------------|---------|----------------|
| Yes                      | 69      | 50             |
| No                       | 31      | 22             |
| <i>Answered question</i> |         | 72             |
| <i>Did not respond</i>   |         | 6              |

| Y/N | Comments  |
|-----|---|
| Yes | <p>It is often the case that a team working on a matter get too close to it and it needs someone fresh to stand back and look at the wood rather than the individual trees. Accordingly the requirement should be for a peer review to be done by someone independent of the team. However, flexibility in this is required with a "comply or explain" approach.</p> <p>This question cannot be answered yes / no. It will depend on the circumstances. However I tend to the view that peer review should be carried out independently of the originators.</p> |
| Yes | Yes I believe that appropriate quality controls can be provided by 2 or more individuals carrying out a piece of work together. It is not necessary to have a fresh pair of eyes involved other than on a spot check basis to peer review work carried out on an occasional infrequent basis.   |
| Yes | This can reasonably be left to the members to decide. The guide gives the right tone. If both members have worked together to develop an innovative approach to a problem, a 'fresh pair of eyes' might well be worthwhile.   |
| Yes | This depends on whether the individuals are really jointly working, or one is working and the other is providing some form of guidance, review or control. I would still use paragraph 1.3 to guide whether peer review should be applied.  |
| Yes | 2 individuals can provide appropriate quality controls in certain circumstances (e.g. annual or quarterly work where process, method, scope etc are clearly defined and do not change significantly from reporting period to the next). The controls and checks in this case could be mostly quantitative. The "fresh pair of eyes" is most useful where the work is non-standard or relies more heavily on opinion / judgement.  |

- No      Difficult to see how collaboratively working together on a piece of work could be regarded as giving some sort of independent assurance, unless (possibly) the "piece" of work can be broken down into a number of smaller pieces, some of which are carried out by person 1 and reviewed by person 2 and the others are carried out by person 2 and reviewed by person 1 (for example).
- Yes      Our agreement to this comment partly stems from the wide-ranging definitions of 'peer review' and 'actuarial work' discussed about in Q13. However in general a 'fresh pair of eyes' is likely to be desirable for particularly complex/contentious work, and in some cases where those jointly involved differ in seniority.
- Yes      It is possible that a different perspective may be sought - perhaps from a different team/function, or perhaps from an external/industry perspective - to validate or sense-check the work. Complying with the proposed requirements in a the context of multi disciplinary piece of work could be challenging, especially where the lead member of the team, or lead author is not an actuary.
- Yes      There are different aspects where jointly engaged actuaries may be better or worse at peer reviewing. In terms of process and calculation accuracy two jointly engaged actuaries - for example manager and analyst may be better than a third pair of eyes. The manager will have detailed knowledge of the account for sense checking and each other will know the key areas the calculation may fail. However a fresh pair of eyes may be needed to check accuracy of important calculations as it's difficult to spot your own mistakes. Also a fresh pair of eyes may be relevant to challenge the whole approach especially for new processes or matters. Consequently I consider the wording appropriate but more detail in the guide may help those new to peer reviewing or senior actuaries and their management who may have got too comfortable.
- No      Where practical it would often be appropriate, and constructive, for a peer reviewer to be independent of the piece of advice being prepared so as to avoid any perceived or actual conflicts of interest. In some cases, the peer reviewer may be involved in advising the same client on different matters (and indeed this may prove beneficial to the peer review process) - the members involved should be (and, according to the draft, are) required to consider whether this is appropriate.  
The requirement in the draft standard that the advising actuary considers the need for a 'fresh pair of eyes' therefore appears adequate.
- No      Each actuary who works on a project usually lacks the essential objectivity to perform peer review on the work performed by the other actuary. In many situations, a pair of actuaries or team of actuaries may suffer insularity - in which each has experienced a strong local influence on the work - and such strong local influence makes no team member appropriate to perform peer review on the work of any other team member. I believe it is appropriate for the IFoA to revise the wording of this proposed peer review standard to prohibit an actuary who is part of any such team from performing peer review on the work of the other actuary unless both actuaries provide a written analysis of the situation that explains how such team members have sufficient independence to peer review each others

work, and such analysis should be provided to the user or principal as part of the work product so the user or principal can assess the appropriateness of such team members performing such peer review.

- Yes In most circumstances "four eyes" should be sufficient, regardless as to how the work is divided. To require more would increase costs unnecessarily and this would not be consistent with the public interest. It would be better to rely upon professional judgement and the internal risk management control procedures of actuaries' firms as to whether and when "six eyes" should be needed.
- Yes para 1.1 of APS X2 requires that members "must consider whether to apply peer review to Actuarial Work". In some cases, particularly in complex situations, the input of the peer reviewer can be significant, so that, de facto, the reviewer becomes a contributor to the advice. However, we would see this as a beneficial outcome of the peer review process. We would not consider it necessary to have a further peer review carried out. We would distinguish this from the situation in which two or more members are substantially engaged as a team on a project from the outset. In this case, their joint work should be subject to the terms of APS X2, and so the members would be required to "consider" whether to engage another member (or non-member) to carry out a peer review, noting that they may choose not to.
- Yes It should be up to the judgment of the individuals involved in carrying out the work - and their organisation's procedures - to decide whether another pair of eyes is necessary. In some cases they may wish to seek such independent assurance, either because they are uncertain about some aspect or because they cannot agree on an aspect. However, there will be other circumstances in which the individuals will challenge each other and reach a conclusion on which they both/all agree and are confident. On the actual wording of 7.3, the duplication of "may be" in the first line is unhelpful: I would replace the second occurrence by "is" (so "there may be circumstances in which it is appropriate ..."). Later in the same sentence the comma before "but" should be removed.
- No Those directly and materially involved in carrying out the work cannot provide independent peer review
- No If there is to be peer review, there should be separation between those carrying out the work and those reviewing the work. Otherwise the work cannot be said to have been independently validated which will be the new benchmark for quality under Solvency II. I would also question whether getting a junior member of staff to carry out the work and having this reviewed by a senior member of staff constitutes peer review. To my mind there is little difference from having the senior member of staff carrying out the work in the first instance.
- Yes A fresh pair of eyes can be useful to 'step back' and review the report/advice for the intended audience. Is it clear an unambiguous

- Yes There will often be situations in which the two individuals can provide appropriate quality assurance controls, particularly if they are of a similar seniority. However where the individuals have worked very closely, or where one is senior to the other, there may well be a case for a 'fresh pair of eyes'. This should be an area where the members have some ability to make a judgement based on whether they believe they can achieve the objective of the peer review without needing to involve another member to perform the peer review.
- No Each actuary has professional responsibility for the work in question so will take all efforts to ensure the overall quality of the work. The Actuaries Code (2.3) already includes sufficient provision and we do not believe additional provision is needed in APS X2: "Members will consider whether advice from other professionals and other specialists is necessary to assure the relevance and quality of their work."
- Yes For example, the Actuarial Function Holder and the With Profits Actuary might produce a combined report on a matter. This should be considered adequate peer review.
- Yes Subject to that individual not having been involved in the detailed elements of the work they are being asked to review.
- Yes By answering 'yes', we mean that it is theoretically possible for this approach to work, but clearly it depends on the nature of the work. Answering 'no' would appear to limit the ability of the Member actually responsible for the work to determine the appropriate approach to peer review. That said, we agree it would generally still be desirable to involve 'a fresh pair of eyes', either before work is started, at the end or possibly both, particularly for ground-breaking work, crystallisation events where there is little or not precedent, or where there is a significant public interest aspect to the work. We note that if both individuals are Members, they must consider their responsibilities under the Actuaries' Code, around Competence and Care, Impartiality and Communication. These may encourage both Members to want to get 'a fresh pair of eyes' involved.
- Yes In principle, Yes, two people jointly engaged and responsible for a piece of work can provide appropriate quality assurance in some circumstances. However, if they judge that Peer Review (which is not the same as wider quality assurance) is appropriate, then another person, not involved in the engagement, will be required. Many actuarial consulting firms operate internal quality assurance and peer review processes which involve internal challenge within the project team and/or someone who is not involved in the project team to ensure that the work delivered to the client from the whole firm is of suitable quality.
- Yes This clearly depends on the circumstances of the work and the degree of individuals' collaboration. If individuals are working independently on the same project than reviewing each other's work may be appropriate whereas. In our view the wording of 7.3 give sufficient guidance and leeway for this to be applied. It may be that the peer review process should be discussed and agreed with the users of the output from the work.

- Yes Where the liability horizon is say longer than, say 30 years, one pair of eyes might be some times biased. In the interests of all concerned with such a long term scheme a different view could be a great help not to lose sight of a weak area in the distant future which another pair of eyes might locate.
- Yes The considerations set out in 1.3 of APS X2 apply e.g. work that involves significant judgement may benefit from a fresh pair of eyes. Depending on the nature of the collaboration, the circumstance described may be the application of other quality assurance controls to the piece of work e.g. checking (APS X2 1.3.4). 7.3 touches upon our concerns with the definition of peer review. The definition is ambiguous and it could be argued that the person who works with the member who issues the work is “providing assurance as to the quality of the work in question.” We do not consider work to have been peer reviewed (following our definition) if two individuals of suitable experience carry out work together without a final independent review. We believe our view is in line with 7.3. In this instance we would apply 1.3.4 and the member who issues the work needs to consider whether the collaborative working is sufficient application of another quality assurance control.
- Yes Where opinions are not 100%
- No There is a risk that those involved are too close to the detail and a fresh outside perspective would help. For smaller organisations or subsidiaries, it may not be possible or be too expensive to find another actuary of suitable experience, outside of those working together, to perform the additional review role.
- Yes There may be other side of the coin which may remain unturned especially uncommon areas of practices.
- No The peer reviewer will always be independent of those who undertake the piece of work.
- Although the ideal might be to involve a fresh pair of eyes in a peer review, it will not always be possible. In some cases, it might add cost without adding benefit. An example of this might be where someone who has provided input to part of the report is then asked to peer review the final document. This should be acceptable, provided the disadvantages are considered and it is decided they do not outweigh the benefits.
- In addition, the guidance notes that peer review can be an iterative process, so to that extent the individual and the reviewer are working together to produce a better piece of work. It seems reasonable to include the process of getting team members to check and comment on work done as part of the quality assurance process, and so part of the overall peer review, thereby minimising the contribution expected from any ‘independent’ peer reviewer.
- No Individuals who are jointly engaged are subject to the same pressures, whether from their superiors or their clients, and may, for example, agree to a simplification or approximation for expediency. A "fresh pair of eyes" not subject to the same pressures may take a different stance.

- Yes But there is still merit on having a fresh pair of eyes to review the outcome and to provide a sense check on the results. There can otherwise be a danger of two people going down a path that may not be optimal and the fresh pair of eyes can help provide the necessary reassurance or provide useful alternatives.
- Yes Individuals who are jointly engaged in carrying out the piece of work may be able to provide appropriate quality controls in some circumstances but it would normally be preferable for a peer review to be done by someone not involved in carrying out the work. A 'fresh pair of eyes' may particularly be appropriate in the case of circumstances fitting 1.4 of the draft APS where the work involves a material element of novelty, judgement or analysis, the consequences of which are reasonably expected to be significant.
- No This has to be one of the matters for the discretion of the actuaries concerned. It is not possible to issue a standard rule for this. However, in general, the risk remains that two (or more) actuaries who are deeply engaged in a piece of work may all suffer from the same lack of objectivity or failure to "see the wood for the trees", which points to the need for review by a fresh pair of eyes.
- No Working together can result in a lack of objectivity, as both parties can influence the other party.
- Yes It is useful to point out that where a piece of work has been produced by two or more experienced people working together it may change the Peer Review requirements.  
However, it is just one of the factors that should be considered, in addition to those listed in section 1.3 of APS X2, and the decision on the appropriate level of Peer Review should be left to the judgement of the individual(s) concerned.
- No There is a clear potential conflict of interest in individual(s) involved in producing the work also peer reviewing the work.  
  
In view of my answer to question 12 the obvious answer to this is "no". However the question makes sense only in the context of a "yes" answer. I cannot say what I might think if I thought differently about question 12.
- Yes Provided the individuals are not restricted (by office hierarchy, for example) from having genuine independence of thought, and are able to say that the work is genuinely a collaboration of equal partners, then fair enough. In the situation where two or more people habitually work together and would not necessarily have independence of experience, or where one might be inclined to subordinate his views to another, then the outside view becomes beneficial.

Whether individuals who are jointly engaged in carrying out a piece of work can provide appropriate quality assurance controls depends on the particular situation - members have a responsibility to exercise judgement in this regard. A 'fresh pair of eyes' may (but will not necessarily be required in various circumstances, e.g. a) the work is particularly complex and/or involves a significant amount of judgement on material matters and/or matters about which there is a high degree of uncertainty. b) there were significant differences of opinion between the individuals involved on material matters relating to the work (e.g. underlying assumptions) c) The consequences of the work are particularly significant for the recipients. The Guide could include a suggestion that, for a scenario such as pension scheme valuations being performed by an individual / team and reviewed by a manager, the manager should give consideration to a random sample of the valuations being peer reviewed by a third person (before submission to the client). Selection of cases to be peer reviewed might be based on work diaried for completion over a particular period.

- Yes In most cases individual(s) who are jointly engaged in carrying out a piece of work can provide adequate quality assurance controls – often a more junior actuary in a team will complete a piece of work and then pass it to one or more senior actuaries within the team, also involved with the piece of work, to sign it out. A fresh pair of eyes, involving an actuary not involved with the work, may be required for high risk, high value and/or ground breaking work.
- Yes Of course there can be circumstances in which 'a fresh pair of eyes' is desirable but this is not the sort of thing that can be written into regulations. Professionals have to be left to make reasonable judgements about such things.
- No I wouldn't consider joint work as automatically being a peer reviewed piece of work. For a peer review to be effective there needs to be a degree of independence from the performance of the work. Of course the joint authors may feel further peer review is not required and the guidance gives them the freedom to make this judgement.
- Yes That would be for the individuals (and perhaps their client) to decide having regard to the circumstances of the piece of work, but the obvious example is where a conflict of interests (or a perceived conflict) has arisen.
- Yes A "fresh pair of eyes" is generally best, but this may not be practical in small firms. If instead, peer review relies on two jointly engaged individuals, it is important that both individuals feel able to provide challenge to each other and that any issues are documented. The more complex or unusual the work, or the more significant the issues will be to the recipient, the more appropriate it is that a fresh pair of eyes are involved. This is particularly important if the results will be publicly available.
- Yes No reason to exclude a person who has been involved in or responsible for a separate section of a piece of work from acting as a peer reviewer and may help to identify gaps and inconsistencies between sections. That said, a fresh pair of eyes is always useful but this may not always be possible or feasible within the required timescale, or where specialised skills are required.

- Yes In practice it is the actuarial firm and/or an individual actuary (scheme actuary or actuarial function holder) who are commissioned to provide advice. Within that advisory structure, there will frequently be more than one actuary jointly carrying out a piece of work. In practice the more junior actuary having the appropriate experience and expertise will draft the advice to a standard as if they are signing it out; the more senior actuary will then carry out the review. A fresh pair of eyes may be required for high risk work or ground-breaking work. On this type of scenario then an actuary otherwise independent of the project may be asked to carry out a review. This is type of work where we believe a “peer review” as discussed in para 6.1 of the guidance is appropriate.
- Yes A fresh pair of eyes would be useful if the job was novel, or of particularly high value or very contentious.
- Yes I think that where the work involves more than 1 distinct piece, one member can review the other's work, but it is better to have a third person to review the work to avoid groupthink. However it s appropriate to take into account the materiality of the work for the client, the extent to which judgement is involved etc  
I consider that in some circumstances a peer review can be carried out while a piece of work is being carried out. I also consider that in some circumstances two or more individuals working together may provide sufficient QA. This is one of the reasons why the decision on whether or not to peer review should be documented, as this will provide some rigour around the thought process for QA of work. An example of joint work that would benefit from peer review from a fresh pair of eyes would be a general insurance reserve review that is undertaken regularly. The reserving actuaries will be able to review each other's work for accuracy but an independent peer review will be able to look at methodologies and suggest ways to refresh these. The main point to consider is the extent of judgement in the work done and how closely the individuals have worked to develop that judgment.
- Yes Yes, we do believe that the individual(s) who are themselves jointly engaged in carrying out the piece of work can provide appropriate quality assurance controls. In the generality of situations, and especially as the APS requires the individual taking part in the review to have “appropriate objectivity”. We also suggest that individuals should be capable of realising when they are “too close” and so a third party would be appropriate. We note some repetitiveness between paragraph 3.1.1 and the definition of Peer Review within the APS (“having appropriate experience and expertise” is duplicated). You may wish to review this.

**Q18:** Section 8 of the draft Peer Review Guide recognises that the intended recipient of actuarial work may be capable of contributing to the scrutiny and challenge of the work, which may be a relevant consideration in determining whether further quality assurance is appropriate/necessary. However, it also recognises the limitations of this form of scrutiny - in particular, because it may lack objectivity - and that it may be appropriate for the work in question to be subject to additional peer review. Do you agree with this assessment of the possible role of the recipient in relation to the quality assurance process?

| Answer Options           | Percent | Response Count |
|--------------------------|---------|----------------|
| Yes                      | 73      | 53             |
| No                       | 27      | 20             |
| <i>Answered question</i> |         | 73             |
| <i>Did not respond</i>   |         | 5              |

| Y/N | Comments  |
|-----|---|
| Yes | Yes, it could be that the recipient desires a particular outcome and that their judgement is clouded to the extent that the advice offers concords with that outcome. Accordingly independence is a requirement of the reviewer.  |
| No  | It is not appropriate for the scrutiny of the recipient to be considered as peer review. Satisfactory peer review, if required, should be carried out before the advice reaches the recipient.  |
| Yes | I believe that the recipient of a piece of work can materially contribute to the scrutiny. In my field of work providing reports for the court, particular scrutiny is paid both by the instructing parties, their solicitors and barristers and the judge in court. I am not saying that this is sufficient in all cases but I believe that this a relevant consideration in determining whether further quality assurance is appropriate or necessary |
| No  | surely the whole point of peer review is that the recipient is "assured" that the work has been carried out appropriately. The fact that the recipient is able to (and should!) scrutinise/challenge the work, must be independent of any assurance?!   |
| No  | We do not feel this is relevant in the context of the pensions work we do – even where the recipient may be actuarially experienced this would not remove the need for work provided to that person to be subject to review. In the context of in-house insurance work, we recognise that this may be more of an issue. However we would suggest that the recipient should not normally be regarded as forming part of the review process.              |

- No The recipient must be recognised as a source of challenge. However I believe that in most circumstances they are not a peer review. Within insurance companies the recipient is usually heavily biased. However the actuary must consider any comments seriously as its quite possible it may act as a valid challenge to the work. I just think that the work should have been peer reviewed by an actuary/actuarial peer or independent actuarial person before the recipient, the latter is quite likely to be biased.
- Yes It is an important part of any peer review process that the peer reviewer considers whether the needs of the recipient have been addressed/taken into consideration. In the pension practice area, it is unlikely that the client will be considered appropriately experienced to be able to peer review the advice it receives. In such cases, we agree that it would be appropriate for the work in question to be subject to additional peer review. In other practice areas it may however be appropriate for the recipient to act as peer reviewer. For example, in our Insurance Actuarial Consulting Practice, it is not uncommon for a review by the recipient to add valuable insights. In particular where data is incomplete and the member completing the work and/or the reviewer has had to make assumptions as a consequence.
- Yes I believe the default situation should always be that the actuary performing the work should assume that the recipient cannot perform adequate peer review functions. With that default in place, if the actuary who performs the work nevertheless believes the recipient can perform adequate peer review functions, the work product should include a clear explanation of why the actuary believes it to be true, an explanation of the extent to which any of the work product has been peer reviewed, and an invitation to the user or principal to request that the actuary who performed the work submit it for further independent peer review. I think the only situations in which the recipient is likely to be able to perform adequate peer review is when the recipient is an actuary. I believe that the recipient may often suggest areas for additional peer review.
- Yes There are (limited) circumstances where the recipient is well placed to undertake a peer review (for example where the recipient is a Member) or where the actuarial work is itself a review of another Member's work. The Standard should be sufficiently flexible to enable this.
- No We have concerns about the objectivity of the recipient and the perception of that objectivity. We consider that much of Section 8 is inconsistent with the opening sentence of paragraph 7.1
- No The recipient who has asked for all or part of the work to be carried out for him/her cannot provide independent peer review
- No Ultimately the recipient should decide on whether work should be peer reviewed and who should do the peer review. It is presumptuous to second guess the motives of the recipient/client and engage someone - presumably at their expense - another peer reviewer.

- Yes The intended recipients of the work we do always include a court and usually solicitors who are experienced users of expert reports such as ours. They do indeed scrutinise and challenge the work.
- Yes We would agree that it is often difficult for the recipient of the information to act as the peer reviewer for the work (even when they are challenging and reviewing the work). If this approach is adopted we believe that the member performing the work should clearly document how the recipient being treated as the peer reviewer meets the aims of the peer review process. It should also be made clear to the recipient that they are expected to fulfil this role.
- No From a pensions' perspective, an example of a person who may be capable of contributing to the scrutiny would be an auditor, reviewing the assumptions adopted and disclosures prepared for pension cost accounting work. But the auditor is not the intended recipient of the advice provided by the actuary, they are another reviewer within the process. However, there may be examples in other areas of actuarial work where the recipient can provide sufficient scrutiny, but we struggle to see that it could work in the pensions arena where the recipient's "day job" is often unrelated to pensions.
- Yes For much work in the proposed wide scope of the APS (e.g. internal reports in a firm from one actuary to another), this is will be appropriate. However, where a client or board report has been drafted by the staff of the author, a peer of the author should provide the review.
- Yes However, if the scope is limited to major pieces of work requiring significant judgement then additional peer review will usually be appropriate.
- No this looks like the profession overcomplicating matters, the issue is one of getting an appropriate peer reviewer for appropriate work (ie reserved actuarial roles) in the first instance.
- Yes I interpret this question to be, essentially, "do you agree with the sentiments expressed in Section 8 of the Peer Review Guide?" and have answered accordingly. We need to be careful not to paint ourselves into a corner by raising potential concerns and implicitly pressurising people into Peer Review that may not be needed. The exercise of judgement must an overriding emphasis.
- No The suitability of the recipient to give quality assurance should be assessed and, where necessary, it may be appropriate for additional assurance to be given by someone other than the recipient – this may to give an independent opinion or for specific subject matter expertise. Where the actuarial work is subject to an external audit or review we would view this as being a part of the quality assurance process.
- Yes The criterion for fixing the desirability of a Parallel Review can be based on the magnitude of the risk of the scheme, more particularly its volatility as seen in the recent past. It should be possible to settle for a bench mark for this volatility of risk and should provide a definite guide to take a Parallel Review compulsorily. Similarly the magnitude of the liability value can also be a criterion.

- Yes There are two different scenarios within 8. The first scenario is whether the individual receiving the actuarial work can peer review the actuarial work of the member responsible for that work. We believe that in some circumstances the review by the individual receiving the actuarial work can constitute peer review. We agree with the points made in relation to this scenario. The second scenario being made here is whether the member who is responsible for the piece of actuarial work can peer review the actuarial work, having received that work from other individuals (who may or may not be members). This scenario is our typical business model e.g. the member advising on the valuation of an occupational defined benefit pension scheme is unlikely to have been involved in the detailed preparation of the work BUT will apply their advice to the output. The definition of actuarial work is important and the use of the word “work” in 8 is ambiguous. The statement “In such circumstances it is important that the team performing the work has sufficient skills and experience to carry out the required work.” is on first reading out of place in a document regarding peer review (at the same time the statement is right). We believe a more appropriate statement for APS X2 to be “In such circumstances it is important that the person(s) performing the actuarial work has sufficient skills and experience to carry out the required actuarial work.” The inclusion of the defined term “actuarial work” is important since this encompasses advice, whereas work could be interpreted as the calculation aspect with the member applying advice as part of their review. We believe that if the scope is actuarial work then “person” becomes “Member”.
- Yes Necessity?
- Yes In some cases, the recipient (eg another actuary) could provide scrutiny and this is something that needs to be carefully considered by the member responsible for the work (perhaps after discussion with the recipient).
- Yes Review by the recipient of the work (i.e. the client) is not sufficiently objective.
- Yes I routinely rely on professional recipients and will often run drafts past them. I can rely on them to challenge if I neglect to do so, but clearly I need to consider the undesirability of such challenge in the presence of lay recipients. The factors I weigh up are not necessarily those prescribed by the draft standard.
- No I felt that the wording of the Guide was right. Whilst it is right to recognise the potential limitations, it is right also to accept that they can provide an effective peer review step (and potentially can help avoid too much duplication of effort).
- Yes Even if the intended recipient doesn't have appropriate experience, they should be able to give useful feedback as to the clarity of the communication and whether it meets their requirements. We agree that the intended recipient may lack objectivity. It may be the case that ‘group think’ occurs within an organisation or team, i.e. where the view of a few, or one strong-willed individual, appears to be encompassed by all even though some individuals are not in full support of that view. Where there is potential for this to occur it would be beneficial for the work in question to be subject to additional peer review, ideally from a ‘fresh pair of eyes’.

- Yes I think it is unlikely that there will be many circumstances in which the recipient will be in a position to provide this additional scrutiny unless the work is of an academic nature and the recipient is by definition a scrutineer, or the recipient is another actuary (or relevantly qualified individual with respect to the piece of work) whose responsibilities specifically include holding the work up to robust challenge.
- Yes No additional comments.
- No It is not appropriate for the recipient to provide the peer review/quality assurance on a piece of work.  
  
Again, I would trust the actuary to recognise when external help should be sought. This is something that might be discussed with the recipient. I would not normally expect the recipient to be able to provide what amounts to a peer review.
- Yes Especially in the situation where the client has engaged a small firm or one-man-band, he should be well aware of the limitations of the process - but has probably engaged the small firm to get an independent perspective anyway!
- Yes We suggest adding a piece to the Guide that acknowledges the possible value of review by, for example (in the context of an insurance company), a Board audit committee that comprises actuarial and non-actuarial expertise and includes at least one independent non-executive director with relevant expertise. If such a review is due to take place, and in particular if similar work by the actuary is peer reviewed periodically, this may be a factor in deciding whether peer review is required, or the extent of peer review required, for a particular piece of work. However, it would not automatically justify a decision not to have peer review performed (or a decision not to put in place other actuarial quality controls). Board Audit Committee review should not itself be considered peer review, and where peer review is required, it should be outside of Board process and should not impinge on the Board's freedom to challenge and the Board's objectivity.
- Yes There may be cases where work is being developed collaboratively between the actuary, their client and other non-actuarial advisers and therefore additional quality review from a colleague of the actuary is not required.
- No The guidance here seems unworkable. It potentially creates a situation in which a junior actuary tells his manager, a senior actuary, that he (the senior actuary) is incapable of adequately scrutinising his work and that it must be reviewed by another individual of the junior actuary's choosing. In an organisation such as a life office it is the organisation, i.e. line management, that decides what scrutiny or peer review of work is required, depending on the work and the person who has undertaken it. A professional requirement for each actuary to decide it for himself is simply incompatible with this. It may well be appropriate for the actuary to recommend that his work should be peer reviewed but that is quite different. In our experience life office executives and boards have sufficient understanding to judge when peer review is desirable.
- Yes Yes, but it will very much depend on the individual circumstances.

- Yes I agree that this is valid, and indeed endorse this suggestion. Many clients choose to outsource the production of pieces of actuarial work and subject it to close scrutiny when deciding how to apply the results and conclusions of that work. Not only does this help clients retain ownership of the end results, but it is helpful from an overall cost and process perspective. It is further helpful for reasons explained later.
- Yes It seems inappropriate however skilled and knowledgeable the recipient of the actuarial work is to rely upon them to act as a peer reviewer. They are unlikely to have full access to all of the background information to be able to provide a thorough assessment of the work in detail.
- Yes This is not a typical feature in the review process of actuarial work being carried out by a consultancy. However it may on occasion be appropriate for certain types of advice. For example, the actuarial adviser may be providing the draft of a newsletter/announcement, comments on meeting minutes or a draft legal document. In each of these examples the work product is being developed collaboratively between the actuary and their client (or, in the case of a legal document, the legal adviser) and therefore further quality assurance from a colleague of the actuary may not be necessary.
- No Whilst the recipient can provide significant input to improve the quality of the work, in my view this is not a substitute for the person who is responsible for the work getting independent peer review. In the other case considered, if the work is routine, and the member responsible has not been closely involved, then peer review could be performed by that person.

On the whole, we do. Whilst LCP does not utilise the external recipient as a vehicle for conducting or contributing towards a quality assurance assessment, parallels to this can be drawn from our own internal teams which provide actuarial advice to other areas of the business and feedback is certainly welcomed. It may be useful to make clearer in this section of the Guide that you are dealing with two very different situations – review by the recipient and review by the person responsible for signing it out, who will have their own peer review procedure. We suggest that it would be beneficial for this section of the Guide to be split into two parts, helping to facilitate the clear interpretation of two distinct circumstances. In respect of the wording around “individuals taking part in the peer review”, throughout the consultation document, but notably in Section 8, we suggest that alternative wording such as “individuals undertaking peer review” is used in order to be more reflective of the peer review process. The second sentence of paragraph 8.4 says “Proper consideration must be given to the opinion provided and a reasoned explanation should be given for the final position adopted”. This suggests to us that documentation is expected, which if so would seem to go beyond the wording of APS X2.

**Q19:** Section 10 of the draft Peer Review Guide provides some guidance in relation to the output of peer review, however there is no mandatory requirement to document the outputs. Do you think that the APS should include a mandatory requirement to document the outputs of the review?

| Answer Options           | Percent | Response Count |
|--------------------------|---------|----------------|
| Yes                      | 32      | 24             |
| No                       | 68      | 50             |
| <i>Answered question</i> |         | <b>74</b>      |
| <i>Did not respond</i>   |         | <b>4</b>       |

| Y/N | Comments   |
|-----|--|
| Yes | Both to document the review or the reasons for the lack of a review.   |
| No  | This should be considered best practice but should not be mandatory.   |
| No  | We do not need more mandatory requirements. Why are we trying to tie ourselves in knots by over regulating in this way?  |
| No  | The minimum requirement suggested by the guide could be included, but approach of draft APS X2 with the guide seems reasonable and proportionate. If anything more onerous is to be included in the APS, please take into account the need to cater for verbal opinions.   |
| Yes | It might be sensible to document this.   |
| Yes | Some form of documentation should surely be able to be produced on request? (e.g. email trail).  |
| No  | see comments on q16 (not sure what this question is getting at as seems to be repeating q16!)  |
| No  | See our comment on Q16. We believe that some level of 'documentation' is inevitable in order to demonstrate compliance with APS X2(if only to record the Member's decision on whether to apply peer review, and to record the fact that review has taken place if appropriate). However the detail of the documentation should be a matter for judgement, and would often be led by the internal processes of the Member's firm. |
| No  | If the peer review is conducted, it seems unlikely that this would not be documented. Preferable to allow flexibility however in the form and approach to this documentation.  |
| No  | For practical reasons. It should however be encouraged.  |

- No It should be left to the judgement of the actuaries involved whether documentation is necessary. In many cases, it would be helpful to document any reasons for a decision not to peer review (but not necessary).
- Nevertheless, it seems incongruous to guide members (para 3.3) to document reasons for not obtaining a peer review (where that is the outcome) but not to document the outcome if a peer review is obtained.
- Yes The APS should mandate certain minimum requirements for such output. At the very least, the person who performs the peer review should identify the nature of the peer review, summarize any unresolved issues, provide his/her name, address, email and telephone number, and be available to answer questions from the actuary who produced the work product and the principal. My employer requires peer review of all work products and requires documentation of all such peer review. The axiom is that without documentation of peer review, no peer review has occurred. The time taken to provide such documentation is much less than the time needed to perform the peer review. The requirement to document the peer review improves the nature and quality of the process, since it requires the actuary who performs the peer review to explain what he/she has done and results of that review and it requires the actuary responsible for the work product to maintain the documentation of the peer review.
- No This would be contrary to the whole principles basis of the Standard. It would complicate the while scrutiny process and increase costs further.
- Yes We do not think that it is helpful simply to record that a review has taken place along with the name and date of the review. This is not a robust process that is open to challenge or scrutiny. The review must have some output to be useful. Even if the reviewer has no significant comment on the material being reviewed, there should be a record that this was the outcome. However, we do not think it is part of the reviewer's duty to ensure that all issues he/she has raised during the review process have been addressed to his/her satisfaction. The purpose of the review should be to bring to the reviewee's attention matters that the reviewer thinks are worthy of thought/consideration/explanation. The reviewee is ultimately responsible for his/her advice.
- Yes A reserved yes, as long as the required form is not too onerous. Some evidence of peer review having been carried out, and of the points considered, will be useful for risk management purposes but, certainly in the case of a piece of written work such as a report or a letter, a Word mark-up of the original document may be sufficient. Clearly something more explicit would be appropriate for modelling or other calculation work.
- Yes A record of peer review having been carried out and either the written findings of the peer reviewer (as currently for type 2 reviews of scheme actuaries) or a copy of the document with the reviewer's comments should be kept
- Yes If there is to be a peer review, it needs to be evidenced by documentation including the outputs of the review.
- No Should advice be given where as a result of the peer review there are unresolved differences of opinion ?

- No Whilst we agree that keeping a record that the peer review occurred is good practice, we would be opposed to mandatory requirements for documentation given the wide variety of possible work that might be reviewed (and wide variety of peer review undertaken). We would also note that introducing mandatory requirements has the potential to encourage fewer peer reviews, which would not help to achieve the Regulation Board's objective.
- No This should not be a paper generating exercise. The benefit of the peer review is the review itself, any observations made during that review that would improve the quality of the work in question and consideration by the actuary of the reviewer's comments and whether to incorporate those into the final advice. In our view, spending time documenting the process used does nothing to help improve actuarial standards.
- Yes If a review has taken place, it should be documented. However, this will result in material irrelevant bureaucracy unless the scope of the APS is limited as I have suggested earlier.
- No This would increase the likelihood of unnecessary documentation and 'box-ticking' being done to avoid non-compliance with a mandatory standard.
- No Some documentary evidence confirming that the review took place, and its overall conclusion, should be mandatory, but nothing in terms of form, nature or detail of this documentation should be mandatory.
- No We believe that it is sufficient for this issue to be addressed in the peer review guide. The Member responsible for the work can, if they believe it is appropriate, instruct the peer reviewer on the method and extent to which feedback should be documented (and if the reviewer is a Member as well, they may conclude that they ought to do so to meet the Communication requirement of the Actuaries' Code). We do not believe a principled-based standard should impose a mandatory rule on such a matter of judgement.
- No Consistent with earlier comments, we need to be careful not to create a whole new infrastructure of regulation and compliance around Peer Review, which will raise costs to consumers of actuarial work. This is particularly important where actuaries are expanding their services into newer, non-traditional areas such as wider Risk Management, and should not be placed at a competitive disadvantage against other professionals (e.g. statisticians, investment or financial analysts). Also, if Peer Review outputs are documented there, is more exposure to risk for the actuary responsible for the work in the event of a dispute e.g. where the actuary responsible did not follow the recommendation/challenge from the Peer Reviewer fully, or at all; or, indeed, the selection of the Peer Reviewer.
- No As outlined above in response to Qn 16, in most circumstance the work output will include output from the peer review discussion. Clearly, there may be circumstances where there may be a difference of opinion and in which case it would be appropriate to document the discussion and the rationale for the ultimate decision. However, it is then likely that the report would also include that information. We therefore conclude that in most instances there is no obvious need for additional mandatory documentation requirements that need to be included in the APS.
- No In many ways the document may not be brief and easy to maintain. However it is desirable for the actuary to keep a list of salient considerations that led to his eventual conclusions.

- No Our response to question 16 applies here.
- No It is a good idea to agree the requirements of the review in advance between the Member responsible and the peer reviewer. This may include documenting the outputs of the review , but this should be decided on a case by case basis rather than a blanket mandatory requirement.
- Yes In fact the documentation would give more credibility to such reviews and may provide guidance for future.
- Yes Only where the reviewer has made some relevant comments.
- No This would lead to a compliance first culture.
- Yes It is only professional to record the outcome of a professional service, which is what a peer review is. At a minimum, items 2 and 3 under 10.1 should be provided. The degree of detail of the output should depend on the significance of the work being reviewed.
- No It would be helpful if there was a record of the peer review in the event that the Member was called upon to justify the approach they have taken. Therefore we agree with the guidance (10.2) that, as a minimum, a record should be made of the peer review having taken place.
- No In some cases this could be seen to contradict the requirement in the reporting TAS to avoid confusing the key message with unnecessary detail. However the draft APS could specifically note that the actuary responsible for the work must make a conscious decision whether or not to document the output of the peer review.
- No The recording of output of quality assurance activities should be left to the judgement of the individual and/or firm.

See answer to question 17

In my situation I would almost certainly have to seek peer review from a consultant. To the consultant a peer review of my own work would be a discrete project, and it would have to carry out the work to its own standards and report back to me in compliance with TAS-R, or at least with internal standards if the Insurance TAS does not apply. This makes a separate requirement to document the outputs unnecessary. If a peer review is carried out internally in a larger firm or a consultancy then this will not be necessary, but I think that the requirement for a peer review (demonstrated by the documentation of the consideration of whether or not one should take place) implies that it is necessary to document the fact that it has taken place.

I have previously worked in consultancies in which peer review has been documented simply with the signature by the peer reviewer that he has reviewed and that the work product is appropriate. This was the invariable conclusion of the peer review since if it were otherwise the work would be amended until the peer reviewer became satisfied. The peer review itself was not documented beyond this and any documents generated in the course of the peer review – copies of reports pointing out errors for example – were destroyed.

- No As above, don't make rules for the sake of it.

No There has been no case made out for such an approach.

Please see our response to question 16.

In addition, in relation to **work completed pursuant to statutory or regulatory requirements**:

a) we suggest that the Guide should encourage the member who is responsible for the work to disclose, in the report or other advice provided, whether the work has been peer reviewed. This would encourage dialogue between the member and the user(s) of that work on peer review / other quality assurance processes.  
 b) members should also (via the Guide) be encouraged to disclose, where appropriate and proportionate, any key judgements made in the performance of the work, and any material uncertainties in the results. This would help users of the work to assess whether / to what extent the work should be peer reviewed.  
 c) there should be a presumption that, if no peer review has been performed (e.g. because alternative processes / controls in place, or because the nature and scope of the relevant task was such that peer review was not considered to be warranted in the circumstances), the member will document this decision and the reasons for it, unless there are exceptional circumstances in which he or she is able to justify not doing so.

No This too would create bureaucracy.

Yes I think for any meaningful peer review process the reviewer should produce a written opinion. Without a written output the process will be pretty meaningless and could in due course result in disputes which could be embarrassing for the profession. It may be that an actuary decides to seek an informal review of work from a colleague with no written output. This would be fine but shouldn't be viewed as a proper peer review and the actuary should be prepared to justify why they had decided not to seek a proper review.

Yes The material conclusions from the peer review should be included in or be presented alongside the work, including (but not limited to) any unresolved areas of material disagreement. The application of a proportionality concept is important here.

Yes It should, in my opinion, be mandatory to document that a peer review has taken place. It should not be mandatory to document more than that - the possibility of "being sued" means that many firms believe it is not appropriate to keep a record of disagreements during the process (and being required to do so would probably lead to an increase in the cost of professional indemnity cover).

No We do not believe documentation should be required. If it is required, then it should relate to the fact that a review has been carried out, rather than being prescriptive over the exact nature of the review itself which will vary widely depending on a number of factors: the nature of the actuarial work being reviewed; whether the review is a one-off exercise, or a continuous process throughout the construction of the advice. In addition, the method of documentation should be flexible to accommodate paperless filing systems.

- No A document setting out areas where different opinions or approaches were possible, even though those used in the finished work were acceptable, could be used by a client to sue the actuary responsible for the work or at least cast doubts in the minds of those later "judging" the actuary. This would be a misuse of the peer reviewer's comments, and to avoid it I would not introduce a mandatory requirement to document the discussions.
- No I think members (firms) should get their own legal advice on what to document.
- Yes I consider that this is crucial and that the outputs of any peer review should be included in the final report to the user of the actuarial information. This will enable the user to see which areas have been peer reviewed and also to see areas where the actuary and the peer reviewer disagree.
- No No, we do not; if this were to be done, the Standard could begin to lose the benefits of its high-level approach. As per our answer to Question 16 above, we believe that the requirement and mechanism for documenting outputs of reviews should be left to the discretion of the individual and their firm. We note in passing, the potential tension with the APS through the language used in section 10.2 of the Guide – it appears to be setting a requirement which is not contained within the APS.

**Q20:** Although the Peer Review Guide makes reference to the expectations of individuals taking part in peer review, the draft APS X2 focuses on the role of the member responsible for the piece of work and places obligations on only that individual. Do you think that the APS should contain express obligations in relation to the individuals taking part in the peer review, noting that in some circumstances they may not be Members and therefore not within the scope of the APS? should include a mandatory requirement to document the outputs of the review?

| Answer Options  | Percent | Response Count |
|---|---------|----------------|
| Yes, there should be express obligations in relation to the individuals taking part in the peer review    | 24      | 18             |
| No, there should not be express obligations in relation to the individuals taking part in the peer review | 75      | 57             |
| Yes & No  | 1       | 1              |
| <i>Answered question</i>  |         | 76             |
| <i>Did not respond</i>  |         | 2              |

| Y/N   | Comments   |
|---|--|
| Yes - there should be express obligations in relation to the individuals taking part in the peer review     | Peer review should be subject to its own standards. Standards should not be any different where non-members undertake such work.   |
| No, there should not be express obligations in relation to the individuals taking part in the peer review.  | It is not appropriate for obligations to be laid on the reviewer which are correctly the responsibility of the provider of advice. This could discourage members from taking on review work. |
| No - there should not be express obligations in relation to the individuals taking part in the peer review  |  |
| No - there should not be express obligations in relation to the individuals taking part in the peer review. | As you say, not practical to impose on non-members, and it should be possible for members to ask non-members to review in circumstances suggest this is most efficient.                      |
|   | Both parties should know their roles and responsibilities.   |

No - there should not be express obligations in relation to the individuals taking part in the peer review.

As noted above - I am the only UK-qualified actuary in my unit.

Yes - there should be express obligations in relation to the individuals taking part in the peer review.

There should at least be some sort of requirement for the reviewer to acknowledge that they understand the task they are carrying out (eg they need to have read the APS etc), possibly some joint obligation between the reviewer and the person carrying out the work. Otherwise the review could be rendered completely pointless.

No, there should not be express obligations in relation to the individuals taking part in the peer review.

Provided the Member responsible for the piece of work (ie the person who has sought the review) is satisfied that they are applying APS X2 appropriately (for example choosing someone with suitable expertise) then we do not believe that the reviewer should then be subject to any further obligations. If the reviewer is a Member, then (as noted in the Guide) they will already be subject to the Actuaries' Code and this should be reflected in their actions as part of the review. If the reviewer is not a Member, then regulation will not be possible.

No, there should not be express obligations in relation to the individuals taking part in the peer review

Some flexibility would be appropriate to facilitate use of resource that may include non-members for the purposes of the peer review. It also avoids the requirement becoming overly prescriptive and potentially too costly.

Yes - there should be express obligations in relation to the individuals taking part in the peer review

I think that whilst it is nice to imagine the each person is responsible for their work, it would in many circumstances be a manager responsible for the peer review. If they are not also responsible for the work, why are they paid to be responsible? I believe that the peer review and doer have joint responsibility for the peer review process. It is true that non-actuarial managers may not have to comply with APS but this would then be a risk to the organisation - why do they not have a person of sufficient actuarial experience available to peer review. For the member they could then document the peer review to defend their own position

Yes, there should be express obligations in relation to the individuals taking part in that peer review.

Members taking part in a peer review process should be reminded of their obligations under the Actuaries' Code. In cases where a non-member is conducting a peer review, additional emphasis should be placed on the members' requirement to consider whether the peer reviewer is appropriately experienced/qualified.

Yes - there should be express obligations in relation to the individuals taking part in the peer review

If the person who performs peer review is a member, the IFoA rules should require the person to document the peer review appropriately, and should set out minimum rules for such performance, as I discuss in my comments above. If the person who performs peer review is not a member, the IFoA rules should require the actuary who performs the work to document the nature of the review performed by that non-member and the non-member's qualifications for performing the review. The IFoA rules should indicate an expectation that a non-member who performs some peer-review functions should be qualified in the area of expertise required to do the work and such person should comply with any requirements of any professional body of which the person is a member in providing documentation of the peer review. In either case, the work product should show the name, qualifications, and contact information for the person who performed the peer review.

No - there should not be express obligations in relation to the individuals taking part in the peer review

It is the Member providing the advice who should remain solely responsible for it.

No, there should not be express obligations in relation to the individuals taking part in the peer review.

In some cases the person best placed to carry out a review may not be a member, in which case, as pointed out above, it is difficult to see how that individual could be policed. It would not be helpful if the author of the advice felt compelled to use another member to carry out the review, rather than the person best placed to carry out the review, simply to ensure that the reviewer is within the scope of APS X2. Having said that, our preference is for a much more structured definition of what a review consists of. We contrast APS P2 with APS X2 in this regard. We think that APS P2 sets out much more clearly what is required and an approach along this line is to be preferred. We would suggest that where a non-member is asked to carry out a review, he/she should be provided with details of what APS X2 (in its final form) requires and that he/she should confirm in writing that he/she has carried out a

Yes - there should be express obligations in relation to the individuals taking part in the peer review

review in accordance with the principles set out in APS X2.

If the reviewer is not a Member it is important that he recognizes the importance of the review he is undertaking, bearing in mind the same considerations listed in 1.3 of the draft standard.

Yes - there should be express obligations in relation to the individuals taking part in the peer review

It should be the Member's responsibility to ensure that the chosen reviewer is able to comply with the obligations

Yes - there should be express obligations in relation to the individuals taking part in the peer review

Again if there is to be peer review, and it is up to the member responsible for the work to commission this (which I disagree as the choice should be the clients), then this should be undertaken by experts - be they actuaries or otherwise - with appropriate skills and experience to conduct the peer review. The member responsible for the work should ensure this is the case.

Yes, there should be express obligations in relation to the individuals taking part in that peer review.

Where a report states that peer review has taken place, the reviewer should satisfy him/herself that the final piece of work addresses/has taken in to account all material issues raised on the draft.

No - there should not be express obligations in relation to the individuals taking part in the peer review

No, there should not be express obligations in relation to the individuals taking part in the peer review.

We do not believe that the APS should include express obligations as the individual performing the peer review should be able to determine what they believe is appropriate. There is the risk that by introducing "express obligations", it will be come more attractive to use non-members to perform the peer review, which would not necessarily achieve the IFoA's objective. This is because the non-member may not have the requisite experience and expertise to conduce an effective review.

No, there should not be express obligations in relation to the individuals taking part in the peer review.

No - there should not be express obligations in relation to the individuals taking part in the peer review

The Actuaries' Code applies and that is sufficient.

No, there should not be express obligations in relation to the individuals taking part in the peer review.

Yes - there should be express obligations in relation to the individuals taking part in the peer review

There should be obligations on all Members taking part in the peer review.

No - there should not be express obligations in relation to the individuals taking part in the peer review

No, there should not be express obligations in relation to the individuals taking part in the peer review.

Where the individual taking part in the peer review is a Member, his or her conduct is already guided by their own responsibilities under the Actuaries' Code (in particular, but not restricted to, the *Competence and Care* and *Communication* requirements). These obligations, together with those imposed on the Member responsible for the work, should be sufficient..

No, there should not be express obligations in relation to the individuals taking part in the peer review.

It is hard to see how we could articulate obligations that are valuable to the ultimate consumer of the actuarial work but meaningful to Peer Reviewers in all circumstances. Again, going down the route of express obligations for Peer Reviewers would complicate the whole process, opening up in effect more regulation and compliance with the consequences of monitoring this, and perhaps restricting the supply of available Peer Reviewers. It is further complicated where Peer Reviewers may not be Members and the IFoA principles may not apply, leading to more legal contracting of Peer Review processes and obligations - all raising costs when it is not clear that the IFoA has a problem with quality assurance and/or that mandating Peer Review process and documentation will impact positively on Member behaviour in relation to quality assurance and Peer Review.

No, there should not be express obligations in relation to the individuals taking part in the peer review.

No, there should not be express obligations in relation to the individuals taking part in the peer review.

No - there should not be express obligations in relation to the individuals taking part in the peer review

No - there should not be express obligations in relation to the individuals taking part in the peer review

No, there should not be express obligations in relation to the individuals taking part in the peer review.

No - there should not be express obligations in relation to the individuals taking part in the peer review

No, there should not be express obligations in relation to the individuals taking part in the peer review.

The fact that a Parallel review is called for itself makes it clear that it is an exercise not very commonly encountered. May be it is the first of its kind. The reviewer has to bring in his best to throw more light on the reality of the situation not necessarily at a point of time but also for a reasonably long future. No one will accept such a challenge if he is deterred by such express obligations.

While the peer reviewer need not be a member then we believe that we should not and cannot place an obligation on non Members (and it would be odd to have obligations on peer reviewers who are Members). However if the definition is amended to require that the reviewer is a Member then it would be appropriate to provide broad principals for the reviewing Member.

The author should take the responsibility, not the reviewer.

Recommend that the Member responsible for the piece of work should agree responsibilities with the peer reviewer(s).

This will help to increase the scope of the peer review and give more freedom. However, this may result into poor quality of peer review process. In such case, strong documentation and applicability of professional code of conduct will help to improve the quality.

No, there should not be express obligations in relation to the individuals taking part in the peer review.

No - there should not be express obligations in relation to the individuals taking part in the peer review

No - there should not be express obligations in relation to the individuals taking part in the peer review

No - there should not be express obligations in relation to the individuals taking part in the peer review

No, there should not be express obligations in relation to the individuals taking part in the peer review.

No - there should not be express obligations in relation to the individuals taking part in the peer review

No - there should not be express obligations in relation to the individuals taking part in the peer review

I would like to be as helpful as possible to fellow actuaries who may seek my input. But I have no PI cover for such work.

If a member conducts a peer review, he or she should be subject to the Code of Conduct in undertaking this task. So, for example, if he or she is not qualified to undertake the review, he or she should decline to undertake it.

It would be best to not impose such obligations at the outset. This could be reviewed in the future, after identifying how effective the APS X2 has been to date and possibly introducing express obligations if it is deemed they are necessary. It is noted in the question that individuals taking part in the peer review who are not Members cannot be required to comply with such obligations. Any obligations could only be imposed upon peer-reviewers who were Members. This would be a serious practical shortcoming.

...but there may be merit in specifically reminding actuaries that peer review should be carried out by someone suitably qualified to discharge this role and does not have to be undertaken by Members of the profession

No, there should not be express obligations in relation to the individuals taking part in the peer review.

If the APS were to put obligations on the reviewers, it may weaken the premise that the owner of the work is ultimately responsible for its accuracy/suitability. It should be down to the owner of the work to determine what constitutes appropriate Peer Review and whether the person(s) providing the review is(are) suitably qualified.

In addition, given the difficulty in applying an APS to non-actuaries it seems sensible to leave the APS as it is.

No - there should not be express obligations in relation to the individuals taking part in the peer review  
No, there should not be express obligations in relation to the individuals taking part in the peer review.

I find it difficult to envisage what could be specified given the enormous range of actuarial work that might be peer reviewed. The Actuaries' Code will apply to any actuary doing a peer review.

No - there should not be express obligations in relation to the individuals taking part in the peer review

As above.

No, there should not be express obligations in relation to the individuals taking part in the peer review.

However, paragraph 2.1 of the APS could usefully be expanded to explicitly require the member who is responsible for the work to take reasonable steps to ensure that, where peer review is carried out, the scope of the peer review is clearly defined and documented.

Please note that we have interpreted 'individuals taking part' in the above question to mean the peer reviewer(s).

No, there should not be express obligations in relation to the individuals taking part in the peer review.

No

The person responsible for the work should taken sole responsibility for ensuring that the work is appropriately reviewed.

No, there should not be express obligations in relation to the individuals taking part in the peer review.

The Profession cannot place obligations on non-members. However, in most cases a peer reviewer is also an actuary, and an actuary may only take on work for which he has the necessary skills and experience. So the requirement for the responsible actuary to ensure that the peer reviewer is suitable seems necessary only when the reviewer is not an actuary.

No - there should not be express obligations in relation to the individuals taking part in the peer review

I have no strong views on this question. There are clearly important professional considerations for peer reviewers but it may not be necessary for this APS to capture these requirements.

Yes - there should be express obligations in relation to the individuals taking part in the peer review

I see there being two principal obligations on (of for) the peer reviewers. The first is that the peer review should be documented, albeit proportionately. The second, which can be addressed in the first, is that the reviewers' credentials to perform the peer review should be demonstrably valid.

No - there should not be express obligations in relation to the individuals taking part in the peer review

If the individual doing the peer review is a Member, then the peer review work will be subject to the more general professional requirements on that member, so I don't believe there is a need for further specific obligations, given that that that APS is deliberately not being specific in setting out exact requirements for peer review.

No - there should not be express obligations in relation to the individuals taking part in the peer review

No - there should not be express obligations in relation to the individuals taking part in the peer review

No - there should not be express obligations in relation to the individuals taking part in the peer review

The person responsible for the piece of work should be responsible for ensuring that the review is carried out appropriately.

No - there should not be express obligations in relation to the individuals taking part in the peer review

I do not see how there could be express obligations on the peer reviewer if he/she was not a member.

No - there should not be express obligations in relation to the individuals taking part in the peer review

Yes, there should be express obligations in relation to the individuals taking part in that peer review.

Even if this APS doesn't include requirements on peer reviewing individuals, I consider that there should be requirements somewhere for peer reviewers who are actuaries. I can't see the point in a standard that aims to improve quality but misses setting standards for part of the solution.

We do not see the need to set out express obligations in relation to the individuals taking part in the peer review. The fact that some individuals may not be members is a persuasive argument, but we would still not see the need should that issue not be present. Notwithstanding this point, it may be helpful to add a general responsibility on the individual requesting the review to specify his/her requirements to the reviewer and conversely, an obligation on the reviewer to conduct a robust review. We ask that consideration is given to swapping sections 2 and 3 of the APS around in order to give greater weight to the qualities of the individual who can undertake the peer review.

No, there should not be express obligations in relation to the individuals taking part in the peer review.

Where members work in roles/functions outside traditional actuarial profiles/areas, the appropriate reviewer may not be an actuary.

**Q21:** APS X2 is intended to be principles-based and to apply across a very broad range of circumstances. As such, the Working Party currently considers that it would not be practicable, appropriate or necessarily helpful to provide checklists, pro-formas or similar very detailed guidance as to the specific form peer review might be expected to take in different circumstances. Do you agree? If not, please suggest the sort of further detailed practical guidance which you consider might be appropriate and useful.

| Answer Options           | Percent | Response Count |
|--------------------------|---------|----------------|
| Yes, I agree             | 79      | 61             |
| No, I disagree           | 21      | 16             |
| <i>Answered question</i> |         | <i>77</i>      |
| <i>Did not respond</i>   |         | <i>1</i>       |

| Y/N          | Comments   |
|--------------|--|
| No           | It is up to the actuary/reviewer to agree what is to be reviewed.  |
| Yes          | I do not agree that APS X2 is necessary at all. The Actuary's code provides sufficient guidance in my view.  |
| No           | Supplementary worked examples would help. They could be separate from the APS and guide which seem to be of the right form.  |
| No           | Depending on the final requirements for documentation (need for peer review, record of peer review having taking place) some samples would be helpful to set a minimum standard.   |
| Yes          | Strongly agree that any standardised process is not helpful and only has the effect of creating a rules-based approach. However, a number of examples would be helpful as part of the guidance, to illustrate when it would or would not be appropriate to certain things (eg whether or not to document the review but still be able to justify if required)  |
| Yes, I agree | We agree that providing proformas or similar guidance on the suggested format of peer review would contradict the principles basis of APS X2. However we do suggest that some case studies might be helpful.   |
| Yes          | Check lists create a risk in themselves.   |
| Yes          | I have spent over 36 years performing high level peer review of pension actuarial work products in the United States. I believe that any attempt to provide check lists or tick boxes is inappropriate and leads people to check a box out of habit, rather than as confirmation that a certain requirement has been fulfilled. I have never used such check lists, but do have a regular awareness of the areas that require more concentrated peer review than others. |

- No, disagree I we support the concept of principles based professional standards but the existence of the Guide means that we think it is inevitable that firms and/or members will create a checklist or pro-forma. Indeed, in some respects the Guide lends itself to this (eg, para 3.4). Our understanding is that many firms already use checklists/pro-formas to monitor compliance with the firm's standards of peer review.
- No APS X2 is currently so general as to be almost meaningless. In particular, it is not clear what is meant by peer review.
- No Given that actuaries could be sued or disciplined for (perceived) failure to adhere to this standard, it is incumbent on the working party to give more detailed guidance on when the standard should apply. In particular, they should give a detailed list of when the standard should not apply e.g. if peer review is not possible within timescales for the task, where the client refuses to pay for peer review etc.
- Yes, I agree We do not believe that checklists are likely to assist the peer reviewer, given the diversity and complexity of work to be reviewed. In fact we believe it may be a hindrance, by encouraging some members to go against their better judgement and compromise their review in order to comply with the checklist.
- No this is likely to increase rather than decrease the potential for confusion. the proposals as they stand are unsuitable, unworkable and unnecessary for small firms (ie one very experienced actuary) providing highly specialised business consultancy services under strict NDA to large commercial clients with their own teams of actuaries.
- Yes, I agree Consistent with comments in reply to earlier questions.
- Yes This would lead to a compliance first culture.
- No It might be helpful to expand the Guide to illustrate what might be envisaged by "material" and "significant" in paragraph 1.4 in the manner described above.
- Yes This should be a core element of the exercise of judgement by both the actuary producing the piece of work and the (suitably qualified) reviewer.
- No I think further guidance of the type of things to be considered for different sort of reports would be useful
- Yes, I agree We do not support the provision of detailed guidance including pro-formas or check lists.
- The guidance and APS are clear enough and no further guidance is required.

- Yes, I agree As in question 20, I consider that the range of actuarial work that may be peer reviewed makes it difficult to develop a checklist that could apply to everything.
- We agree We would expect most actuarial firms to already have quality assurance processes. We prefer the principles based approach proposed rather than prescriptive checklists and proformas.
- Yes I very much agree with the approach taken. I think this is the right approach give the wide application.
- No Why does the Working Party consider this? The APS is based on an AAA 2005 paper. What can we learn from their experiences in applying this framework, and in particular has more detailed (and perhaps even pro-forma) guidance become prevalent and/or been useful?
- Yes The principles-based approach allows each Member to consider the particular circumstances of the individual piece of work. This is likely to drive higher standards than checklists would.
- Yes We expect that many actuarial employers already have well established and effective review processes which already meet the aims of APS X2 to a large extent. The addition of checklists, pro-formas etc would add to their compliance burden without significant benefit. We fear that the publication of checklists, even if non-mandatory, will lead to an expectation they ought to be used. Applying “peer review” to non-traditional areas of actuarial work, or to unusual employment situations is likely to follow a range of approaches consistent with a principles-based approach. Devising appropriate checklists to cover all types of situation will be challenging unless they simply re-state the contents of the Standard and the Guidance.
- Yes I think that there should be some guidance on the timing of the introduction of the peer reviewer into the process. If the work is extensive and carried out over several months, the peer reviewer should be involved from near the beginning.
- Yes Just as a practical matter, I think it would prove very burdensome for the profession to develop, and subsequently maintain, any check lists
- Yes, I agree However, I do consider that the profession could publish best practise as it emerges, and encourage discussion at sessional meetings or similar.
- Yes, I agree We agree. Whilst we would not wish to discourage any informal sharing of the approaches that various firms will take, there is a clear danger that any centrally produced material of this sort could give out the impression that it was “best practice” material and thus undermine the high-level and principles-based approach currently being taken.

**Q22:** To what extent do you agree that the draft Peer Review Guide provides helpful guidance on APS X2 and the use of peer review by actuaries more generally? (1 = Strongly disagree / 5 = Strongly agree)

| Strongly disagree        |              |               | Strongly agree |             |
|--------------------------|--------------|---------------|----------------|-------------|
| 1 = (7%) /5              | 2 = (12%) /9 | 3 = (27%) /20 | 4 = (45%) /34  | 5 = (9%) /7 |
| <b>Answered question</b> |              |               |                | <b>75</b>   |
| <b>Did not respond</b>   |              |               |                | <b>3</b>    |

| Y/N | Comments  |
|-----|---|
| 2   | needs lots of examples (see q21)  |
| 4   | We agree that the Peer Review Guide provides a great deal of extra guidance, although its structure suggests that it has wider scope than APS X2 itself (if sections in the guide should ideally relate more specifically to the sections in APS X2. We note that the Guide is deliberately set as having no formal status - a more formal status would contradict the 'principles' basis of APS X2 which it is designed to augment   |
| 3   | Existing practices are largely likely to be in line with the spirit of the proposed guidance.<br>Formalisation of this as a standard may lead to additional burden in terms of time and cost in those areas where the case for review is marginal. SII will require very robust processes which could be deemed in excess of these requirements.  |
| 4   | Please see specific comments in the rest of the survey.   |
| 4   | Whilst we note that the list at section 4.3 of the guidance is intended only to set out some activities that 'might' be carried out as part of the process, we would ordinarily expect a peer review to be a 'high level' review of the approach, methodology and communication of results - i.e. not a check on the calculations.<br><br>Requiring a peer reviewer to check detailed numbers can inhibit their ability to view the advice from a truly independent stance. Nevertheless, we agree that checking the <i>reasonableness</i> of calculations /results can sometimes form part of a constructive peer review process. We therefore suggest the wording in this section of the guidance is amended accordingly. |
| 2   | I believe the IFoA should analyze the performance of peer review for the first five years after adoption of the requirements and make suitable modifications as a result of such analysis.  |
| 3   | We have mixed views on this. In general, we support the existence of a Guide such as this (even though this is likely to lead to checklists/pro-formas being developed by firms/individuals), but we think the Guide can be improved in a number of areas. We set out some of the areas where we think the Guide could be improved (note that the following may repeat comments made  |

elsewhere in this response).

- Modelling – we think there should be clarity in the area of modelling, particularly where firms develop and test models internally for use by the firm.
- We think that there could be tension between APS X2, APS P2 and a firm's internal peer review process. It is not helpful to operate under more than one set of rules, particularly where the coverage, terminology, objectives and requirements are different. We do not think the suggestion in 11.2 that an acceptable outcome might be 2 reviews of the same advice (and potentially 3 reviews if account is taken of a firm's own review process) is helpful.
- Aspects of Guide are akin to checklists.
- There needs to be a clear definition of what peer review is and what it is not. There is confusion between peer review, checking, scrutiny and authorship.
- We struggle with the references to investment advice and activities where another regulator is involved.
- There needs to be more clarity around advice that may be subject to scrutiny by, for example, auditors.
- There is confusion around whether post-event peer review with a "health warning" is permissible.
- There needs to be clarity around the role of the reviewer and that of the reviewee. For example, providing adequate time for the review, access to papers/files, the extent to which the reviewer is required to ensure his/her comments are taken on board.
- We are unhappy with section 8 and believe that much of this is inconsistent with good practice and with much of the rest of the Guide
- There should be an outcome from the review process and records of the review.

- 1 From my answers above, it should be clear that I find the standard as it stands to be too broadly defined.
- 2 Where peer review is not easy to achieve – areas of one actuary, or actuary plus junior actuarial staff – which going 'outside' of the organisation, alternative quality assurance processes as effective as a generic peer review can be employed – double check/validations/discussions with 'non-peers'.
- 4 We support the comments in the note.
- 2 Guidance could actually be unhelpful in that it goes beyond a reasonable high-level requirement to consider peer review for significant pieces of work where considerable judgment on the approach/assumptions is required and brings in detailed aspects of work such as checking of calculations and communications which should be achievable without peer review (and are covered by TAS for work in scope).
- 5 We believe this is helpful guidance, and, suitably amended and linked to the relevant parts of the Actuaries' Code, could even be issued on a stand alone basis without APS X2 being introduced.

- 4 It raises the right issues without being too prescriptive or creating likely clashes with established quality assurance processes within organisations that employ actuaries to undertake and make use of actuarial work.
- 2 It is helpful to have more guidance on the terms and how they should be applied but the current Guide currently adds in additional requirements to APS X2 rather than simply providing supplementary information.
- 3 A lot of the guide repeats APS X2 e.g. much of 3.1 to 3.4, 3.6. We consider this unnecessary. Section 4 onwards is for the most part helpful. In 3.5 “other quality assurance controls” only makes reference to other external controls. A significant consideration will also be other internal quality assurance controls in place since peer review is only one aspect of quality assurance (in some places there is an impression that peer review and quality assurance are one and the same).
- Not sure why this question
- 4 We agree that guidance could be useful (score 4), although there are some parts that could be made clearer (see answer to question 24).
- 4 Guidance should be the limit of our ambitions.
- 3 Formal reference should be made to the Peer Review Guide within APS X2. However as mentioned in Q15, we are particularly concerned that the final sentence of 3.1 of the draft Guide extends the coverage of those relying on the actuary’s work to other persons to whom the work is not addressed and who may have different interests to those of the person or body that commissioned the work. Consequently the statements in 3.1 of the Guide should be adjusted.
- 3 It may be helpful to those who are not familiar with the concept (if there are any such people) but I found it largely a statement of the obvious.
- We take a generally positive view of the draft guide.
- 3 As explained above, we see faults in the draft Guide. However, in principle appropriate guidance on peer review could be helpful and could raise standards in actuarial work.

2 To my mind, inadequate attention is paid to situations when peer review is not applied. For example, I can envisage situations (e.g. for reasons of confidentiality, cost, time pressures, etc.) where an actuary does not have his/her work peer reviewed in the 'narrow' sense, either through choice or through circumstance. Depending on the circumstances, this may very well be appropriate and acceptable both professionally and to the client. I would therefore like to see the feasibility of this route being recognised to a much greater extent. For the avoidance of doubt, I do not see this as being a loophole to allow peer review to be avoided, but rather a legitimate course of action in certain circumstances, the reason(s) for which should of course be documented. The requirement that peer review should be carried out in adequate time to influence the results of the work may not always be practical, e.g. as a result of time pressures, where it may be impossible to carry out peer review of any sort or to resolve material areas of disagreement. It would be very unfortunate - and I'm sure not the intention - if an actuary of appropriate skills and experience felt obliged not to act in situations where time pressures were great and narrow-sense peer review was unfeasible. Put another way, the requirement for peer review must not put the UK profession as a competitive disadvantage relative to other professions or designations, e.g. accountants, CFAs, overseas actuaries, etc.

4 The guidance is helpful. However as described in our response to question 13, above, elements of the guidance (cf: paras 6.1, 8.3 and 8.4) should form part of the standard itself.

The Guide is very helpful – the objectives that the proposed Standard is seeking to deliver would be unlikely to transpire without its existence. But care needs to be taken in producing the final version to ensure that it does not inadvertently set out expectations that are not supported through reading the APS in isolation.

1 The Guidance is effectively silent on what constitutes 'Actuarial Work'. For example, what is the position where the work undertaken would often or normally be undertaken by non actuarial resource, but happens to be undertaken by an actuary. Is such work, even if often or normally undertaken by non-actuaries, caught by the definition of 'Actuarial Work', and if so is this intended. Presumably, or perhaps not, the definition is not meant to capture all work undertaken by members – otherwise the definition might as well simply refer to all work carried out by members. Work carried out by members, who possess actuarial skills, may well not be of an actuarial nature, but may well still be rendering advice or include carrying out calculations eg for dual qualified members would this definition and guidance would capture all legal or accountancy work.

**Q23: Do you have any other comments on the requirements and provisions of the draft APS X2: Actuarial Quality and Peer Review?**

| Answer Options           | Percent | Response Count |
|--------------------------|---------|----------------|
| Yes                      | 46      | 35             |
| No                       | 54      | 41             |
| <i>Answered question</i> |         | <b>76</b>      |
| <i>Did not respond</i>   |         | <b>2</b>       |

| Y/N | Comments  |
|-----|---|
| Yes | As stated earlier. Peer Review is in principle desirable and improves professionalism. However overprescriptive peer review is not desirable, and has serious unintended consequences for those in tiny firms with few actuaries and puts actuaries at a competitive disadvantage to other professionals carrying out Category 2 type actuarial work. Category 2 work should have much less stringent requirements. The current system as it stands at present works well in my view. If it is not broken why try to fix it. Change is not always progress, and imposing unreasonably high quality straightjackets on work carried out will mean that many people in the general public (individuals that is not corporates) who benefit from the work carried out by small actuarial firms will no longer be able to use them if they are priced out of the market due to unreasonably high fixed cost requirements. |
| Yes | 1.3 & 1.4 should take into account client understanding and attitude to the cost of peer review and the extent to which the work itself is a review of others' actuarial work: - If a member explains that the IFoA recommends peer review, the benefits of peer review and how he or she proposes to accommodate it, the client should (with the exception of reserved work or equivalent) be able to stipulate that it cannot take place and a member should be allowed to comply with such a stipulation - In the case of independent expert work where the work involves considering and opining on the work of others, peer review may not be appropriate. If 1.3.4 is deemed to cover this sort of situation, perhaps the guide could be expanded to say something a little more explicit on this.  |
| Yes | We do feel that some of the important principles the guide establishes should become part of APS X2. Examples are: <ul style="list-style-type: none"> <li>- a warning to the reader where work has been issued before the required peer review has been completed (5.3)</li> <li>- the considerations for work involving specialist skills (6.4 - and here there could be acknowledgement that more than one reviewer may be needed to provide a proper review of the whole item of work, repeating the comment in 6.1)</li> <li>- the possible difficulties where the reviewer and person responsible for the work differ in seniority (7.5)</li> <li>- reconciliation where there is a difference of opinion between the reviewer and person responsible for the work (9.3)</li> </ul>  |

- the relationship between APS X2 and APS P2 (11).

The proposed responsibility for determining whether a review is needed and ensuring that if needed one is performed rests with the actuary who undertook the work. Where the resources to perform the review are controlled by the recipient of the work this feels to be an unsatisfactory conflict, especially as pre review the work belongs to the recipient not the author. The situation as set out about as to how this might be expected to operate in a Consultancy avoids this conflict, but the lack of distinction between employer and recipient in the case of an actuary employed by a regulated insurer renders that approach difficult to apply.

- Yes I emphasize that the default for all actuarial work products should be a requirement for independent peer review, with the corresponding requirement that an actuary who presents a work product without such peer review must document the analysis and rationale for not submitting it for peer review and include such documentation in the cover letter of any communication that includes the work product. (The decision not to subject any work product to peer review should be clear to the user and principal, it should not be hidden in plain sight in an appendix, footnote, or other small print. I also emphasize that the IFoA should perform an ongoing assessment of the peer review requirements to determine how well they are working and to recommend any changes after a period of five years from the adoption of this standard.
- Yes The term "Actuarial Work" is too broad for the Standard and it would be better to limit it, at least initially, to work that an actuary is required to do.
- Yes Actuarial work should be more clearly defined. As drafted, the definition is far too wide.
- It is impractical for APS X2 and APS P2 to run simultaneously. This would undermine the credibility of the Institute and Faculty's approach to Peer Review.
  - The wide application to "members" causes concern and could lead to compliance issues leading to situations which do not add value or serve the public interest.
  - The word "assurance" in the definition of "peer review" should be qualified. The process may increase the likelihood of the work being of quality, but does not "assure" that it does.
- Yes A very minor comment: in the preamble to APS X2, can we have a hyphen in "non-compliance" please?
- Yes As well as specifying what is meant by peer review, there need to be some requirements around timescales
- Yes As an actuary working in risk management on a stand-alone basis, this standard could impose extra costs that those with say PRMIA qualifications do not have to bear. This creates a "rod for my own back" as not having my work peer reviewed could expose me unnecessarily to negligence / misconduct claims under the standard which I don't think non-actuaries would face. Engaging external consultants, possibly my competitors, threatens my IP. I can only presume this standard has been drafted by people who do not work for a small firm or in wider fields.

- Yes With the existence of APS P2, there needs to be consistency between the requirements of APS X2 and APS P2. In particular, the ability under APS P2 to use a Type 2 review would no longer be possible under APS X2. This may cause particular problems for small actuarial firms. If this guidance note is adopted, consideration should be given as to whether the current guidance note APS P2 is still necessary,
- Yes As mentioned earlier, scope should be limited to fellows/associates, to work areas solely or largely the province of actuaries and to material reports to decision-making bodies or individuals. The experience and conclusions of the BAS when setting the scope for the specific TAS needs to be considered and the IFoA could do worse than initial set the scope of the APS to equal the scope of the specific TAS (but extended outside UK work). Any wider scope could usefully be considered alongside the FRC's just-initiated review of the TAS regime. It would be useful to define 'piece of work' as used in 1.3 of the draft APS. The definition of "actuarial work" is essentially circular, referring to work requiring actuarial skills. A definition not involving the words 'actuarial' or 'actuary' are necessary to avoid this and give clarity. There is little work IFoA members do today that does not overlap with that of other professions, be they statisticians, demographers, accountants, economists or investment managers. It seems inappropriate to me that work from student members should be presented to clients as having any more professional validity than that of non-actuaries or as "work... on which the intended recipient...is entitled to rely" as in the definition of actuarial work (especially if the review is by a peer i.e. another student).
- Yes The definition of Actuarial Work is circular and implies a scope of work to be considered which is much too wide. The scope needs to be set to exclude work done by students as not appropriate for them to be presenting work that requires peer review. The concept of a peer review requirement is appropriate for qualified members carrying out material reporting to decision making bodies, but should not be applied to routine actuarial calculations.
- Yes see joint letter of Tuesday 7 January 2014 to which I was a signatory making 10 significant points
- Yes See reply to Q28.
- Yes The definition of "actuarial work" is circular i.e. "Work undertaken by a Member in their capacity as a person with actuarial skills.....". We understand the challenge of producing a robust definition, however it would be helpful to have a common definition that the FRC could also adopt. The APS P2 2.1 section could usefully apply to APS X2, suitably adjusted i.e. The Reviewer must: 2.1.1. have the knowledge and skill commensurate with being able to make a competent assessment of the work of the Member responsible for the actuarial work; and 2.1.2. also be satisfied that he/she has the experience necessary to provide actuarial work of the nature covered by the specific review in question.
- Yes In 2.1 of the draft APS, we might want to apply this to actuaries working in non-actuarial roles as well, particularly where there is significant reliance on the resulting work

In 2.2 , add a comment that where the review was not possible within the timescales, the output should be caveated to say that peer review is appropriate but has not been possible.

- Yes As stated above, I do not think we can be simultaneously robust and practical. I think a formal standard will inhibit innovation in wider fields; it will also add to costs and introduce delay for actuaries without peer colleagues, potentially bringing the profession into disrepute. Guidance would be adequate - let individual members interpret this in their particular circumstances - we do not want to be a nanny profession.
- Yes As highlighted in the response to question 15, it is important that the wording of the APS is written in a way that avoids peer review requirements leading to duplication of every approved person, i.e. the APS should recognise that:  
- quality assurance does not have to be carried out by persons of similar or greater experience of the person producing the work; and  
that in some cases an Actuary may be being paid to express an opinion which is their own and, therefore, Peer Review is not appropriate.
- Yes It would be beneficial to incorporate APS P2 within APS X2 and to withdraw APS P2.
- Yes Although the reason for the requirement that peer review be carried out while the work can still be changed is logical, there may well be circumstances in which a peer-review-like review after the fact can be useful and this should not be ruled out.
- Yes I think this is "a bridge too far". For the last 20 years the profession has been running scared of regulators and cow-towing to everything we are told to do. Enough is enough. It's time we made the robust statement that we are professionals. We accept the underlying requirement to ensure that the work we do is done competently, and it should be up to us to determine what that means in terms of quality assurance, without overlaying yet another complex set of rules and regulations.
- Yes See my accompanying written notes.
- Yes 1. Provision 2.2 of the APS states that, in order to meet the requirements of the APS, the peer review 'should be undertaken at a time such as to be capable of influencing the conclusions and outputs of the work'. We consider that this provision is unnecessarily restrictive. Peer review performed at other times may be appropriate - and equally effective - in certain circumstances. For example:
- a) Peer review performed after outputs are finalised also has benefits and may be appropriate in the review of the process, methodology or documentation of recurring work. In addition, it can afford a more thorough review than a review done under time pressure before outputs are finalised, and it allows greater independence between the peer reviewer and the member who is responsible for the work.
- b) It might not be practicable for all key processes to be reviewed in, for example, the month immediately following year-end. It might be more practical and effective

for peer review to be performed on Q3 processes and for the feedback to inform and be reflected in the Q4 work.

c) The timing of the peer review may be mandated by a third party such as an insurance company board, the client or the regulator and may therefore be outside the control of the member responsible for the work.

2. Section 5.2 of the Guide states that the reviews performed after work is finalised 'do not meet the requirements of APS X'. This is not consistent with provision 2.2 of APS X2 which states that the peer review 'should' be undertaken before work is finalised, and thus allows for scenarios where this might not be appropriate. Similarly, we consider that section 11.2 of the Guide is inconsistent with APS X2. Section 11.2 states that 'a Type 2 Review will not satisfy the requirements of APS X2' as a Type 2 Review allows for a review to be carried out after the work has been provided to the user.

3. There is a possibility of a circular adverse side-effect to a peer review process; the member responsible may be less thorough in his or her work, expecting the peer reviewer to spot any errors. The peer reviewer may adopt a similar attitude, resulting in an overall reduction in the quality of the work. The APS should emphasise that the actuary who has performed the work is still responsible for it, and the peer reviewer will also carry responsibilities in that capacity. This could help to mitigate the risk that the peer review process leads to a diminished sense of responsibility for both parties.

Yes . We think that the proposals may have been drafted with consulting work in mind (although even there we would question them) without proper consideration of other work, for example in life offices. If the Profession imposes a requirement for peer review that goes beyond what companies think is necessary it will be perceived as trying to create work for its members. The problem is likely to be especially acute when an actuary is working in a multi-disciplinary team. Companies will look to have their work done if possible by non-actuaries who are free from the expensive burden of peer-review.

Yes The definition of actuarial work is rather wide, and it may therefore be preferable to distinguish between 'defined' actuarial work (e.g. Reserved or Required work in terms of the FRC's Technical Actuarial Standards) and work which so happens to be carried out by someone who is an actuary. In particular, peer review for the latter type of work must not become burdensome so as to put the UK profession at a competitive disadvantage relative to other professions or designations. With that in mind, I would like to see much greater emphasis on proportionality and the exercise of judgements in carrying out peer review, provided the judgements is adequately explained. On a point of drafting, I do not like the unmodified use of the word 'should' throughout the document, even though it is defined. I believe that the APS would be clearer (plainer English) if 'should' were replaced with 'should normally' or 'should usually'.

Yes I believe that the APS should state that, if peer review is not carried out, the lack of peer review should be documented clearly for the recipient of the work. This would (a) make firms more likely to carry out peer review and (b) give firms the option of using "one man bands" to carry out actuarial work whilst giving the firm clear knowledge that there are downsides to this.

Some further thought may need to be given to its commencement. As presented it is turned on from October 2014. We suggest that there should be a six month lead in time from its finalisation and publication to when it comes into force.

Yes The definition of 'Actuarial Work' could effectively rule actuaries out of performing roles usually carried out by others, simply by imposing additional peer review that others do not require. This appears inappropriate. I have previously worked in roles where all other resource carrying out the same roles were Accountants, Chartered Insurers, or others not even possessing professional qualifications. The work was essentially not actuarial in nature, and on occasions I would take advice from actuaries, when actuarial issues arose. But such work would potentially be caught by the definition. Indeed one interpretation is that all work by members is caught by the definition. As a qualified actuary :

a) it is unlikely that you don't possess actuarial skills (you've trained and have past experience)

b) it is unlikely that you are carrying out work that your employer or client is not meant to rely upon (work is meant to be relied upon), and

c) it is unlikely that your work (assuming office based) is not caught by one of the listed factors (given their wide ranging nature)

However not all (office based) work is of an actuarial nature or usually performed by actuaries.

**Q24: Do you have any comments on the content of the draft Peer Review Guide?**

| Answer Options           | Percent | Response Count |
|--------------------------|---------|----------------|
| Yes                      | 39      | 29             |
| No                       | 61      | 45             |
| <i>Answered question</i> |         | <b>74</b>      |
| <i>Did not respond</i>   |         | <b>4</b>       |

| Y/N | Comments |
|-----|----------|
|-----|----------|

|     |  |
|-----|--|
| Yes | Sections 6 & 7 of the Guidance discuss the qualities and objectivity of the reviewer. However no mention is made of the benefits of independence (of mind rather than commercial independence) or having the moral courage to challenge colleagues and/or superiors where appropriate. Such factors make for effective review. |
|-----|--|

|     |   |
|-----|---|
| Yes | I like the approach of a principles-based APS with an explanatory guide. The guide should offer more consideration of what approaches might be followed situations where peer review is not practicable because of e.g. timing or confidentiality requirements. |
|-----|---|

|     |                                 |
|-----|---------------------------------|
| Yes | needs examples as set out above |
|-----|---------------------------------|

|     |  |
|-----|--|
| Yes | In 1.2 of the Guide we suggest that 'decisions taken' should be replaced by 'conclusions drawn' to make it clear that it is not the user's decision on the basis of actuarial work that is under review. |
|-----|--|

In the same paragraph we suggest the document should, in the definition of peer review, acknowledge that a process of quality control of the work involved (or the processes under which it is carried out) may already have been carried out, and that this review process sits on top of that (paragraph 1.4 seems to contradict this concept).

Paragraph 5.3 appears to address the situation where it is agreed that peer review should be carried out but where such review has not been carried out at the time the work is released to the user (rather than the situation where the Members decides that review is not necessary). Assuming this is the intention we suggest that the text is re-ordered to make it clearer, and to suggest that the caveat added to the work should advise the recipient that a review will be carried out at a state subsequent time.

We also feel that the guidance should be clearer on the situation where the reviewer is significantly lower in seniority than the person responsible for the work.

Yes Paragraph 4.3, fifth bullet, should have more prominence. The goal should be an absence of any actual or appearance of conflict of interest and a requirement for any work product to contain an analysis of such absence or the approval from users and principals when a conflict exists, but is accepted by them. Paragraph 5.3 should be reworded to make peer review the default and to require documentation of any decision not to subject an actuarial work product to peer review, including an analysis of the reasons for any such decision. Section 7.2 should have the wording "may not of itself" to "cannot of itself" - may not is too soft. Section 10.3 should be strengthened to warn against the use of check lists of tick boxes.

Yes We agree that many firms have in place a robust peer review process but our experience suggests that many of these would not completely overlap with the proposals in APS X2 (in terms of individuals covered, requirements of the peer review, work subject to review). We therefore have some concern that the assumption implicit in the last paragraph of page 3 of the Introduction to the Exposure Draft may be optimistic. We do not think it would be helpful if firms felt obliged to adapt tried and tested procedures that are already working satisfactorily.

We have some difficulty with the comment that APS X2 does not impose any obligation(s) on the person conducting the review, but at the same time requiring all parties to reach clear agreement as to nature and extent of each person's role. We are not sure that the examples in the fourth bullet of para 3.5 of the Guide are helpful. For example, an actuary giving advice in connection with FRS17 might expect his/her advice to be challenged by an auditor. However, the audit of that work may take place long after the actuary has provided the advice and if the challenge was upheld at that point, it would not reflect well on the actuary. There is some confusion in the Guide about the usefulness of post-event reviews. Our experience is that such reviews can work very well in some circumstances. Paras 7.1 and 7.4 of the Guide appear to give a conflicting message. Section 9.3 of the Guide could be made a bit clearer. Is the reviewer expected to have a role beyond providing his/her comments? In other words, is it the reviewee who decides whether the disagreement is sufficient to warrant highlighting in the report and/or involving a third part, or does the reviewer have a role? In our view, it should be entirely a decision for the reviewee.

In our view, much of Section 8 is inconsistent with a robust review process. We disagree with the comments in para 11.1. The focus of APS P2 is compliance with TASs and APSs. It does not drill down to the quality of advice in the same way as is intended under APS X2. Also, it is not helpful to have differences in coverage, terms of reference and terminology.

Yes Regarding the 4th bullet in 3.5, I think that most of us would go for more peer review, rather than less, before our work is exposed to auditors and their reviewing actuaries! In 6.3 there is the phrase "less comprehensive". The word comprehensive means covering all elements so, like the words dead, unique, certain and pregnant, for example, it is an absolute and not quantifiable by degree. Perhaps you could use "rigorous" instead of "comprehensive"?

- Yes Rather than making the guide completely non-mandatory, could the APS X2 requirements be included in the same document as the guide but in boxes, in a similar style to the TAS format?
- Yes Peer review is only a part of quality re-assurance and cannot be assumed to be catch all. Ultimately, the actuary is responsible for his/her own work and the assurance around this.
- Yes Gold-plating the APS should be avoided. For example, 10.2 'suggests' that a record should be made of peer review. Members will be concerned that a future disciplinary body may interpret not following this as contributory to an offence or even as an offence in its own right. The APS should be clear whether a record is or is not required. Guidance can then, for example, indicate what information might reasonably be recorded.
- Yes The guidance is generally unhelpful in that it could be taken as reducing the freedom of actuaries to take a sensible approach to assessing the need for peer review and could also contribute to the 'gold-plating' of the requirement (e.g. requiring all calculations to be 'peer reviewed').
- Yes this should be redrafted to match a 'peer review requirement' which only applies to reserved actuarial work
- Yes Given the importance of having an appropriate engagement letter (or equivalent) in place in the context of issues of determining misconduct, or simply best professional practice, the Peer Review Guide should raise the issue of ensuring that the "client" understands how Peer Review will be handled and any implications for costs and legal responsibility for the work delivered. Also see reply to Q28.
- Yes As noted above, in our view there are area in the Guide where it appears to go further than give guidance on the principles in adding new requirements, which we believe should be avoided. One minor point in relation to 4.3 is that we would not typically envisage peer review as covering checking the accuracy of calculations as this is part of organisations normal processes and peer review is at a higher level - although the peer reviewer would be expected to challenge unexpected results.

- Yes These are a mixture of small, presentational, suggestions, and more material observations:
- We do not understand the reference to 'ethical' standards, for example, in paragraph 1.1. It would be preferable to refer explicitly to the standards meant (we assume the Actuaries' Code and the other APSs, where relevant), otherwise the reference is open to interpretation (for example, has all the work been prepared using recycled note paper?).
  - Paragraph 1.4 opens with a question that is not, then, answered. The answer itself is unhelpful because, as explained in our answer to question 13, it includes what some people will consider 'technical review' in the definition of 'peer review', which could lead to misunderstanding.
  - Paragraph 1.6 repeats part of paragraph 1.5.
  - Paragraph 3.1 should clarify the status of work subject to APS P2 (for example, it could say 'The decision as to whether a peer review process should be applied (or, in the case of work subject to APS P2, whether the scope of the compliance review should be widened) ...'.
  - Paragraph 3.5 suggests that the 'significance' referred to in 1.3.1 of the APS relates to the effect on the end user. It also seems likely to us that small, repeated, errors should also be viewed as 'significant' (which could be the purpose of the second bullet, although we expect not).
  - Paragraph 4.3 sets out a fairly comprehensive list of jobs that might be needed to ensure proper quality assurance. However, some of these are not, in our view (and as discussed previously), the role of the peer reviewer, although the peer reviewer might want to confirm that they have taken place.
  - The third sentence of paragraph 6.4 seems incomplete?
- Yes Good start - appears fairly comprehensive. I am sure that that there will be future revisions, once members have more experience applying the principles.
- Yes We feel that the guidance has been well written overall and that the introduction of this guidance shouldn't prove too taxing for most organisations to adhere to. Within the PPF we already have similar peer review guidelines in place.
- Yes I carry out quite a lot of reviews , having guidance would be useful. It would be helpful in due course for the institute and faculty to have sessions on what constitutes a good review
- Yes It would be helpful if the Peer Review Guide was referred to in APS X2.
- Yes See my accompanying written comments.

- Yes 1. Please see the second point in our response to question 23; we consider that section 5.2 and section 11.2 are inconsistent with provision 2.2 of the APS.  
2. For recurring work, consideration should be given to rotating the peer reviewer from time to time, to ensure that the review benefits from a 'fresh pair of eyes'. This is, of course, subject to the availability of a pool of appropriate peer reviewers.  
3. The APS and Guide are focused on the member responsible for the actuarial work in question. Over time, it may be useful to also provide guidance to members who perform the peer review.  
4. It would be useful to keep the Guide under review and to survey emerging practices. It may then be appropriate to provide further guidance over time.
- Yes I think this is a helpful guide.
- Yes I would like to see the proportionality concepts (as per my answer to Q23 being expanded upon in here.
- Yes Some work carried out by actuaries is review type work, eg Reviewing Actuary or S166 type work, or more general review carried out by consultants on work done by insurer or similar. Does this work itself then require peer review, given it meets the definition of Actuarial Work in the APS? As the work is generally carried out by consultants, many will carry out peer review anyway in order to "cover their backs", but this won't always be the case. Whilst the APS does not require peer review, only consideration of whether there should be peer review, it would be helpful if the Guide provided some clarity in this area.
- Yes Should be more succinct
- Yes The prominence given (in such a commendably short standard) to the "General Professional Obligations" statement might be taken to imply that breaches of this standard are particularly serious. We note this paragraph is placed at the start of all APSs to date. However, we suggest that the positioning of this paragraph in APSs should be reviewed.
- Yes Paragraph 6.4: in developing areas of practice, it may be very difficult to find reviewer with the necessary expertise, but in such cases peer review is valuable since it can still assess the adequacy of the communication, and whether the novelty of the methods employed has been appropriately described

**Q25: Do you have any other general comments or suggestions in relation to the proposals?****Comments: 34 responses submitted****Comments**

Please do not go ahead with APS X2 as it stands now. Please make it less prescriptive and get rid of 1.4 from ED22 of APS X2

It would help to emphasize the importance of proportionality. It is important that actuaries do not price themselves out of the market and that members do not decide to resign to avoid what they and potential clients perceive as red tape.

I'm pleased that the standard is being produced. It helps our ethical need to provide assurance to our customers outside the Profession that our work is professional and can be relied upon.

We are unclear as to the rationale for introducing these new requirements and whether their introductions will materially improve the quality of advice received by clients of actuarial firms.

The APS should be exposed again for a short period after any revision so members and other interested parties can submit further comments before its final adoption.

As pointed out earlier, we believe that post-event reviews can be helpful in some circumstances and APS X2 should be expanded to permit such reviews. For example, it is not uncommon for actuaries providing GAAP accounting numbers to corporate clients to be expected to turn around first run numbers within a very short period of time (eg, 24 hours). These numbers would be caveated, and would be intended to give clients an initial position. These numbers are often refined at a later stage. We believe that a post-event review can be appropriate in these circumstances. Para 5.3 of the Guide appears to concur, but para 5.2 states that this would not comply with APS X2.

As before, this standard should only apply to reserved work under TAS i.e. work reserved for actuaries.

No, However, we note that in practice many of the actuaries employed by EY work as part of multi-disciplinary teams on a range of projects. Projects may be conducted on behalf of both UK and international clients and may involve actuaries employed overseas (who may or may not be members of the IFoA). It would therefore be difficult to determine which projects fall within the scope of the scheme becomes highly prescriptive.

As stated earlier, we question the need for APS X2 in relation to scheme actuary work. We consider that the actuaries' code together with APS P2 the technical actuarial standards and guidance notes are currently already sufficient to ensure the quality of actuarial work in this area. In particular, it will be confusing to have 2 guidance notes relating to peer review, where peer review has different meanings in the new notes. .

Please can those drafting the next version of the APS consider how what they propose will work on a day-to-day basis in a range of different firms and different roles occupied by actuaries (including executive and non-executive directors and pension scheme trustee, student members calculating individual surrender or transfer values - material to the scheme member or policyholder, and those in multi-disciplinary teams where an identical report from a non-actuary would not require peer review, etc)

Is there any need for a mandatory standard here? Is there any evidence of a lack of quality causing problems that would have addressed by peer review? Preferable to wait for the review of the TAS Framework. APS L1 states that the AFH cannot rely on the Reviewing Actuary's review. However these proposals indicate that they should count as peer review (and the Board would presumably consider it as such). There seems to be an inconsistency here which may require APS L1 to be reworded to allow the Reviewing Actuary's work to be counted as peer review.

We fully support the proposals.

see joint letter of Tuesday 7 January 2014 to which I was a signatory making 10 significant points.

As noted in our response to several questions, we encourage the Regulation Board to consider whether the standard is necessary to achieve the outcomes they are looking to achieve. For example, on Conflicts of Interest, the only mandatory material underneath the Actuaries' Code is the pensions-specific conflicts guidance for Scheme Actuaries. For most actuaries, conflicts are handled with reference to the relevant section of the Actuaries' Code together with the various elements of guidance. Was such an approach considered for Peer Review? If so, why was it not thought sufficient?

The IFoA's strategy for international expansion and the implications for ensuring quality assurance needs to be considered carefully in terms of (a) competitive disadvantage relative to (i) other actuarial organisations and (ii) non-actuarial organisations where the work may not be clearly "actuarial", and (b) the ability of the IFoA to ensure credibly compliance with any requirements we impose on a cost effective basis. A further argument for a high level, principles-based, evolutionary approach.

As mentioned above we believe it would be appropriate to include some guidance in applying this across different geographies, where local standards may differ.

A Parallel review would be very costly and the question of affordability is a point to be kept in mind. The professions should not be seen by public as marketing for more work to its members.

See our answer to question 12.

A) the definition of actuarial work is so broad that we believe that mandatory requirements for all circumstances are unnecessary and inappropriate.

B) where the scope of the review is limited, this should be disclosed to the recipient.

C) those whose work is being peer reviewed should take responsibility to highlight any areas where significant judgement or expertise has been exercised.

The reservations we have with the APS and the associated guidance stem from the way 'peer review' has been defined, which can be interpreted as including the whole process of quality assurance in relation to a piece of work, rather than the part of it that might be undertaken by a 'peer' of the person responsible for the work. This is reinforced by the guidance (for example, paragraph 4.3)

The introduction to the consultation suggests that the purpose of the proposed APS is to help give confidence to those who commission or rely on actuarial advice that the outputs they receive will be produced to an appropriate standard. We consider the peer review part of this to be the process by which the person responsible for the work gets reassurance that, in preparing the outputs, he or she has done the right things and can expect to meet the user's needs; we would describe the part of the process that aims to ensure that the work has been done correctly and compliantly as 'technical review'. It seems to us that the APS is intended to cover both sorts of review: because it permits judgements to be taken as to the degree of review necessary, what actually takes place might be one or the other, or both. Because of our interpretation of 'peer review', we think the documents would be more helpful if a different term (for example, quality assurance) were used to apply to the process, with technical and peer review forming possible parts of that process.

It is possible that the rest of the industry does not make the same distinction. However, it is common throughout Mercer, which is a global company operating in a wide range of fields where actuaries are active. Consequently, we expect our confusion will not be unique. It is not clear to me what happens in the event there remains strong disagreement between the actuary and peer reviewer. Whilst section 9 discusses this in general terms there is no clear solution to that eventuality. Where such disagreement exists I would suggest the guidance is amplified to suggest that the actuary expands his report to highlight the difference of opinion but then sets out why, in his or her opinion, the selected view is the right one. This I believe should enable a proper checking process to be undertaken, provide the reader with full knowledge with which to make an informed decision and yet enable to flow of work to continue without undue delay.

The use of principles and judgement rather than prescribed rules which may be tricky to apply in all situations is welcome.

APS P2 refers to a narrower set of principles based work and should be able to be captured in the wider version APS X2.

The concept of peer review should be promoted as a tool which actuaries can choose to use. That is all. We do not need more regulations.

See my accompanying written comments.

We believe that peer review works well in our organisation and we will continue to promote what we see as good practice in using it where appropriate. Our concern about the proposals is that they may simply create bureaucracy and increase costs. They have presumably been prompted by a belief that there are deficiencies in how actuaries are currently using peer review and that firm action is needed to rectify them, but no supporting evidence is presented.

We believe that these proposals should be considered and introduced in conjunction with the Quality Assurance Scheme for Organisations that has recently undergone consultation. We believe that the Quality Assurance Scheme will be significantly enhanced if there are some incentives introduced for Quality Assured Organisations (QAOs). One example would be in relation to peer review. Organisations seeking QAO status could have their review policies/guidance tested by IFoA as part of the qualification criteria. Then APS X2 could be amended so that actuaries employed by QAOs should follow their own organisation's review policy/guidance. Actuaries not employed by QAOs would still follow APS X2 on an individual basis as is being proposed. This approach would have the advantage of introducing an incentive for employers of actuaries to seek QAO status thereby increasing the chances of a successful launch of the QAO scheme. It would also satisfy the objective of APS X2 of ensuring that actuarial advice undergoes a "peer review" process on a principles based approach. This should also be extended to APS P2, assuming that standard is amended in the near future (cf Q29 below).

**Q26:** Do you currently use peer review (in the wide sense defined in the draft of APS X2) in relation to actuarial work that you do?

| Answer Options                  | Percent | Response Count |
|---------------------------------|---------|----------------|
| Yes, for all or nearly all work | 33      | 24             |
| Yes, for some work              | 3       | 2              |
| Yes, for most work              | 47      | 34             |
| Rarely or never                 | 17      | 12             |
| <i>Answered question</i>        |         | 72             |
| <i>Did not respond</i>          |         | 6              |

### Comments

|                                 |   |
|---------------------------------|---|
| Yes, for some work              | I have in relation to what I would regard as actuarial work, but not for much of my recent work that would appear to me to be caught by the wide definition in the draft APS.   |
| Yes, for most work              | We do this informally/internally as a team, and use several approaches: joint working, peer review and top-level checking, review and challenge by the recipient.   |
| Yes, for most work              | In our firm, we distinguish between: (Detailed) review - usually performed by the actuary responsible for the work, who instructs (and / or collaborates with) and supervises a more junior employee or a project team, depending on the type of work. Peer review - in most cases this is limited to a high-level review and specifically focuses on qualitative aspects (e.g. reasonableness of certain assumptions). |
| Yes, for most work              | Much work will be subject to checks and a further high level review as a matter of course.  |
| Yes, for some work              | Much of the work carried out by the Trustee Consulting practice area at Barnett Waddingham is within scope of APS P2 and/or the Pensions TAS. In any case, nearly all of our actuarial advice, regardless of practice area, is peer reviewed in a manner consistent with the requirements of the draft APS X2.  |
| Yes, for all or nearly all work | My primary work is as a peer reviewer of pension actuarial work products for my employer. My employer has mandated such peer review for well over 50 years.   |
| Yes, for most work              | However, the protocol relates almost entirely to qualified actuaries. Where work is carried out by a student and subject to checking/scrutiny, we would not require peer review. We do not regard checking/scrutiny as part of the peer review process (although it is clearly part of our quality assurance process).  |

|                                 |   |
|---------------------------------|---|
| Yes, for most work              | In the wider sense, more often than not using non-actuarial peers.  |
| Rarely or never                 | As set out above, this firm has operated Tier 2 peer review satisfactorily and voluntarily for many years. Case timetables and budgets have not, and will not in future, allow Tier 1 peer review.  |
| Yes, for all or nearly all work | As pension actuaries, we ensure all work (not just scheme actuary work) is checked and reviewed before issue.   |
| Rarely or never                 | The work I undertake is of a routine nature only.   |
| Rarely or never                 | My current work is not actuarial. However, my writing is reviewed before publication (a process akin to professional peer review).  |
| Yes, for most work              | Our organisation's peer review guidelines at present relate to reports only, whereas APS X2 relates to all actuarial work. However, other work is checked and scrutinised.  |
| Yes, for most work              | All material work is quality checked and reviewed.  |
| Rarely or never                 | I have not been in my current position long enough to answer this question confidently. There are likely to be a number of cases in which I will ask for help of our external actuaries in some aspect of my internal work. I am likely to find this more useful than an external peer review of my work. |
|                                 | This question is not applicable to a body such as SPC, but we understand that many of our Members providing actuarial consultancy adopt such an approach.   |
| Yes, for some work              | We find that peer review can be very valuable and we use it in a wide range of ways. At one end of the spectrum there is relatively informal discussion and challenge; at the other there is formally commissioned external peer review that is reported to the Board.                                    |
| Yes, for most work              | Peer review is mostly carried out by clients, although we do call on third parties on the occasions where this is necessary or more appropriate.  |
| Yes, for all or nearly all work | We have a global Work Review Policy for consultancy advice. All work that may be relied upon or that can lead the client (or another party) to form opinions or make decisions is subject to review. Higher risk work is subject to more stringent Peer Review requirements.                              |
| Rarely or never                 | I work as an independent trustee and am not appointed as an actuarial adviser. I therefore cannot give actuarial advice. I receive actuarial advice and, as far as I am aware, it is always subject to peer review.<br>I'm a user of actuarial advice, nor a preparer                                     |
| Yes                             | Please see our answer to Question 27 below for further detail.  |

Yes, for some work

This answer relates to the 'work' I do, and have done in the past, and is not necessarily confined to 'actuarial work' as stated in the question, depending how this is defined. Where work is of sufficient import, peer review can be valuable, whether work is of an actuarial nature or not. Where my work has been peer reviewed, this has invariably not been by an actuary.

**Q27:** If you do currently use peer review in relation to actuarial work that you do, do you think that the introduction of APS X2 would require you to materially change the peer review process (or processes) that you currently have in place, and/or its application?

| Answer Options                    | Percent | Response Count |
|-----------------------------------|---------|----------------|
| Yes, significant changes required | 13      | 9              |
| Little or no changes required     | 48      | 34             |
| Yes, some changes required        | 22      | 16             |
| Not applicable                    | 17      | 12             |
| <i>Answered question</i>          |         | <b>71</b>      |
| <i>Did not respond</i>            |         | <b>7</b>       |

#### Comments

|                                   |  |
|-----------------------------------|--|
| Little or no changes required     | My work is more of an oversight role and tends to be in the reviewing rather than the reviewable areas.  |
| Yes, significant changes required | We do us Peer Review at present in our firm on a spot check, review basis as well as contributing to technical forums used by small firms of divorce actuaries which share ideas and good practice in relation to Actuarial Work carried out for clients. but APS X2 would have a significant impact on what we are required to do.  |
| Yes, significant changes required | If adopted in current form, the requirements based on my interpretation of 'Actuarial Work' above would appear unduly burdensome whenever my opinion or advice might have a significant influence. For work that I regard as actuarial and where I have provided reports or draft reports, some changes would be required to satisfy myself that the peer review arrangements are appropriate but these would be largely proportionate. For verbal on-the-spot advice, I suspect the changes required (largely documentation of the approach) would be quite time-consuming and difficult in any situations where a one-actuary firm is asked for a view by non-actuaries. |
| Little or no changes required     | We do this and would not like to introduce too much process and structure.   |
| Yes, some changes required        | I would say our firm is largely compliant. Main difference is that the focus of the peer review in qualitative.  |

|                                   |  |
|-----------------------------------|--|
| Yes, significant changes required | Members would benefit from the support of their employers to assist compliance. This is best achieved through documented process and controls which interpret the guidance in the context of the various areas of activity. This would be necessary to ensure consistency of approach and to avoid inefficiencies across the organisation. This will entail a degree of effort and likely change in approach/process. There is likely to be a considerable initial effort and resource constraint to ensure the proposals are consistently applied across our organisation. To avoid inconsistencies, this may require extending to non-members and therefore increasing the burden. |
| Little or no changes required     | I think the guide and proposals may make us considering the scope of the peer reviews to move to cover each subsection of 1.3.   |
| Little or no changes required     | The rules in APS X2 are less stringent than my employer currently requires.  |
| Yes, significant changes required | As drafted there would be a need to document "reasons why" especially where in your professional judgement, peer review was not required. Even where peer review was required, the Standard would require additional processes to demonstrate on a permanent basis what peer review had been carried out.  |
| Yes, some changes required        | However, we are unclear about some aspects of APS X2 and until these have been clarified it is difficult to determine the level of change.   |
| Little or no changes required     | The amount of change required will depend on any prescription in relation to the documentation to be retained in evidence of the peer review.  |
| Yes, some changes required        | Documentation of summary process to show compliance with the standard will become necessary.   |
| Yes, significant changes required | I would find it impossible to justify excluding any pension and divorce report from sensible peer review requirements, since by definition they all have "significant consequences" for the individual divorcing parties for whom they are provided (even though all such reports are addressed to the court, for whom of course the consequences are probably not significant). Requiring Tier 1 peer review as the only way of meeting APS X2 would need us in effect to double our fees and report timetables, and probably cause us to withdraw from the work.   |
| Yes, significant changes required | All internal reports would require peer review. I cannot see that my firm's shareholders or customers would be happy to meet this cost, having implemented appropriate quality control and accepted the residual risks as it sees fit.   |
| Yes, some changes required        | More documentation   |

|                                   |   |
|-----------------------------------|---|
| Little or no changes required     | Hymans Robertson has its own mandatory peer review guidance in place which meets (and in some aspects goes beyond) the requirements of the exposure draft of APS X2 for a wider range of work than it covers.   |
| Not applicable                    | This reply is on behalf of the IFoA Risk Management Board.  |
| Little or no changes required     | Our answer is conditional on there being no requirement to document the effect of the peer review, merely to record that peer review has taken place, or, where it hasn't, to document the reasons why.   |
| Yes, some changes required        | I would document my review more clearly   |
| Little or no changes required     | <p>We believe that our current processes provide appropriate quality assurance of actuarial work produced. However, if the APS X2 comes into force we would review our documentation requirements and processes and procedures to ensure that the roles and responsibilities of individuals and committees are clear when it comes to peer review and quality assurance.</p> <p>Such a review would likely extend to revising our internal TAS policies to ensure that peer review is covered and appropriate evidence of peer review is retained.</p> <p>Please see our answer to question 26.</p>   |
| Yes, significant changes required | There would inevitably be a substantial bureaucracy to ensure that compliance was evident. Further, as an organisation we would potentially be unable to control the consequences because it would be for individual actuaries to apply the requirements as they saw fit.   |
| Yes, some changes required        | I expect the main changes would be around statements of compliance with the APS. Indeed a more appropriate phrase here might be 'describing how I have discharged my responsibilities under the APS', which could reasonably include a statement that peer review has not been carried out.   |
| Yes, some changes required        | <p>Whilst we always aim to carry out peer review, it does not always take place (particularly where the work was carried out mainly by the most senior person, and/or done in a short timescale). When it does take place, it is not always documented. Hence the APS would I hope lead to peer review taking place more consistently and being better documented. This would in my opinion be an improvement.</p> <p>We are unable to answer the question at present. If the term "peer review" and its definition are amended (see response to Q13 above) then little or no changes will be required. If these changes are not made then we will need to prepare additional guidance on the interaction between the requirements of APS X2 and our existing Work Review Policy.</p> |

Clearly, we would have to review our current “second professional review” processes (which apply to all significant advice that LCP gives, not just that which would fall under the proposed definition of “Actuarial Work”), but our initial analysis suggests that any changes would be a natural and welcome development and not constitute a material change to our current processes.

Depends how 'Actuarial Work' is defined

**Q28:** We would be grateful for any other comments you may have on the likely practical impact of the proposals, including the implications for work by members in fields which are not largely or wholly the preserve of actuaries and for work in firms where there is only one actuary.

**Comments: 54 responses submitted**

### Comments

Many one-actuary firms have forged informal working arrangements with other such firms and can readily implement reciprocal reviewing arrangements.

In fields which are not largely or wholly the preserve of actuaries, para 1.4 of the Standard could make actuaries commercially uncompetitive. My experience is that firms where there is only one actuary usually have informal networks for peer review. Greater emphasis on peer review may have a beneficial impact in encouraging the greater use of these networks.

Please see comments made earlier. It will have a big impact on firms like ours with two to three actuaries based in very different locations. It will make life much more difficult for us. There is no need for such an over prescriptive system to be introduced. We have to rely to a large extent of the professionalism of experienced actuaries signing off work that has been performed by others without requiring that this is then second checked by someone else as it is the actuary's name that goes on the report.

We note that the process could apply to actuaries in any roles - for example management roles. It may not be practical for certain work (which falls within the definition of actuarial work and thus within ASPX2) to be subject to peer review in the same way – and the person responsible for the work will need to consider and note this.

We also note that APS X2 applies to actuaries regardless of location. However we do not comment on this pending the further consultation on the scope of standards. We believe that in most larger firms a process of peer review/quality control will already be used and APS X2 is unlikely to change behaviours significantly. In smaller firms with less resource for suitable review, the proposals may create problems (although 'one-actuary' firms are not prevented from complying if there are non-actuaries capable of providing review) –but we agree that the overall process is necessary to achieve quality of output in actuarial work.

You may want to consider this in the standard. Its not really covered well it appears to place a lot of requirement on calling in consultants.

My employer requires peer review of all work products, including those in non-actuarial areas. Such peer review is always performed by people with the necessary experience, independence, and qualifications for performing the peer review work and i am unaware of any problems experienced in finding suitable people for performing such peer review. I would be happy to respond to any individual questions you have.

Again, because there are some aspects of the proposals that we are not clear about, we cannot give a definitive answer, but based on our understanding:

- We would need a major revamp of our peer review process in terms of members covered and work subject to review
- We would need to adapt procedures and organise training
- There would be an increase in activity and record keeping, the costs of which would be passed on to clients in some form.

APS X2 could act as a barrier to actuaries working in non-traditional areas, or in very specialist areas where it may be difficult to find an appropriate peer.

I think that the impact will be limited apart from the examples that you mention. I do not feel qualified to comment regarding fields which are not the preserve of actuaries but have given some thought to the position of the sole trader. 1.4, as drafted, would have an impact for the sole trader I suspect, which would be one more reason to rely rather on the actuary's judgment under 1.3 and the requirement for justification under 1.5.

It is important to ensure that requirements are not imposed on reviewers which non-actuaries would struggle to comply with. Current peer review arrangements for scheme actuary work already cause difficulties for single actuary firms, which are only mitigated by the ability to use type 2 reviews.

From 23. above, this standard is unwelcome to me as a solo practitioner in the field of risk management, where my competition is often not other actuaries but may be quants or those with PRMIA or other risk qualifications who are not subject to actuarial standards that clients may not even be aware of. Larger firms may be able to have work peer reviewed internally without having to engage third parties and compromising their IP, which I find discriminatory. (I would also question the value of such a peer review as it is not by an independent third party.)

In such bases, there may be a bias against 'single actuary' work because of lack of perceived 'peer review' when a perfectly adequate quality assurance process is put in place instead. There may also be bias in terms of interpretation of 3.1.1 and 3.1.2 which could create an uneven playing field. In a large consulting firm, due to cost pressures, the peer review may only be on a subset of the work and thus through lack of specific knowledge of issues fail the peer review standard of '3.1.1' but this would be unlikely to be tested or challenged. However, complaints regarding lack of peer review due to failing criteria '3.1.2' are more easily laid against a sole actuary scenario where the recipient, perceived non-objective expert or a lay person has been asked to peer review are more difficult to defend.

The divorce and pension reports with which we are concerned are small-scale (fees around £1,000), short term (2-4 weeks), one-off, and numerous. In our opinion, Tier 2 peer review has been and continues to be an appropriate way of ensuring proper professional quality. The standard could be amended to cope with this and other similar areas of actuarial work if it specifically mentioned Tier 2 peer review as an option which actuaries could consider might be appropriate in their work (and perhaps specifically mentioning areas of work with as small-scale, short-term and one-off) where Tier 1 peer review is not appropriate. As it stands, the draft will cause major problems for this firm and for other firms.

Proposals are likely to result in additional costs for firms and additional work for consultants. Incorporating peer review within reporting deadlines could be challenging for some work

From our perspective, the impact will not be significant.

see joint letter of Tuesday 7 January 2014 to which I was a signatory making 10 significant points

We have no further comments.

This could be onerous for small firms so a proportionate approach is needed but given its importance it should still be applied.

Principal 1.5 (justify the approach) may result in additional documentation (and hence cost).

I wonder about costs, necessity and practicality. There is a danger of over-doing all this.

Lack of availability of experienced peer reviewer is a big problem in such countries especially where the scope of the actuaries is very very limited.

I am the sole actuary in my firm. Whereas I believe, and accept, that these proposals are necessary, I am concerned as to the practicality of operating the proposed process, particularly in checking the accuracy of the calculations and other aspects where the peer reviewer is not 'on-site'.

We apply peer review to all our work, regardless of whether it is 'actuarial', so we do not envisage any implications.

As stated above, I think this runs contrary to our desire to see actuarial skills applied in wider fields.

We consider the definition of actuarial work is not sufficiently clear. There are likely to be instances where individuals are employed or voted onto boards largely on the basis of them being an actuary (and hence having valuable actuarial skills) although the work they are doing may not be actuarial itself. Is their work as Board members "actuarial work"? For members working in fields that are not generally the preserve of actuaries (a possible example being research in a non-mathematical field that involves statistical analysis of data), it is likely that these members may work alone or struggle to find someone suitable to peer-review their work. Is their work to be categorised as "actuarial work"? Investment work would be an example of where the same work might be carried out by actuaries and non-actuaries working in the same firm. If this was deemed to fit the definition of actuarial work, then there could be a potential inconsistency within the organisation as to whether peer review was required or not.

The circumstances noted in the question are precisely those for which this sort of review is most needed. Where an individual is the sole actuary in the firm, the need for peer review is paramount, but in some such cases, there will be other expertise within the firm which can provide appropriate review. If this is not the case, failure to obtain external peer review represents a level of risk that firms would surely not knowingly accept.

The process is likely to add time to completing work and making our services more expensive for clients. We need to manage this message.

Following internal discussions, it is apparent that some actuaries are concerned that the introduction of the APS is unnecessary and, regardless of the statements to the contrary, APS X2 runs the risk of creating bureaucracy that does not add value. The new APS also gives rise to the risk that different groups (particularly non-actuarial parties) interpret the APS differently and it is used as a means to suggest an Actuary has not discharged their professional responsibilities appropriately. The addition of some examples in the guidelines may help clarify the position and intentions.

Rather than a separate APS, the broad requirements for quality review could, perhaps, be met by making revisions to the Actuaries' Code or by adding appropriate wording to the TASs that are already in-force.

The proposals seem to involve unnecessary duplication of standards. It should be possible to incorporate the wider requirements which apply to Pensions Actuaries within the one overarching APS X2.

What amounts to a requirement in some circumstances to get my work peer reviewed by an external actuary would add significantly to our costs. In a small business this is very sensitive.

Very worried about the implications for one-man bands on the edge of mainstream actuarial work.

This is clearly going to add to the costs of using actuaries and make them uncompetitive vis a vis non-actuaries.

The requirements of the APS may create some difficulties for members who work in 'wider fields', particularly if they are amongst the first actuaries branching into these fields. For example:

- a) there may be some ambiguity about whether they are doing 'actuarial work' as defined in the APS
- b) they may be working/competing with individuals or other professionals who are not subject to APS X2

It may be difficult to get agreement to peer review being performed where this is not the norm in the relevant field/industry.

The APS and Guide allow a fair degree of flexibility, and therefore are probably capable of operation by actuaries working in 'wider fields', but we have not had time to discuss this in detail with actuaries who may be affected.

We have no other comments.

As stated above, non-actuaries will start to seem better value in some cases.

I think the proposals will be helpful in encouraging peer review where it would be appropriate but giving enough freedom to choose not to use where it would add little value.

For firms with one (or only a few) actuaries, I can envisage concerns over the protection of intellectual property, especially if it was a requirement that peer review should be carried out by a separate firm. It is not least with this in mind that I endorse the suggestion that the client (who is not a competitor) can act as a peer reviewer.

Clearly there are implications for "one man bands". If the APS required clear documentation for the recipient of whether peer review had taken place, the recipient would in future be better able to do a better cost/benefit analysis of using a "one man band" (generally cheaper, but do not get benefit of two pairs of eyes). This would probably lead to fewer "one man bands" (or to agreements between some of them to carry out peer review for each other) - but in my opinion this is not a bad thing, as the lack of review is a clear issue with such firms.

I don't have experience of this but I would have thought that the non-prescriptive nature of the APS allows for sufficient flexibility to accommodate such situations

Such actuaries generally have contacts with other actuaries in similar positions. While it will add to their workload, I think that they will find other actuaries willing to review their work.

My comments relate to firms where there is only one actuary. I think the APS should apply to all actuaries and those single actuaries should actively consider how they maintain quality in their work.

As mentioned in our answer to Question 20 above, we feel that it would be beneficial for further explanation to be provided in section 4 of the Guide as to what peer review may include. LCP recognises the importance of assuring the quality of our work and welcomes the proposals caveated with the comments and observations in this document..

See answers specifically to questions 20, and also particularly 22 and 23 above. It is quite possible, depending upon how wide ranging the definition of 'Actuarial Work' is, that the proposal would preclude actuaries doing jobs generally done by non-actuaries, as the requirements would place an 'overhead' not applied to others doing the same role. Actuaries may otherwise be able to do these roles well, and professionally, providing organisations with diversity and wider insights, given their actuarial knowledge, which although not central to the role, is nonetheless valuable.

**Q29: APS P2 Compliance Review: Pensions (APS P2) requires members with a Scheme Actuary certificate to ensure that most written work that they provide in their capacity as a Scheme Actuary is subject to review. What, if any, changes do you consider should be made in light of the proposed APS X2?**

**Comments: 27 responses submitted**

### Comments

The proposals would seem to require Type 1 reviews and therefore effectively make Type 2 reviews a non-sufficient APS P2 compliance option.

Provided clarity remains in relation to the work subject to APS P2 and the review under APS X2, then we do not believe that changes to APS P2 are necessary -although any usage of the 'Type 2 review' process under APS P2 may diminish. It is possible that the APS X2 reviewer of a piece of work will be different to the APS P2 reviewer, or that the APS X2 reviewer will be chosen so that they can fulfil both roles.

The requirements set out in APS X2 significantly overlap with those in APS P2, and could therefore be expanded to include specific provisions for Scheme Actuaries (thereby eliminating the need for a separate standard).

In practice, Barnett Waddingham's peer review policy does not permit 'Type 2' reviews (which are not appropriate under the draft of APS X2) and we believe this is common practice within the industry. Migrating the requirements of APS P2 into a unified cross-practice standard would not therefore lead to a material worsening in the quality of advice provided by members.

I am unfamiliar with the Scheme Actuary certificate requirements and cannot comment on them.

No proposals

APS P2 is much clearer than APS X2 in terms of what is subject to review, the objectives of the review and the requirements of the reviewer. We think APS X2 could be improved by having narrower, more clearly defined objectives and coverage. We do not support having both standards in operation simultaneously.

P2 could perhaps make reference to X2 but I see no reason for substantive changes to P2.

I believe this standard is superfluous - validation requirements under Solvency 2 will make this standard obsolete for most insurance work; while for pensions, there are existing peer review requirements. It should not apply to wider fields where there may be little appreciation of actuarial brand let alone actuarial standards and where we need to compete against non-actuaries.

We think that the two Standards are compatible as they stand, with APS X2 providing broad principles for peer review and APS P2 providing detail and specific requirements for the peer review of Scheme Actuary work. If there is a general update of APS P2 in the future, it could reference that its requirements are a specific application of the requirements in APS X2, but this is not essential.

See answers to 13 and 23.

We believe that APS P2 should in any case be reviewed, but clearly there will be some interaction and it would make sense, in particular, to clarify issues such as:

- a) That Scheme Actuaries cannot simply rely on a Type 1 compliance review under APS P2 to meet their responsibilities under APS X2; and
- b) The extent to which the likelihood of a Type 2 compliance review taking place can influence a Members' consideration under 1.1 of APS X2 (noting that 2.2 of APS X2 is only effective if a Peer Review is applied).

We are not focussed on work to which APS P2 applies

Can think of a mandatory Parallel review over and above the routine reviews to which the scheme may be subject, once in five years.

This depends on the outcome of this consultation.

No comment as questionnaire filled in from life assurance perspective.

We do not agree, as suggested in paragraph 11.1 of the consultation document, that a Type 1 review under APS P2 is consistent with the requirements of APS X2. In the absence of APS X2, APS P2 does not require scheme actuaries to get work 'peer reviewed' as defined in the proposed APS X2: what is required is a compliance review. Paragraph 3.7 of APS P2, for example, is clear that there is no requirement for the APS P2 reviewer to check that work is 'correct', whereas paragraph 4.3 of the guidance to APS X2 implies this is something that must be considered for APS X2.

To a large extent, the APS P2 review is more a peer review that Mercer actuaries would recognise, rather than the peer review defined in APS X2.

Our view is that no amendment to APS P2 is necessitated by APS X2. Instead, scheme actuaries will have to consider whether they need to carry out more review than APS P2 currently requires for reviewers under APS P2 to agree that the requirements of APS P2 have been met.

APS P2 allows for 'type 2' review, which is peer reviewing after work has been sent out. This is not ideal and pre-release peer review is always preferable.

Only to stress the point that for those pieces of work which they deem not to require peer review, they should be ready to justify that decision.

APS P2 should be absorbed within APS X2 so that there is only one Peer Review standard for Pensions Actuaries.

Why introduce another layer if P2 already says it all?

A comment on the Guide, rather than on APS P2: Given that the term has a different meaning in jurisdictions other than the UK, the Guide should be amended to make it clear that, where the term "Scheme Actuary" is used, this means (as per APS P2) an actuary appointed under section 47(1)(b) of the UK Pensions Act 1995.

We suggest that APS P2 be reviewed, to take account of the introduction of APS X2 and the accompanying Guide, to ensure that the two standards work efficiently together.

There should be only one standard - not two (P2 and X2) for the same piece of work

Not in a position to comment.

We agree that APS P2 should be amended where appropriate so that it is consistent with APS X2. For example, if review under APS X2 may be carried out by the member responsible for the actuarial work, then this should be carried over to APS P2. Therefore the Scheme Actuary would be taking on the role of Reviewer and the person preparing the advice would satisfy the "Reviewer's Attributes" as set out in section 2 of APS P2. APS P2 should also be amended to support the Quality Assurance Scheme proposals (cf Q25 above). Actuaries employed by QAOs would then be able to follow their own organisation's review policy/guidance in relation to the prescribed areas of advice covered by APS P2. Actuaries not employed by QAOs would follow the amended APS P2 on an individual basis.

None. Most of their written work should continue to be subject to peer review.

We believe that APS P2 should undergo a thorough review as part of which type 2 review would no longer count as satisfying Compliance Review. We would like to see a new version of APS P2 that acknowledges APS X2 as the starting point and which as a result is significantly slimmed down, with perhaps some of the detail, to the extent that it is retained, sitting in an accompanying Guide.

**Q30:** Are there other areas of practice (in addition to Scheme Actuary work in pensions) in relation to which specific more detailed regulation or guidance regarding peer review would be appropriate?

| Answer Options           | Percent | Response Count |
|--------------------------|---------|----------------|
| Yes                      | 27      | 14             |
| No                       | 73      | 38             |
| <i>Answered question</i> |         | <b>52</b>      |
| <i>Did not respond</i>   |         | <b>26</b>      |

#### Comments

- No I am not aware of any such areas.
- Yes Reserved/Required work for Life Actuaries
- Yes We support the extension of a peer review process beyond the narrow range covered by APS P2 to most of the traditional areas in which an actuary works. We believe the standard should cover Fellows/Associates and those members who are clearly taking direct responsibility for advice. It should be made clear that the peer review should not be mandatory for members involved in the exercise where the member has no direct responsibility for the advice.  
As a Scheme Actuary I do not feel qualified to comment.
- Yes Any roles where actuarial advice is required by legislation or regulation
- No We think the proposals are sufficient.
- Yes It would be good to review APS L1 simultaneously for consistency.
- No Probably not, but consideration should be given to the responsibilities of the Actuarial Function under Solvency II.
- No see joint letter of Tuesday 7 January 2014 to which I was a signatory making 10 significant points. any extension of mandatory peer review is likely to lead to exits from the profession.
- Yes As noted in Q15, one area might be to update the Expert Witness guidance to address the issue of peer review.  
As Non Executive Directors (NEDs) are normally in a reviewing role rather than advising, there would be no need for a review of the review of their case. The member would need to consider this and remember it as, in those cases where they do give advice (such as investigating something which went wrong and proposing change) then a review, or a second pair of eyes, would seem to be appropriate

We cannot comment yes or no. We suggest those responsible for commissioning APS X2 consider the risks that they wish to address and review whether these would be better addressed by area specific guidance.

No comment as questionnaire filled in from life assurance perspective.

It is not clear (to me) whether giving investment advice to trustees of pension schemes is covered/intended in APS X2.

- Yes The certification of the adequacy of assets in meeting liabilities, and the computation of capital requirements, especially if an internal model is used
- Yes Work which is considered to be Required or Reserved in terms of the FRC's Technical Actuarial Standards.
- Not in a position to comment.
- Yes Actuaries advising employers sometimes, in my experience, provide advice at the outer edge of reasonableness. The profession may benefit from their having to operate more like scheme actuaries.
- Yes It would be helpful for the IFoA to share good practice as it emerges, and also poor practice.