Quality Assurance for firms
Date: 8 July 2013
Prepared for: The Institute and Faculty of Actuaries
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Exposure Draft 30 - Quality Assurance for firms

Introduction
We set out below Aon Hewitt's response to the profession's consultation on the above. We are happy for our comments to be treated as not confidential.

As a general point, we appreciate that one of the key priorities for the FRC is how to monitor the quality of actuarial work so that the public can be assured that our work is the highest quality, and that the gap in their oversight arrangements of the profession is of concern to them. We believe that the profession’s proposal is a proportionate response to the Financial Conduct Authority's concerns.

We are therefore supportive of the proposal, and believe that it has the capacity to achieve the profession’s aim in a proportionate way. However we believe there is still much that can be done to ensure that the proposal works well, and creates as little extra burden as possible on firms, particularly those whose processes are already of sufficient standard. We therefore urge the profession to ensure that any processes required for a Quality Assured firm should not need to be in addition to their own procedures, but instead act as an underpin to existing standards. If firms are required to modify standards which are already suitable so that they exactly match those proposed by the profession, this will entail a significant amount of work by firms, without an improvement in quality.

Question 12
To what extent do you think that the proposals set out in the consultation paper will satisfy the following objective: provide assurance to the public and other stakeholders as to the quality of actuarial practice.

On a scale of 1-5 where 1 is Not satisfy and 5 is Satisfy:
4/5

We would hope that if large numbers of firms do sign up, this would lend credibility to the quality framework which in itself could send a very positive message to the wider public that we are serious about demonstrating publicly that we aspire to the highest quality.

Question 13
To what extent do you think that the proposals set out in the consultation paper will satisfy the following objective: foster effective engagement between organisations that employ actuaries
and the IFoA in relation to regulatory issues.

On a scale of 1-5 where 1 is Not satisfy and 5 is Satisfy:

3/5

The proposals are is likely to bring some level of consistency in approach.

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**Question 14**

To what extent do you think Quality Assured Organisation status would be valued by:

On a scale of 1-5 where 1 is Not valuable and 5 is Valuable:

Organisations:

4/5 (assuming they have opted to attain such status – those who have not opted for the status will have made this decision because they do not value it).

Employees:

4/5 – as it may encourage some consistency in approach

Prospective employees:

3/5 – it may encourage some consistency in approach but those new to the profession are unlikely to be aware of its implications and may not value it as much.

Clients/ users of actuarial work:

4/5 see question 12.

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**Question 15**

Do you think that the proposed monitoring arrangements are sufficient?

Although a review every 5-6 years is not unreasonable we suggest that a paper review and visit might not both be required in all circumstances. In addition, perhaps the timing of a subsequent review could reflect the findings of the latest review – eg ‘totally acceptable’ would imply the next review after only 7 years, ‘some issues to address’ might imply the next review would be after 5 years.

We are not sure that the ‘short Annual Return to the IFoA’ fits into the monitoring arrangements - this should be noted as a separate administrative requirement.

We note that there is also to be a requirement to notify the IFoA of any material changes to policies and procedures ‘on a timely basis’ which is detailed in the participation agreement as 10 business days (the participation agreement also lists the information required to be provided).

We assume that this is the same provision rather than a separate requirement (the terminology is not quite consistent between 5.2.3 and 2.4). It may be acceptable to require that material changes to policies and procedures should be notified within the Annual Return rather than immediately.
Question 16  

Do you have any comments on APS Q1: Organisations and Employers of Actuaries?

As a general comment, much of the standard repeats requirements in other areas, for example the Actuaries’ code and the Actuarial Profession Standards. It would be helpful therefore if this APS merely referred to those provisions (indeed the appendix notes that the organisation must comply with all applicable mandatory actuarial standards and other relevant legal and regulatory requirements). Where there are any additional requirements being proposed, this can then become clearer. For example while ‘conflicts of interest’ would certainly sit within the requirements of a quality assured firm, this is covered adequately by APS P1 and the actuaries’ code, so should be dealt with by reference rather than repetition.

We have some more specific comments:

The use of the word ‘actuary’ (in the definition of actuarial work) is somewhat loose – the term ‘member’ is used everywhere else.

In addition we feel that the requirement to deal ‘appropriately with the management, retention and destruction of files and data relating to Actuarial Work’ does not need to sit within this APS (or at least within the section on engagement with users) – it is covered adequately by the other duties under the Data Protection Act and in many cases by requirements under FCA authorisation.

It would also be helpful for the APS to acknowledge that it imposes no requirements on the organisation in relation to non-members of the IFoA – although many organisations will want to provide consistent support where relevant.

Question 17 

Do you have any comments on the Guide to APS Q1?

Although the guide is not intended to impose any ‘obligations upon actuaries or Organisations over and above those embodied in APS Q1’ the guide does appear to introduce extra information and requirements – for example in its reference to the money laundering requirements. However as the Actuaries’ Code encompasses compliance with all legislative requirements, the obligations are more of detail than action. If our suggestion above of reducing detail in APS Q1 and replacing by reference to other actuarial requirements is accepted, then the guide might be seen more readily as useful detail.

The term ‘piece of work’ in 1.3 may need clarification that it is intended to be actuarial work (ie work ‘undertaken by an actuary in their capacity as such, on which the User is entitled to rely’) rather than all work. The text in the appendix that ‘The Organisation must achieve the following outcomes, in relation to its Actuarial Work’ does imply that it is only actuarial work that is impacted, but it is not apparent until the end of the guidance that this is the case. In this respect the guide is inconsistent with the APS which is clear that it relates only to actuarial work.
Question 18
What amendments do you consider would be required to the Guide in order to ensure its applicability to your organisation/ practice area/ sector?

We believe that the guide should acknowledge that there will be other staff employed by the organisation, who are not required to be covered by the standard.

It may also be appropriate to note that many organisations will be subject to requirements under their Financial Conduct Authority authorisation, and that these will still need to be met.

Question 19
We have avoided being prescriptive as to the terms/ level of PII cover. Do you feel we should provide more detailed principles? If yes, please give details.

We do not believe that more detailed principles are required – PII can be provided in various ways and market practices will evolve which may make detailed references inappropriate. In particular, levels of suitable cover will vary greatly.

However even the text as written in 7.5 might be seen as restricting certain types of PII (eg self-insured), and some organisations may be unwilling to disclose precise details of PII cover as suggested by 7.6.

Question 20
To what extent do you agree that the combination of an Actuarial Profession Standard with a supporting Guide is a clear and accessible way of presenting the material?

On a scale of 1-5 where 1 is Strongly disagree and 5 is Strongly agree: 3/5

Question 21
Do you have any comments on the Operational Guide?

As above, the guide should acknowledge the existence of non-actuaries in organisations.

Other than that we have no comments although the guide may need to be modified to reflect any comments accepted in relation to the overall process (for example the regular monitoring process)

Question 22
Do you have any comments on the Participation Agreement?

The requirement in 5.2.3 to notify change of address etc is not consistent with the requirement to notify any change of policies in a timely manner. If the latter requirement is to be retained as a specific notification (and we have suggested in q15 above that it is not retained) then it should also feature within the participation agreement.

We note that there would be a requirement to ‘agree to participate in the Designated Representatives’ Forum’. We agree that this should be part of the participation agreement as it will be an efficient way of ensuring consistency and regular communication with the participating firms.
Question 23  
Do you think that the Designated Representative should be, or include, at least one member of the IFoA?  
Yes, because this would ensure that the participants in the forum have a consistent background and understanding.

Question 24  
To what extent do you think that the opportunity to obtain a kitemark or branding to promote Quality Assured Organisation status is a valuable part of the proposals?  
On a scale of 1-5 where 1 is Not valuable and 5 is Very valuable:  
3/5  
See our answer to 12 above. Care would be needed so that the "Quality Assured" tag does not cause confusion in relation to firms that are not pure actuarial firms – clients would need to understand that the kitemark only applied to a subset of the services offered (and that the IFoA is not endorsing the non-actuarial work as well as the in scope actuarial work).

Question 25  
Do you think that organisations would be willing to join the Quality Assurance Scheme if the Quality Assured kitemark were not available?  
We do believe that a kitemark would act as some encouragement for organisations to join the scheme. However if no kitemark existed, organisations would still be able to make reference to their membership, so the kitemark is merely cosmetic.

Question 26  
Do you have any other comments on the Quality Assurance Scheme?  
There are some other elements that could usefully be introduced into the Scheme in due course:  
For example in light of the new mandatory professional skills training required for experienced actuaries, would Quality Assured firms be able to obtain approval for internal training courses more easily so that they can count towards the 2 hour requirement?  
The approach to awarding practising certificates might also be eased for employees of such firms, for example where firms already carry out credit checks this might be accepted as fulfilling the profession’s requirement.  
These could come within the ‘training and development’ and ‘appropriate supervision’ principles.

Question 27  
Would your organisation be interested in engaging in further exploration of the proposals with the IFoA? If yes or maybe, please
provide details of whom we should contact regarding the Quality Assurance Scheme in the comments box below. We would be happy to engage in further exploration of the proposals. An initial point of contact would be Jillian Pegrum, Briarcliff House, Kingsmead, Farnborough, Hampshire, GU14 7TE tel 01252 768175 (jillian.pegrum@aonhewitt.com)

Question 28
What would be the most significant factor when considering whether to apply for Quality Assured Organisation status? (Answer one option only)
Cost of resourcing internally
Whether competitor organisations are applying
Level of licence fee
Other (please specify in comments box below)
Extent of monitoring

This assumes that the profession addresses our concerns over whether the proposals would require additional, duplicate procedures rather than act as an underpin to current arrangements. If our concerns are not addressed, we might instead consider resourcing issues as a major factor.

Question 29
What level of work do you think your organisation would be required to carry out to meet the good practice criteria set out in APS Q1?
On a scale of 1-5 where 1 is Very little/ No work and 5 is Very significant level of work:
2/5

We believe that we meet the principles in all the areas noted. The main work in some areas would be consolidation of our processes and ensuring appropriate confirmation that the requirements are met. In addition there would be work required to complete the regular monitoring process.

Question 30
To what extent do you think your organisation might require any extra resource to meet the Quality Assured Organisation requirements?
On a scale of 1-5 where 1 is Very little/ no extra resource and 5 is Significant extra resource:
2/5

This assumes that the profession addresses our concerns over whether the proposals would require additional, duplicate procedures rather than act as an underpin to current arrangements.

Question 31
Do you think that the benefits of obtaining Quality Assured Organisation status could outweigh the potential costs?
Yes – provided the proposals do not create an additional layer of procedures. See the comments in our introduction.
Question 32  
Does your organisation currently participate in a similar quality assurance scheme provided by another body?

Yes – ISO 9001:2008

Question 33  
Do you have any comments in relation to how the IFoA Quality Assurance Scheme might interact or align with quality assurance schemes provided by other bodies?

The IFoA scheme has its own scope of coverage, which reflects the areas of concern to the profession. Where any of these areas overlap with other quality assurance schemes, again it is important that different sets of standards do not duplicate effort.