



Institute  
and Faculty  
of Actuaries

# Summary of Consultation Responses

Proposal for the withdrawal of GN30 –  
Compensation for Professional Shortcomings  
and the introduction of a new Actuarial  
Profession Standard APS X5

by the Regulation Board

August 2020

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**Appendix 1** Final version of APS X5

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## 1. INTRODUCTION

I am pleased to introduce this summary of the feedback received in response to the Institute and Faculty of Actuaries' (IFoA) consultation on the proposal to withdraw GN30: Compensation for Professional Shortcomings (GN30) and replace it with a new Actuarial Profession Standard (APS) X5.

The GN30 Review Working Party was set up by the Regulation Board to undertake a wide-ranging and substantive review of GN30's form and content to determine whether it remained fit for purpose. The proposal consulted upon was made to the Regulation Board by the Working Party following several months of consideration and debate.

The consultation opened on 17 December 2019 and closed on 17 February 2020. 18 responses were received.

The Working Party has carried out its analysis of the responses and has presented its further recommendations to the Regulation Board. This feedback paper sets out the results of the consultation, including (1) a summary of the responses and (2) the conclusions reached in light of those responses. It also contains the final versions of APS X5 and its accompanying guidance, as approved by the Regulation Board. APS X5 will come into force on 20 November 2020.

We are extremely grateful to respondents for taking the time to consider the proposals and respond to the consultation. I hope you find this summary of the responses and additional information about the further changes made to the draft APS and Guide helpful.

Finally, I would like to take this chance to thank the members of the Working Party, being David Broadbent, Marcia Cantor-Grable, Dominic Cortis, David Lane and Patrick Kelliher, for their time, input and dedication in developing this proposal.

**Mark Stocker**  
**Chair of the GN30 Review Working Party**  
**August 2020**

## 2. EXPLANATORY NOTE

The IFoA recently consulted upon a proposal to withdraw GN30 and replace it with a new APS X5. GN30 sets out the professional responsibility of all actuaries to consider the potential for clients to suffer loss as a result of any breach of their duty of care and to ensure that appropriate arrangements are maintained to provide compensation for loss in the event of any breach.

The new APS is not designed to impose any new obligations on Members but introduces broadly the same requirements in a form that is consistent with the current regulatory framework of the IFoA.

The consultation package can be found on the IFoA's website<sup>1</sup>. This document explains the outcome of that consultation process.

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<sup>1</sup> <https://www.actuaries.org.uk/upholding-standards/regulatory-communications-and-consultations/closed-consultations>

## Background to the proposals

Guidance Notes (GNs) are an older form of actuarial practice standard that contain a combination of mandatory duties and guidance material. Following the Standards Framework Review in 2016, with a view to simplifying standards and moving towards a more principles-based framework, it was agreed that GNs should gradually be replaced, with any mandatory requirements being set out in APSs and guidance material published separately.

GN30 is one of two remaining GNs that continue to be in force. It came into effect on 1 September 1997 to protect the public interest as the actuarial profession developed beyond the practice areas of insurance and pensions.

Given the length of time that had passed since its introduction, Regulation Board tasked the Working Party with undertaking a wide-ranging and substantive review of GN30's form and content to determine whether it remained fit for purpose. The Working Party's Terms of Reference can be found [here](#).

The Working Party's proposals were set out in a consultation paper published on 17 December 2019. The conclusion of the Working Party was that GN30 was no longer consistent with the IFoA's principles-based regulatory standards and as such was not fit for purpose and should be withdrawn and replaced with a new APS X5, supported by non-mandatory guidance.

The questions posed in the consultation paper sought views on the proposed withdrawal of GN30 and the specific provisions of the proposed APS X5, as well as comments or suggestions in relation to the accompanying Guide.

### 3. THE CONSULTATION PROCESS

The consultation was published on 17 December 2019 and closed on 17 February 2020. Members and other interested parties were invited to comment on the proposals via an online Survey Monkey questionnaire (which was also available to download and submit via email or in hard copy), or by way of a written response to the IFoA.

There were no consultation meetings held in relation to this consultation.

### 4. RESULTS OF THE CONSULTATION

18 responses were received via the consultation questionnaire.

The names of those who responded to the consultation are included in **Appendix 4**. Those individuals that have asked for their details to remain confidential are not included in the list. The detailed responses to the consultation are set out in **Appendix 5**. The comments from those individuals who asked for their feedback to remain confidential have been redacted.

The feedback to the consultation demonstrates that there is support for the proposal to withdraw GN30 and replace it with a new APS X5.

## 5. SUMMARY OF RESPONSES AND WORKING PARTY FEEDBACK

This section summarises the responses to the consultation and provides the feedback from the Working Party to those responses.

### **Withdrawal of GN30 and introduction of a new APS**

The majority of respondents (89%) agreed with the proposal to withdraw GN30 and introduce a new APS in its place.

A number of respondents said they welcomed a more principles-based approach and agreed that the format of GN30 was out of step with the other professional standards published by the IFoA and should be brought into line with the rest of the framework.

### ***Working Party feedback***

The Working Party was pleased to receive support for the proposals and the principles based approach proposed.
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### **Introduction of new APS X5**

The majority of respondents (83%) agreed that the requirements contained within the proposed APS X5 were relevant and appropriate. One respondent said they welcomed the fact that a variety of arrangements for compensation could be considered appropriate under the standard.

#### *Clarity*

The majority of respondents (72%) also said they agreed that Members' obligations under the proposed APS X5 were clearly set out. One respondent said they appreciated the clarity and brevity of the APS. A few respondents suggested areas where they felt the standard could be clearer, for example clarifying earlier in the APS that the requirements could apply to sole practitioners as well as Members within larger organisations.

#### *Scope*

A majority of respondents (72%) said they agreed that the scope of APS X5 was appropriate. One respondent said they thought the decision not to include in-house actuaries within the scope of the standard was sensible.

One respondent said they felt that the scope of the APS was being extended from that of GN30 as 'Principals' would become responsible for the clients of all actuaries in the firm. Another respondent suggested that the APS should be restricted to those Members requiring practising certificates for reserved roles while a further respondent suggested that they did not agree that responsibility for ensuring 'Appropriate Arrangements' should be limited to 'Principals' in organisations.

### *Key terms*

A number of comments were received in relation to the specific wording of key terms within the proposed APS, including the definitions used for 'Principal' and 'Actuarial Work'. Overall, less than half of respondents considered that the key terms within the proposed APS were well defined.

A number of respondents suggested that the definition of 'Principal' as drafted was too wide and should be adjusted to ensure only those responsible for making decisions about arrangements for compensation were within scope. It was suggested that the titles of Director, Partner etc. could be used as examples of those that might be the relevant decision makers rather than included within the definition. Some alternative definitions were put forward.

Feedback was also provided on the definition of 'Actuarial Work' with one respondent suggesting it was too wide and that it would bring into scope work that was not actuarial advice.

### *Relevance to Members working outside the UK*

Over half of the respondents (56%) said they agreed the APS was relevant and appropriate for Members working outside of the UK, with one saying they believed that the global nature of actuarial work meant that the standard should apply equally overseas.

### *Availability of PII*

The majority of respondents (82%) said they had not previously experienced any difficulty in procuring PII.

One respondent said they carried out work in the US and that PI insurers would not cover this.

### ***Working Party feedback***

The Working Party was pleased that the majority of respondents agreed that the requirements contained within the proposed APS X5 were relevant and appropriate.

The Working Party considered the feedback about the proposed scope of APS X5 carefully, noting that a range of views were expressed, some of which were in direct contradiction. It concluded that it was comfortable that it continued to be appropriate to limit responsibility for Appropriate Arrangements to Principals within Organisations on the basis not all Members are realistically in a position to take or influence these decisions.

Similarly, it was not persuaded by the feedback that the scope of the APS ought to be restricted to Members holding a practising certificate (PC) as there is not a direct correlation between the requirement to hold a PC and being the person within an organisation with responsibilities around arrangements for compensation. PC holders will not necessarily always be in a position where they are responsible for or able to materially influence decisions around appropriate arrangements for compensation.

The Working Party carefully considered the defined terms within the APS, including the term 'actuarial work'. It acknowledged that the term 'actuarial work' brought with it certain challenges, however noted that it was consistent with the definition contained within other

APs and agreed it was appropriate in terms of the intended purpose and aims of APS X5. The term 'actuarial role' has therefore been retained in the final version of the APS.

The Working Party concluded however that in light of the consultation feedback, there was merit in amending the definition of 'Principal' to clarify that only those Members responsible for making decisions about 'Appropriate Arrangements' (or having significant input into those arrangements) should fall within the definition. The change is further explained at section 6 below.

### **Introduction of accompanying guidance**

The majority of respondents (83%) agreed with the proposal to introduce a Guide to accompany APS X5.

Some of the comments received in relation to the Guide can be summarised as follows:

- One respondent said they felt the guidance document made particular sense given the content of the material.
- One respondent said the Guide was too long and that the standard ought to be capable of standing alone.
- Some respondents felt the Guide focussed too much on PII which gave the impression it was mandated rather than one of a range of Appropriate Arrangements.
- One respondent said it gave the impression Members who were not Principals had obligations under the APS.
- Another said the Guide should set out the ways in which Members could reduce the risk of professional shortcomings to focus on mitigation rather than solely on rectification / compensation.

Half of respondents (50%) agreed the Guide was relevant and helpful to Members working outside of the UK.

### ***Working Party feedback***

The Working Party agreed with comments that the APS ought to be capable of being read and understood in isolation. It discussed whether there continued to be a good basis for introducing the Guide. It concluded that, on the basis of the consultation feedback, there was clear support for more general guidance containing detailed information about the requirements of the APS.

The Working Party considered the feedback questioning the status of the Guide and whether it introduced requirements over and above those contained within the APS. It concluded that it was comfortable that the status of the Guide was clearly set out in its introduction, which explained that it was non-mandatory guidance which imposed no obligations upon Members over and above those set out in the Actuaries' Code or the APS. The Working Party noted that this was no different than the status of any other IFoA guidance.

The Working Party also discussed the feedback suggesting that the prominence of the information relating to PII within the Guide gave the impression that it was mandated rather than one of a range of Appropriate Arrangements. The Working Party did not consider it necessary to remove the information altogether, on the basis that it would be of assistance to some Members, and instead decided to move it to an Appendix to the Guide. It also agreed that additional wording could be added early on in the Guide to emphasise that PII was not mandatory.

The Working Party reflected on comments that the Guide gave the impression that Members who were not Principals had obligations under the APS and reworded a number of sections of the Guide to help remedy this.

The Working Party considered each of the detailed drafting suggestions put forward by respondents before finalising the Guide. Where it felt amendments or additions were necessary and likely to be of particular help to Members the text was changed or new material was included.

## 6. CONCLUSIONS AND FINAL PROPOSALS

The Working Party considered all of the comments and suggestions provided during the consultation process and finalised its proposals in light of that feedback. It concluded that there was a firm basis upon which to proceed with the proposal to withdraw GN30 and introduce a new APS X5, together with accompanying Guide.

It agreed however that there ought to be a number of changes made to the draft APS and Guide to reflect some of the feedback in the consultation responses, for example, changing the definition of 'Principal' and making it clearer within the Guide that PII was not mandatory but one of a range of Appropriate Arrangements.

Where the Working Party was persuaded that respondents' suggestions were helpful and appropriate alternatives to the proposals put forward, those changes were adopted. Not all of the suggestions put forward have been adopted however, particularly where the Working Party considered that a suggestion was not in line with the purpose of the APS or did not present a more helpful or practical alternative to the existing proposals.

The changes that have been made do not alter the substantive requirements of the APS but are intended to make it clearer to whom the APS applies.

The Working Party's final proposals for APS X5 and its accompanying Guide are set out below. The recommendations have been approved by the IFoA's Regulation Board.

The impact of the proposals on Members and employers of actuaries was specifically considered by the Working Party. Respondents were asked in the consultation whether they anticipated that there would be any practical or resource implications caused by the introduction of these proposals.

The relatively small number of comments received in response to this specific question suggests that, in general, respondents were not overly concerned that the withdrawal of GN30 and introduction of APS X5 or its accompanying Guide were likely to cause any significant practical or resourcing issues.

### Changes to APS X5

The final APS X5 is included as **Appendix 1** to this paper.

The only material change to the APS is to the definition of 'Principal', which has been amended to make it more high level and clarify that only those Members with responsibility for deciding

Appropriate Arrangements, or having significant input into those arrangements, are caught by the definition.

A version of the APS showing the changes from the version consulted upon is included as **Appendix 2**.

### **Changes to the Guide**

The final Guide is included as **Appendix 3** to this paper.

The changes can be summarised as follows:

- Amendments have been made to reflect the revised definition of 'Principal' within APS X5.
- The more detailed information relating to PII has been moved to an Appendix within the Guide in response to feedback that including it in the main part of the Guide could give the impression that PII is mandatory, as opposed to one of a range of potential Appropriate Arrangements.
- A number of changes have been made throughout the Guide to clarify that the requirements within the APS only extent to 'Principals' and not all Members.
- Additional material has been included in the Guide to provide examples of the types of Appropriate Arrangements that might be adopted within different types of Organisations.
- Minor drafting and format changes have been made to introduce further clarity for Members.
- Corrections have been made to a few typographical errors in the Guide.

## **7. NEXT STEPS**

### **Implementation of APS X5**

A period of implementation will be allowed before GN30 is withdrawn and APS X5 comes into force, to allow Members time to take account of the new requirements. The standard will come into effect on 20 November 2020.

Members are welcome to contact the Regulation Team should they have any queries or concerns regarding the implementation of APS X5.



## APS X5: – COMPENSATION FOR PROFESSIONAL SHORTCOMINGS

**Version:** 1.0, effective from 20 November 2020

**Purpose:** The purpose of this **APS** is to set out requirements for **Members** that are **Principals** in **Organisations** that provide **Actuarial Work** to external **Clients**, to have in place measures relating to compensation of **Clients**, or alternative arrangements relating to liability, for loss caused by professional shortcomings relating to that actuarial work.

### 1. Appropriate Arrangements

1.1. A **Member** who is a **Principal** in an **Organisation** that provides actuarial services to external **Clients** must consider the potential for those **Clients** to suffer reasonably foreseeable loss, whether direct or indirect, caused by negligence, breach of duty of care or equivalent legal liability in relation to the **External Actuarial Work** provided and ensure that **Appropriate Arrangements** are in place in relation to compensation for such loss.

2. A **Member** who is a **Principal** in an **Organisation** that provides actuarial services to external **Clients** must ensure that they are in a position to justify the **Appropriate Arrangements** they have in place in relation to 1.1, if reasonably called upon to do so to.

### 3. Interpretation and application

3.1. A failure to comply with this **APS** may result in a finding of misconduct in terms of the **IFoA's Disciplinary Scheme**.

3.2. This **APS** uses the word “must” to mean a specific mandatory requirement.

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

#### 4. Definitions

<b>Term</b>	<b>Definition</b>
<b>Actuarial Work</b>	Work undertaken by a <b>Member</b> 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.
<b>Actuaries' Code</b>	The ethical professional code for <b>Members</b> issued by the Institute and Faculty of Actuaries.
<b>APS</b>	Actuarial Profession Standard issued by the Institute and Faculty of Actuaries.
<b>Appropriate Arrangements</b>	<p>These are not prescribed and may take one or many forms, depending upon the particular circumstances and taking into account any relevant legal duties. They might include, for example:</p> <ul style="list-style-type: none"><li>• the scope and extent of professional indemnity insurance (PII) applicable to the <b>Organisation's Actuarial Work</b></li><li>• the terms of the contract between the <b>Client</b> and the <b>Member</b> and/or his or her employer;</li><li>• the resources available to the <b>Member's</b> employer; and/or</li><li>• the personal financial resources of the <b>Member</b>.</li></ul>
<b>Client</b>	The person, including a corporate entity, for whom the <b>Actuarial Work</b> is produced
<b>External Actuarial Work</b>	<b>Actuarial Work</b> provided to a <b>Client</b> that is external to the <b>Organisation</b> .
<b>IFoA</b>	The Institute and Faculty of Actuaries.

**IFoA's Disciplinary Scheme** The currently in force Disciplinary Scheme of the Institute and Faculty of Actuaries, as may be amended from time to time.

**Member** A member of the Institute and Faculty of Actuaries.

**Organisation** A corporate entity, including, for example, companies, partnerships and Sole Traders.

**Principal** A Member who is responsible for, or has material input into, determining any measures taken by that Member's **Organisation** to compensate **Clients** for loss caused by professional shortcomings, or deciding alternative arrangements in relation to liability.

NOT YET IN FORCE



## APS X5: – COMPENSATION FOR PROFESSIONAL SHORTCOMINGS

**Version:** 1.0, effective from ~~1~~ 20 November 2020

**Purpose:** The purpose of this **APS** is to set out requirements for **Members** that are **Principals** in **Organisations** that provide **Actuarial Work** to external **Clients**, to have in place measures relating to compensation of **Clients**, or alternative arrangements relating to liability, for loss caused by professional shortcomings relating to that actuarial work.

### 1. Appropriate Arrangements

1.1. A **Member** ~~that~~who is a **Principal** in an **Organisation** that provides actuarial services to external **Clients** must consider the potential for those **Clients** to suffer reasonably foreseeable loss, whether direct or indirect, caused by negligence, breach of duty of care or equivalent legal liability in relation to the **External Actuarial Work** provided and ensure that **Appropriate Arrangements** are in place in relation to compensation for such loss.

2. A **Member** ~~that~~who is a **Principal** in an **Organisation** that provides actuarial services to external **Clients** must ensure that they are in a position to justify the **Appropriate Arrangements** they have in place in relation to 1.1, if reasonably called upon to do so to.

### 3. Interpretation and application

3.1. A failure to comply with this **APS** may result in a finding of misconduct in terms of the **IFoA's Disciplinary Scheme**.

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#### 4. Definitions

<b>Term</b>	<b>Definition</b>
<b>Actuarial Work</b>	Work undertaken by a <b>Member</b> 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.
<b>Actuaries' Code</b>	The ethical professional code for <b>Members</b> issued by the Institute and Faculty of Actuaries.
<b>APS</b>	Actuarial Profession Standard issued by the Institute and Faculty of Actuaries.
<b>Appropriate Arrangements</b>	<p>These are not prescribed and may take one or many forms, depending upon the particular circumstances and taking into account any relevant legal duties. They might include, for example:</p> <ul style="list-style-type: none"><li>• the scope and extent of professional indemnity insurance (PII) applicable to the <b>Organisation's Actuarial Work</b></li><li>• the terms of the contract between the <b>Client</b> and the <b>Member</b> and/or his or her employer;</li><li>• the resources available to the <b>Member's</b> employer; and/or</li><li>• the personal financial resources of the <b>Member</b>.</li></ul>
<b>Client</b>	The person, including a corporate entity, for whom the <b>Actuarial Work</b> is produced
<b>External Actuarial Work</b>	<b>Actuarial Work</b> provided to a <b>Client</b> that is external to the <b>Organisation</b> .
<b>IFoA</b>	The Institute and Faculty of Actuaries.

**IFoA's Disciplinary Scheme**

The currently in force Disciplinary Scheme of the Institute and Faculty of Actuaries, as may be amended from time to time.

**Member**

A member of the Institute and Faculty of Actuaries.

**Organisation**

A corporate entity, including, for example, companies, partnerships and Sole Traders.

**Principal**

A Member ~~who is a Partner, Director, Senior Manager, or holds an equivalent senior position, within an Organisation, or any Member who is otherwise~~ responsible for, or has material input into, determining any measures taken by that Member's Organisation to compensate **Clients** for loss caused by professional shortcomings, or deciding alternative arrangements in relation to liability.

NOT YET IN FORCE



Institute  
and Faculty  
of Actuaries

# Compensation for Professional Shortcomings

Guide on APS X5: Compensation for  
professional shortcomings

by the Regulation Board

Not yet in force

November 2020

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Not yet in



## 1. Introduction

- 1.1. This Guide is issued by the Regulation Board of the IFoA. Its purpose is to aid Members' understanding of the requirements of **APS X5: Compensation for Professional Shortcomings** (APS X5) and help those Members to whom it applies to meet their professional responsibilities under it.
- 1.2. The purpose of APS X5 is to set out requirements for Members who are Principals in Organisations that provide actuarial work to external Clients, to have in place measures relating to compensation of Clients, or alternative arrangements relating to liability, for loss caused by professional shortcomings relating to that actuarial work.
- 1.3. This Guide includes background information about the rationale and aims of APS X5 and explains its scope and application.
- 1.4. Recognising that there will be a variety of different suitable approaches, this Guide also provides some examples of what appropriate arrangements for compensation might be and the types of considerations Members who are Principals might wish to have in mind when determining what measures to put in place.
- 1.5. The Guide also contains, at Appendix 2, some useful information about professional indemnity insurance (PII) and some considerations that Members might want to have regard to when procuring this type of cover, recognising that, while PII is not compulsory in terms of APS X5, it is one of a range of Appropriate Arrangements that may be adopted.
- 1.6. Members must at all times remember the obligations imposed on them by the Actuaries' Code (the Code).
- 1.7. This Guide imposes no obligation upon Members over and above those embodied in the Actuaries' Code or APS X5.
- 1.8. While the Guide may be referred to and considered in the course of disciplinary proceedings it will not necessarily provide a defence to allegations of misconduct.
- 1.9. The defined terms used in APS X5 apply to this Guide.

## **2. Preliminary consideration – minimising risk**

- 2.1. The IFoA's regulatory framework, including the Actuaries' Code and Actuarial Profession Standards (the "Framework"), imposes on Members a number of professional requirements relevant to carrying out actuarial work for external clients. For example, the Actuaries' Code requires that Members respect confidentiality, carry out work with competence and care, act impartially and communicate accurately, while APS X2: Review of Actuarial Work imposes requirements in relation to Work Review and Independent Peer Review.
- 2.2. Compliance with the Framework, as well as any other relevant professional standards, should mean that the risk of loss to users of actuarial work caused by professional shortcomings is minimised and the potential for subsequent claims for compensation for loss is reduced.
- 2.3. It can therefore be helpful to ensure wherever possible that operational policies and procedures that are applicable to actuarial work within an Organisation effectively take account of the Framework

## **3. APS X5: Key provisions and principles**

### **Background**

- 3.1. Wherever they are working in the world, Members will generally have legal duties to Clients, whether as a result of direct contractual relationships or indirectly through their employers, to make sure that when they provide a service it is carried out to a certain standard. In many jurisdictions, this is expressed as having a duty of care. The requirements of a duty of care usually include working to appropriate professional standards and considering how advice may influence the decision making or judgement of users.
- 3.2. APS X5 has three particular aims:
  - i. To ensure reasonable provisions are in place in relation to compensation of Clients of External Actuarial Work for loss caused by the professional shortcomings of Members, or to ensure alternative arrangements relating to liability are in place;
  - ii. To raise awareness and encourage Members, particularly sole practitioners and those working for firms with insufficient resources, who could find themselves personally liable for compensation, to ensure they are adequately protected; and
  - iii. To be proportionate, balancing the need for appropriate protection for users of actuarial services against the need for sufficient and appropriate flexibility to ensure Members are not subject to an unreasonably onerous burden.

## Key provisions of APS X5

- 3.3. APS X5 requires Members who are Principals in Organisations that provide actuarial services to external Clients to consider the potential for those Clients to suffer loss, in relation to the External Actuarial Work provided and ensure that Appropriate Arrangements in relation to compensation for such loss, or alternative arrangements in relation to liability, are in place.
- 3.4. APS X5 also includes the further general requirement that Members who are Principals in Organisations that provide actuarial services to external Clients must ensure that they are in a position to justify the appropriate arrangements that they have in place, if reasonably called on to do so. This may be in response to a request from the IFoA for example.
- 3.5. Members who are Principals are encouraged to document their reasoning at the time any Appropriate Arrangements are made, however such justification can also be provided at a later stage, on request.

## Scope and application of APS X5

- 3.6. APS X5 applies to Members who are Principals in Organisations that provide actuarial work to external Clients.
- 3.7. A Principal of an Organisation is defined in APS X5 as:

*A Member who is responsible for, or has material input into, determining any measures taken by that Member's Organisation to compensate Clients for loss caused by professional shortcomings or deciding alternative arrangements in relation to liability.*
- 3.8. In most cases it will be clear whether or not a Member is a Principal of an Organisation. Principals will typically hold a senior position within an Organisation, for example a Partner, Director or Senior Manager, and have responsibility for how that Organisation is run, however not all Members holding senior positions will necessarily fall within the definition of 'Principal'. Members are expected to exercise judgement in determining whether or not they fall within the definition.
- 3.9. APS X5 does not impose any obligations upon Members who do not fall within the definition of a 'Principal'. Members who are not caught within the definition are entitled to satisfy themselves about the Appropriate Arrangements in place within their organisation however they do not have any responsibilities in terms of APS X5.
- 3.10. APS X5 applies to all practice areas and is not limited in terms of geographic scope.

- 3.11. The requirements of APS X5 only apply to Principals in Organisations that provide External Actuarial Work so would not apply where the work is provided for an Organisation's own use rather than that of an external Client, for example where actuaries are working in-house for insurance companies.
- 3.12. In some Organisations, those responsible for determining measures to compensate clients for loss or other appropriate arrangements may not be a member of the IFoA and therefore not subject to the requirements of APS X5.

#### 4. Appropriate Arrangements

- 4.1. Appropriate Arrangements, in terms of paragraph 1.1 of APS X5, are not prescribed and may take one or many forms, depending upon the particular circumstances in each case and taking into account any relevant legal duties. They might include:
- i. **The scope and extent of any PII applicable to the work.** Having PII cover would generally satisfy the requirement to have Appropriate Arrangements in place, providing cover is adequate. For further information on PII please see Appendix 2 of this Guide.
  - ii. **The terms of the contract between the Client and the Organisation.** This might include, for example, agreement in the contract with the Client on the scope of the advice being provided and any limitations in relation to the potential liability for any losses. Another Appropriate Arrangement might be a ring-fencing arrangement to ensure a Client has a prior claim on assets in insolvency.
  - iii. **The terms of the contract between a Member and their employer or other organisations for which they work.** For example, there may be terms setting out matters for which responsibility is accepted by the employer and the extent of any indemnity provided to the Member. In many circumstances, a Member's employer will be vicariously liable for the actions of the employee.
  - iv. **The Organisation's own resources.** An Organisation may have its own resources, for example PII or business insurance, to cover any claims for liability.
  - v. **The personal financial resources of a Member.** Relying solely on this could be risky for both Member and Client and is not encouraged unless the Member has sufficient means to provide reasonable and proportionate compensation.
- 4.2. In many instances a combination of measures might be adopted as Appropriate Arrangements. In a large consultancy for example, appropriate PII together with contractual provisions dealing with liability might be adopted to provide adequate compensation for loss. PII is however not universally available or it may be available only at a disproportionate cost (an example might be

where a firm or individual based in the UK provides advice to US clients). In such circumstances, other Appropriate Arrangements might be adopted in combination, such as: mutually agreed contractual provisions limiting liability, together with the organisation/individual's own resources and other measures such as the ring-fencing arrangement set out in paragraph 4.1(ii) above.

- 4.3. Members who are Principals are expected to use their professional judgement when determining whether an arrangement is 'Appropriate' in all of the circumstances of the particular case.
- 4.4. A contract between an actuarial firm and a commercial client that limits or excludes liability may, for example, be a permissible form of 'Appropriate Arrangement' if the terms are lawful and the limitations are reflected in the fee agreed by the Client for those services.
- 4.5. Other arrangements, for example pro-forma contracts with a consumer client which contain very broadly drafted limitation or exclusion of liability provisions may not be considered an 'Appropriate Arrangement' depending on the nature of those arrangements. An example of this could be a Member valuing pensions on divorce for members of the public through a limited company with little assets and without PII, relying instead on generic contractual clauses to avoid liability in a situation in which their client is unlikely to understand the significance of these.
- 4.6. Some types of liability cannot be excluded. Members are advised to seek legal advice in relation to contractual arrangements which contain provisions limiting or excluding liability.

## 5. Contact us

- 5.1. 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:

**Regulation Team (Ref: APS X5)**  
**The Institute and Faculty of Actuaries**  
**Level 2, Exchange Crescent**  
**7 Conference Square**  
**Edinburgh**  
**EH3 8RA**

*or*

- 5.2. Members may also use the IFoA's Professional Support Service (PSS), which is a free guidance service that can assist with any professional or technical actuarial matters including queries about the appropriate standards to apply to a piece of work. Queries can be submitted through the IFoA's website using the PSS form<sup>1</sup>.

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<sup>1</sup> <https://www.actuaries.org.uk/upholding-standards/professional-support-service/submit-query-professional-support-service>

## Appendix 1

### APS X5: – COMPENSATION FOR PROFESSIONAL SHORTCOMINGS

**Version:** 1.0, effective from 20 November 2020

**Purpose:** The purpose of this **APS** is to set out requirements for **Members** that are **Principals** in **Organisations** that provide **Actuarial Work** to external **Clients**, to have in place measures relating to compensation of **Clients**, or alternative arrangements relating to liability, for loss caused by professional shortcomings relating to that actuarial work.

#### 1. **Appropriate Arrangements**

1.1. A **Member** who is a **Principal** in an **Organisation** that provides actuarial services to external **Clients** must consider the potential for those **Clients** to suffer reasonably foreseeable loss, whether direct or indirect, caused by negligence, breach of duty of care or equivalent legal liability in relation to the **External Actuarial Work** provided and ensure that **Appropriate Arrangements** are in place in relation to compensation for such loss.

2. A **Member** who is a **Principal** in an **Organisation** that provides actuarial services to external **Clients** must ensure that they are in a position to justify the **Appropriate Arrangements** they have in place in relation to 1.1, if reasonably called upon to do so to.

#### 3. **Interpretation and application**

3.1. A failure to comply with this **APS** may result in a finding of misconduct in terms of the **IFoA's Disciplinary Scheme**.

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

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

#### 4. Definitions

Term	Definition
<b>Actuarial Work</b>	Work undertaken by a <b>Member</b> 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.
<b>Actuaries' Code</b>	The ethical professional code for <b>Members</b> issued by the Institute and Faculty of Actuaries.
<b>APS</b>	Actuarial Profession Standard issued by the Institute and Faculty of Actuaries.
<b>Appropriate Arrangements</b>	<p>These are not prescribed and may take one or many forms, depending upon the particular circumstances and taking into account any relevant legal duties. They might include, for example:</p> <ul style="list-style-type: none"><li>• the scope and extent of professional indemnity insurance (PII) applicable to the <b>Organisation's Actuarial Work</b></li><li>• the terms of the contract between the <b>Client</b> and the <b>Member</b> and/or his or her employer;</li><li>• the resources available to the <b>Member's</b> employer; and/or</li><li>• the personal financial resources of the <b>Member</b>.</li></ul>
<b>Client</b>	The person, including a corporate entity, for whom the <b>Actuarial Work</b> is produced
<b>External Actuarial Work</b>	<b>Actuarial Work</b> provided to a <b>Client</b> that is external to the <b>Organisation</b> .
<b>IFoA</b>	The Institute and Faculty of Actuaries.
<b>IFoA's Disciplinary Scheme</b>	The currently in force Disciplinary Scheme of the Institute and Faculty of Actuaries, as may be amended from time to time.

<b>Member</b>	A member of the Institute and Faculty of Actuaries.
<b>Organisation</b>	A corporate entity, including, for example, companies, partnerships and Sole Traders.
<b>Principal</b>	A Member who is responsible for, or has material input into, determining any measures taken by that Member's <b>Organisation</b> to compensate <b>Clients</b> for loss caused by professional shortcomings, or deciding alternative arrangements in relation to liability.

Not yet in force

## Appendix 2

### Professional Indemnity Insurance

1. Professional Indemnity Insurance (PII) provides an indemnity to individuals and/or firms who are insured in the event of their incurring a liability to pay damages, for example, as a result of negligence. It may also meet legal and other defence costs.
2. In certain circumstances PII may be required by law or other regulations. An example is the requirement under the IFoA's Designated Professional Bodies regime for licensed firms to have PII in place. PII may also be stipulated as a contractual requirement by a Client for specified categories of work.
3. PII is not always universally available or may only be available at disproportionate cost and/or with significant coverage limitations. If so, other arrangements may need to be considered either to provide compensation for loss or to make other arrangements in relation to liability.
4. When relying on PII, Members who are Principals are expected to consider the cover and be satisfied that it is reasonable in the circumstances. Principals procuring PII on behalf of an Organisation are encouraged to take account of the following considerations:

#### Scope of cover

5. When considering the scope of any cover, the following factors are likely to be relevant:
  - i. The risk exposure involved in the type of work undertaken, with regard to potential for individual losses and accumulation of claims over time; and
  - ii. Appropriate advice, e.g. from a broker, that reasonably balances best practice and cost.

#### Limit of Indemnity

6. There is no one-size-fits-all approach to quantifying a reasonable and proportionate limit of indemnity. Consideration of the following factors can assist:
  - i. Estimation of maximum reasonably envisaged risk exposure both in terms of the maximum individual loss and the scope for accumulations of claims within any 12-month period, by virtue of the nature of the work and the scale of activity within the organisation. Identifying those who are at risk as a result of work undertaken, either directly or through a clearly defined contractual chain should assist in determining whether any claim for compensation might be expected to be made directly or through another party in any contractual chain, or both;
  - ii. The costs of defending a claim for compensation;
  - iii. Comparison, if available, with the approach adopted by colleagues or similar organisations;

- iv. Levels and terms of indemnity available, including excesses applied; and
- v. Proportionality of cost.

### **Levels of Excess**

- 7. Members who are Principals will be expected to use their judgement, taking into account their Organisation's particular circumstances, to ensure that any level of excess for PII cover can be covered by other Appropriate Arrangements.

### **Run-off Cover**

- 8. Most PII policies are provided on a claims-made basis, rather than a claims-occurring basis.
- 9. A claims-made basis covers claims that are made and reported during the policy period only and not once the policy period is over.
- 10. A claims-occurring basis covers claims that occur during the policy period irrespective of when the claim is made.
- 11. In order to cover claims that arise from actions carried out during the policy period but made after the end of claims-made policy, for example on retirement, it is likely to be appropriate to consider, if available, purchasing run-off cover that lasts until at least the legal limitation for the type of claims that could be made within any relevant jurisdiction. For example, the limit for most types of claim in England and Wales is six years; in Scotland it is five years. It should be noted, however, that limitation periods can be longer and Members who are Principals would be expected to consider whether, taking into account the particular circumstances, it is reasonable and proportionate to have a longer period of run-off cover. It may be sensible to seek legal advice on limitation periods applicable to the work covered and the relevant jurisdiction.

### **Errors and omissions cover**

- 12. Where the conclusion is that PII is not required, for example because of the financial strength of an Organisation, or an Organisation's PII cover is limited, Members who are Principals may wish to ensure that the Organisation will provide an indemnity in respect of personal liability for any errors or omissions.
- 13. If such an indemnity is not forthcoming, PII cover can be arranged in a Member's own name against claims made by third parties, but this might not cover claims brought by an employer.

## **APPENDIX 4: LIST OF RESPONDENTS TO THE CONSULTATION**

### **Individual Respondents**

Allan Martin  
Deborah Cooper  
John Prior  
Neha Mundhara  
Paul McHugh  
Paul Meins

### **Organisations which responded**

ACMCA Limited  
Aon  
Barnett Waddingham LLP  
Government Actuary's Department  
Lane, Clark & Peacock  
Mercer Ltd  
Paul G Meins  
XPS Pensions

## Appendix 5: Responses to the Consultation Questionnaire

The following is a breakdown of the responses provided to the consultation questionnaire. Where respondents requested that their feedback be kept confidential, their comments have been redacted in this Appendix (although they have been considered by the Working Party).

### Q1: Personal information

ANSWER CHOICES	PERCENT	RESPONSE COUNT
Name	88	16
Position	94	17

### Q2: Position

	RESPONSES
1	Partner
2	Partner
3	Partner, Lane Clark & Peacock
4	Director
5	Partner
6	Senior Actuary
7	Head of Technical and Professional
8	Principal Consultant
9	Director
10	Head of Consulting & Advisory Services
11	N/a
12	Actuarial Advisor
13	CFO
14	student
15	actuary
16	Actuarial Consultant
17	Managing Director

### Q3: Region

ANSWER CHOICES	RESPONSES	RESPONSE COUNT
UK	72.22%	13
Republic of Ireland	5.56%	1
Rest of Europe	5.56%	1
South Africa	0.00%	0
Africa - other	0.00%	0
South East Asia	0.00%	0
Hong Kong	0.00%	0
China	0.00%	0
India	5.56%	1
Asia - other	0.00%	0
Canada	5.56%	1
USA	0.00%	0
South or Central America	0.00%	0
Australia	0.00%	0
Oceania – other	5.56 %	1

### Q4 Are you a Member of the IFoA?

18

ANSWER CHOICES	RESPONSES	RESPONSE COUNT
Yes	94.44%	17
No	5.56 %	1

TOTAL

18

### Q5 If yes, which category of membership do you hold?

ANSWER CHOICES	RESPONSES	RESPONSE COUNT
Affiliate	0.00%	0
Associate	5.88%	1
Certified Actuarial Analyst	0.00%	0
Fellow	82.35%	14
Honorary Fellow	0.00%	0

Retired	0.00%	0
Student	11.76%	2
Student Actuarial Analyst	0.00 %	0
TOTAL		17

**Q6 If you are an Actuary, what is your main practice area? (Answer one option only)**

ANSWER CHOICES	RESPONSES	RESPONSE COUNT
Life Assurance	11.11%	2
General Insurance	16.67%	3
Pensions	44.44%	8
Finance and Investment	0.00%	0
Enterprise Risk Management	0.00%	0
Health and Care	0.00%	0
Resource and Environment	0.00%	0
Other (please specify)	27.78 %	5

#	OTHER (PLEASE SPECIFY)
1	Range of advice to government
2	██████████
3	N/A
4	Litigation support
5	Software services

**Q7 Do you want your name to retain confidential**

ANSWER CHOICES	RESPONSES	RESPONSE COUNT
Yes	44.44%	8
No	55.56%	10

TOTAL		18
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**Q8 Do you want your comments to remain confidential?**

ANSWER CHOICES	RESPONSES	RESPONSE COUNT
Yes	38.89%	7
No	61.11%	11

TOTAL		18
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### Q9 Name of your organisation (if applicable)

#	RESPONSES
1	XPS Pensions
2	Barnett Waddingham LLP
3	██████████
4	Mercer Ltd
5	██████████
6	Government Actuary's Department
7	Aon
8	ACMCA Limited
9	██████████
10	N/a
11	██
12	██████████
13	██

### Q10 Type of organisation (answer one option only)

ANSWER CHOICES	RESPONSES	RESPONSE COUNT
Actuarial consultancy	55.56%	10
Insurance company or reinsurer	5.56%	1
Bank or Building Society	0.00%	0
Investment Firm	0.00%	0
Public Body or Regulator	22.22%	4
Educational Establishment	0.00%	0
Not applicable	5.56%	1
Other (please specify)	11.11%	2

TOTAL	18
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#	OTHER (PLEASE SPECIFY)
1	██
2	██████████

### Q11 How many IFoA Members (if any) does your organisation employ?

ANSWER CHOICES	RESPONSES	RESPONSE COUNT
None	0.00%	0
2-10	16.67%	3
11-50	5.56%	1
51-100	5.56%	1
101 + Members	38.89%	7
Sole practitioner	22.22%	4
Don't know	0.00%	0
Not applicable	11.11%	2

TOTAL		18
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### Q12 Do you want the name of your organisation to remain confidential?

ANSWER CHOICES	RESPONSES	RESPONSE COUNT
Yes	55.56%	10
No	44.44 %	8

TOTAL		18
TOTAL		18

### Q13 Do these comments represent your own personal views or your organisation's views?

ANSWER CHOICES	RESPONSES	RESPONSE COUNT
Personal views	44.44%	8
Organisation's views	22.22%	4
Both personal and organisation's	33.33%	6

TOTAL		18
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TOTAL

18

**Q14 Do you agree with the proposal to withdraw GN30 and introduce a new APS in its place?**

ANSWER CHOICES	RESPONSES	RESPONSE COUNT
Yes	88.89%	16
No	11.11%	2
TOTAL		18

#	COMMENTS (PLEASE SPECIFY):
1	We agree with the logic for removal and replacement – GN30 is not consistent with the IFoA’s principles-based regulatory standards and is also significantly out of date.
2	We welcome the move in line with the IFoA's other principles-based standards.
3	Much of the content of GN30 is still relevant. However, we agree that the format of GN30 is not fit for purpose, for the reasons given in the consultation, and therefore that it should be withdrawn and replaced by a short, principles-based regulatory standard, accompanied by a more detailed guide.
4	A principles approach is indeed best
5	■

**Q15 Overall do you think that the requirements contained in the proposed APS X5 are relevant and appropriate?**

ANSWER CHOICES	RESPONSES	RESPONSE COUNT
Yes	83.33%	15
No	16.67%	3
TOTAL		18

#	COMMENTS (PLEASE SPECIFY):
1	We were broadly comfortable with the provisions in GN30. While we understand that 'responsibility' in this context, should be interpreted differently depending on a Member's position in an organisation, we do not agree with the decision to restrict the responsibility for there to be appropriate arrangement in place to protect clients' interests to 'principals'. See answer to question 17 for further comments.
2	In particular, we welcome that a variety of arrangements may be considered appropriate.
3	While we appreciate the rationale behind principle 2 (incidentally we wonder if this should be a subparagraph of principle 1, we can see resistance to 'justifying' the appropriate arrangements where some arrangements are commercially sensitive.
4	■
5	■

**Q16 Do you think that Members' obligations under the proposed APS X5 are clearly set out?**

ANSWER CHOICES	RESPONSES	RESPONSE COUNT
Yes	72.22%	13
No	27.78%	5

TOTAL	18
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#	COMMENTS (PLEASE SPECIFY):
1	Whilst we note that the accompanying guide to APSX5 refers to the requirements for actuaries to seek appropriate work / peer review per APS X2, we believe the obligation to consider ways in which risk can be reduced should be emphasised further in the text of the guide, replicating the broad requirements at para 2.1.1 of GN30. This would be in keeping with the philosophy of “doing the right thing” (ie ensuring that advice is of the highest quality) rather than focussing solely on the rectification / compensation processes (ie “prevention is better than cure”).
2	Members of the Institute and Faculty of Actuaries in general no longer have any responsibilities under APS X5. However, the guidance, which says it does not impose any obligations on members over and above those in APS X5 suggests Members in general should consider whether the policies adopted by their 'principals' are appropriate and suggests they should seek legal advice.
3	We appreciate the clarity and brevity of the standard.
4	However we think that it could be made clearer that paragraphs 1.1 and 2 apply to sole practitioners as well as larger organisations (rather than relying on the definitions of 'Organisation' and 'Principal' in paragraph 4, which themselves could be made clearer for the same reason)
5	With the caveat of the Principal's bigger obligations!
6	[REDACTED]
7	[REDACTED]
8	[REDACTED]

**Q17 Do you agree that the scope of APS X5 is appropriate? (i.e that it should be limited to Members that are Principals in Organisations that provide actuarial work to external Clients)**

ANSWER CHOICES	RESPONSES	RESPONSE COUNT
Yes	72.22%	13
No	22.22%	4

TOTAL	18
-------	----

COMMENTS (PLEASE SPECIFY)	
1	
2	<p>Our reading of the APS suggests that the scope will be extended from that of GN30, so that instead of individuals being responsible for their own clients, principals would become responsible for the clients of all actuaries in the firm (including other principals). For example compare the wording of paragraph 1.1 of the draft APS X5 and 1.2 of GN30. We wonder whether this was the intention of the IFoA?</p> <p>Furthermore, it is unlikely that individuals who are not Principals within their organisation are in a position to influence whether or not appropriate mechanisms / PII cover are in place. Nevertheless, the accompanying guide could spell out that it would be good practice for said Principals to ensure that other advising actuaries at the same firm are made aware of (and can be appropriately reassured that) the appropriate arrangements are in place.</p>
3	<p>We disagree for two reasons: 1) The definition of "Principals" is quite wide. In a large firm providing traditional actuarial services it could include a large number of people, resulting in confused responsibilities, particularly since different policies would need to be in place to appropriately address clients' needs. For example, in a large firm, providing a range of actuarial and non-actuarial services, decisions relating to the appropriate level of insurance to provide could be taken by leaders who are not members of the IFoA and who have no direct relationship with it, while decisions regarding work review and limits of liability could be taken more locally. The position of Members employed by organisations with no Members that meet the definition of Principal is also unclear. In our view, the responsibility of any Member should be to be comfortable that the arrangements overall are appropriate; however, they need not have any responsibility or authority (as implied in the guidance) for ensuring a particular arrangement is in place and we would expect the level of responsibility expected would be commensurate with the individual Member's role. 2) Although the guidance attempts to clarify the definition of a Principal, it does not do so satisfactorily. For example, several firms have "partners", but even in partnerships they are not always decision makers in relation to the business (e.g. "salaried partners"); similarly; "senior managers" covers a wide range of responsibilities. Our view is that the responsibility for implementing arrangements designed to protect clients from negligence should rest with the organisation, with members taking responsibility for ensuring that they are content that the arrangements in place provide clients with appropriate protection. This seems to be the effect of GN30. As the consultation remarks that GN30 has worked well, we see no need to upset</p>
4	<p>Unsure: this appears to be a departure for IFoA guidance, in effect aiming to regulate organisations by placing obligations on Members who are Principals in those organisations. We understand the reasons given for this and assume that consistency of this approach with other parts of actuarial guidance and regulation has been considered. In particular we note the shift in emphasis here from a responsibility on all actuaries to that on senior actuaries in firms and compare this to the IFoA's disciplinary framework where individuals are responsible for their own professional conduct regardless of their seniority or influence within their firm. One point to consider further is that an organisation which does not have any Member Principals would not be covered by this guidance even where a member in that organisation is providing actuarial services to external clients.</p>

5	See answer to question 16 above.
6	Broadly yes, but that does rely on firms controlling all members!
7	[REDACTED]

**Q18 Do you think the key terms within the proposed APS X5 are sufficiently well defined? If no, which of these terms would you amend?**

ANSWER CHOICES	RESPONSES	RESPONSE COUNT
Yes	44.44%	8
No	55.56%	10
TOTAL		18

#	COMMENTS (PLEASE SPECIFY)
1	[REDACTED]
2	We think that the definition of “Principal” should be adjusted to make clear that it is only those who are responsible for making decisions in this area that are within scope. A first reading of the definition suggests that many Members within an Organisation could be in scope, when the intention is that it is likely to be only a handful, such as an Executive Board. Could the definition be simply as follows? A Member who is responsible for, or has material input into, determining any measures taken by the Member’s Organisation to compensate Clients for loss caused by professional shortcomings, or deciding on alternative arrangements relating to liability. We suggest that mention of Partner, Director, Senior Manager, or Members holding an equivalent senior position be put into the guidance as examples of those who might be a “Principal”. We also suggest that the guidance make clear that an Organisation could have more than one Principal.
3	See answer to question 16 in relation to "Principal". Regarding "Appropriate arrangements", GN30 says that these could include work review and other operational processes designed to reduce the risk of negligence and human error in work delivered to clients. These sorts of measures should continue to be taken into account when considering what "appropriate arrangements" are made to protect clients' interests. It could be that the IFoA believes the existence of APS X2 means this matter no longer needs to be mentioned explicitly, but we think it is odd not to refer to it, particularly as the requirements of APS X2 are by no means exhaustive in terms of producing high quality work.

4	'Principal' - should it include prescribed names (i.e. Partner, Director, Senior Manager)? If the intention is that this should refer to 'any member is responsible for, or has input into, determining any measures....' it could be reworded to make this the main point of the definition. Currently it is not completely clear that this is the important aspect of the definition, and the named titles are just examples of those people who would be the relevant decision makers.
5	In general, yes, key terms are clearly defined. One point to consider further is that the 2nd sentence of paragraph 3.8 of the draft guidance implied (to us) a higher level of seniority to be considered a Principal than the definition in the proposed APS X5 (in particular, the use of the phrase 'Senior Manager' in the definition). We assume the IFoA's intention is as set out in paragraph 3.8 of the draft guidance and therefore the APS X5 definition might need to be amended. For information, we plan to exercise our judgment in the interpretation of 'Principal', 'Organisation' and 'External Client Work'in relation to GAD's position as a Crown Body.
6	See answer to question 16 above. In addition, the definition of 'Principal' is unclear as to whether all members who are 'Partner, Director, Senior Manager, or [hold] an equivalent senior position within an organisation' are covered by the APS or whether the APS should cover just those who are 'responsible for, or [have] input into, determining any measures taken by that organisation to compensate clients for loss caused by professional shortcomings'. We think it should be the latter. In reality, most senior employees in large global firms have no ability to influence levels of PII, particularly when it may be bought and sourced outside of the UK.
7	Actuarial advice; Needs care in terms of the perceptions of others - many may think anything an actuary says is actuarial advice.
8	[REDACTED]
9	[REDACTED]

**Q19 Overall, do you agree that the proposed APS X5 is relevant and appropriate for Members working outside of the UK?**

ANSWER CHOICES	RESPONSES	RESPONSE COUNT
Yes	56.25%	9
No	18.75%	3

TOTAL

16

#	COMMENTS (PLEASE SPECIFY)
1	No comment
2	We expect so.
3	No comment
4	No comment: all of GAD's Members are based in the UK.
5	We believe that global nature of work means that the standard should apply equally overseas.
6	[REDACTED]
7	[REDACTED]

**Q20 Have you previously ever experienced any difficulty in procuring PII?**

ANSWER CHOICES	RESPONSES	RESPONSE COUNT
Yes	11.76%	2
No	82.35%	14

TOTAL 16

#	COMMENTS (PLEASE SPECIFY)
1	GAD's position as a Crown Body is atypical. We would be happy to discuss this further if that would be helpful to you.
2	The consultation indicates that this question is more pertinent to smaller firms and sole practitioners, so comment from us is not relevant.
3	However I've had lots of questions on DB -> DC transfers and more recently on any investment of financial advice (retail and institutional).
4	[REDACTED]
5	n/a
6	[REDACTED]
7	[REDACTED]

**Q21 Do you have any other comments on the requirements and provisions of the proposed APS X5?**

ANSWER CHOICES	RESPONSES	RESPONSE COUNT
Yes	22.22%	4
No	77.78%	14

TOTAL 18

#	COMMENTS (PLEASE SPECIFY)
1	We suggest that you make clear on the face of the APS that it applies to all practice areas and is not limited in geographic scope (as stated in para 3.9 of the guidance). In some APSs there is a Target Audience descriptor before the APS starts, so perhaps something like this could be used.
2	Related to our answer to question 16, we believe it should be made clearer that the disciplinary requirements apply onto to those members who meet the definition of principal set out in the standard (once that definition is clarified - see our comments elsewhere).
3	[REDACTED]
4	[REDACTED]
5	[REDACTED]

### Q22 Do you agree with the proposal to introduce a Guide to accompany APS X5?

ANSWER CHOICES	RESPONSES	RESPONSE COUNT
Yes	83.33%	15
No	16.678%	3

TOTAL

18

#	COMMENTS (PLEASE SPECIFY)
1	It particularly makes sense with this material; GN30 being a mixture of professional standards and non-mandatory guidance.
2	Generally, our view is that the IFoA should aim to produce standards that can be interpreted with confidence, without the need for additional guidance. We recognise that this is not always the case; sometimes the subject area covered is complex, and further explanation can give helpful context. However, this is not the case here. The matters being covered are relatively simple and could be addressed via a slightly longer APS and better definitions. GN30 was just over 4 pages long; we now have a 3-page APS accompanied by 7 pages of guidance (not counting cover pages etc.). This is not progress.
3	However, it needs to be made clearer that while the guide is expanding on the obligations of members who are principals, it is also providing assistance to other members. In this regards it should then be made clearer that it is the responsibility of a member (ie Member in general) either to ensure PII is in place or to receive an indemnity from an employer who confirms appropriate insurance are in place.
4	I found the Guide added obligations on Members who were not Principals.
5	I find that guides are not helpful, either they repeat or they introduce new stuff if the former then what is the point if the latter then what is the status of the new stuff is it required?
6	[REDACTED]

### Q23 Overall, do you consider that the Guide is relevant and helpful for Members?

ANSWER CHOICES	RESPONSES	RESPONSE COUNT
Yes	83.33%	15
No	11.11%	2

TOTAL

18

#	COMMENTS (PLEASE SPECIFY)
1	But the Guide should be clearer as to when it is talking to Principals and when it is talking to Members (see our response to question 26).
2	The content is relevant, but the document should not be necessary.

3	However we think that it is potentially confusing in some areas as to whether it is talking about Members in general or Members who are Principals (e.g. paragraphs 4.1 (iii) & (v), 5.4, 5.12 & 5.13 apply to all Members). In particular, it could leave the impression that (contrary to the APS itself) it places obligations on Members who are not Principals in their organisation. If it is accepted that certain of the paragraphs should be clearly noted as applying to Members in general, other provisions will need to specify that they relate to 'members who are principals' (for example paragraph 3.5 should be addressed to 'members who are principals'). Paragraph 3.8 expands on the 'principal' definition in the APS - but we see this as somewhat confusing.
4	I found it confusing
5	The only thing "new" is the need to maintain cover for a period of years after the event
6	[REDACTED]

**Q24 Overall, do you consider that the Guide is relevant and helpful for Members working outside of the UK?**

ANSWER CHOICES	RESPONSES	RESPONSE COUNT
Yes	50.00%	8
No	18.78%	3
TOTAL		16

#	COMMENTS (PLEASE SPECIFY)
1	No comment
2	We expect this will depend on where they are working. There are a lot of places outside the UK.
3	No comment
4	No comment: all of GAD's Members are based in the UK.
5	As for question 18, the guide would apply equally overseas.
6	But subject to the above comments
7	[REDACTED]
8	Probably
9	[REDACTED]

**Q25 Do you have any suggestions for any additional topics or information that should be included in the Guide?**

ANSWER CHOICES	RESPONSES	RESPONSE COUNT
Yes	11.11%	2
No	83.33%	15
TOTAL		18

#	COMMENTS (PLEASE SPECIFY)
1	[REDACTED]
2	Comments re peer review
3	We suggest that there might be some reference to the fact that firms within the Quality Assurance Scheme have separate requirements when taking action to remedy deficiencies, but that this APS still applies. If it is accepted that the guide is applicable to Members in general, reference could also be made to certain actuaries in reserved roles (such as Scheme Actuaries) who are personally liable for fines or other liabilities incurred because of their appointment. In addition, the question of run off cover is not adequately dealt with in the guidance. Limitation in UK can reach 15 years and it is not clear what the guidance is requiring of Members. Many Members would not think about buying personal PII for this length of time.
4	Just clarification of application to Members who are not Principals
5	[REDACTED]

**Q26 Do you think it would be helpful to have any further guidance (in addition to the Guide) and/or training opportunities in this particular area? If so, what should this guidance/training include?**

ANSWER CHOICES	RESPONSES	RESPONSE COUNT
Yes	22.22%	4
No	77.78%	14
TOTAL		18

#	COMMENTS (PLEASE SPECIFY)
1	We do not think that training specific to the proposed APS is necessary. However, we would expect the matters it refers to, to be covered in more general professional standard training.
2	The IFoA could offer training similar to previous IFoA discussion panels e.g. for Actuaries Code.
3	We have no comments. However, sole practitioners and smaller firms are likely to be better placed to suggest what this should cover.
4	[REDACTED]

**Q27 Do you have any other comments or suggestions in relation to the Guide?**

ANSWER CHOICES	RESPONSES	RESPONSE COUNT
Yes	22.22%	4
No	77.78%	14
TOTAL		18

#	COMMENTS (PLEASE SPECIFY)
1	<p>1. In a number of places the Guide references Members when we think it should only reference Principals (eg paras 1.5, 1.7, 3.5, 4.2, 4.5, 5.4, 5.5, 5.7). 2. Para 2.2 – We suggest that you replace “minimised” with “reduced” or similar wording as we don’t think that compliance with professional standards by themselves minimises the risk of loss to users of actuarial work caused by professional shortcomings. 3. Paras 3.7 and 3.8 – We would amend these in the light of our proposal to adjust the definition of Principal. 4. Para 4.2 arguably is not covered in the APS in which case it ought to be. 5. Para 4.4 – We found this to be rather vague. Without being prescriptive or too directional, should more be said to assist those who contract to provide services to consumer clients judge whether their arrangements are Appropriate Arrangements? 6. Para 4.5 – It is not clear to us what legal advice members are being asked to seek. We suspect that para 4.5 is intended to refer only to para 4.4 but it is not clear. 7. Para 5.3 – Where it says that other arrangements may need to be considered, is the Guide intending to reference those that provide for compensation rather than those that exclude liability? 8. Paras 5.12-5.13 (and possibly parts of 5.4 and 5.11) seem to be directed at a Member rather than a Principal. If the Guide is to say things directed at Members who are not Principals then we suggest that this needs to be in a clearly labelled separate section.</p>
2	Just the above fundamental point on Member obligations for those who are not Principals
3	Paragraph 4.4 of the Guide is not clear. Is it suggesting that in a divorce case, for example, limitation of liability with the parties directly may not be acceptable, although it could if contracting with their solicitors under paragraph 4.3? In what circumstances would limitation of liability be acceptable when working for individuals?

**Q28 Do you anticipate that there would be any practical or resource implications caused by the introduction of these proposals? If yes, what sort of implications do you anticipate?**

ANSWER CHOICES	RESPONSES	RESPONSE COUNT
Yes	33.33%	6
No	66.67%	12
TOTAL		18

#	COMMENTS (PLEASE SPECIFY)
1	Addressing the uncertainty of who, in an organisation, should take ultimate responsibility for the Appropriate Arrangements to be in place could waste unnecessary time and energy.
2	Not for our firm.
3	Confusion over responsibility between Members and Principals
4	[REDACTED]
5	Possibly less work being done for individuals
6	[REDACTED]

