

# 2: Category A monitoring, direct review

2.1 The proposed Category A monitoring will be mandatory for all IFoA PC holders and will involve an IFoA Review Team<sup>2</sup> carrying out a review visit.

## Summary of Category A reviews

2.2 The detail of how the proposed visits will work in practice is set out in **Appendix 1** but, in summary, would involve:

- onsite visits at the PC holder's offices (or other location by agreement);
- an interview between the Review Team and the PC holder;
- review of key pieces of actuarial work relating to the PC holder's role (the specific work to be reviewed will differ between roles and also, to some extent, be informed by the interview process);
- review focused on the requirements of actuarial professional standards (both the ethical and technical standards of the IFoA and FRC), but with sufficient flexibility to allow for the critical exercise of professional judgement;
- a (peer reviewed) report provided to the PC holder with a summary of the reviewers' findings and best practice recommendations (if appropriate);
- the Review Team reporting to the IFoA Regulation Board any emerging themes or issues arising from their work; and,
- publication of regular high-level, anonymised reports of generic findings.

## Duration and frequency of review visits

2.3 More detail on the likely duration and frequency of visits for different PC holders is set out in **Appendix 1**.

2.4 In summary, the duration and frequency of review visits will be determined according to a number of factors, including: the type of PC holder, the number of PC

appointments they hold, the particular work involved, whether the PC holder's employer is QAS accredited, the IFoA's level of comfort given information that may already exist as a result of other industry wide measures already in place to assess the work of certain PC holders, or the extent to which work being carried out with respect to a PC is assessed as part of an internal or external audit<sup>3</sup>.

2.5 The scope of Category A monitoring may change from time to time as the IFoA's requirements to hold PCs change (for example, if new PCs are required for other roles or existing PCs are no longer required<sup>4</sup>).

## QAS adapted process

2.6 An adapted process will apply for PC holders that are employed by an organisation that holds the IFoA's QAS accreditation.

2.7 This will be relevant in two ways. Firstly, it will be taken into account in the risk assessment for the purposes of determining the extent of the review (duration and frequency as well as, for Scheme Actuaries, the number of individual PC holders reviewed). This recognises that the QAS process already involves independent assessment that the organisation is meeting a range of outcomes that support and promote the production of high quality actuarial work and compliance with actuarial standards. Therefore the IFoA already holds more information about the working environment of those PC holders and those organisations have signed up to the additional requirements of the QAS. Secondly, the QAS will be used, at a practical level, to make the process more straightforward and efficient for organisations and PC holders.

2.8 Details of how the process will be adapted for QAS organisations is set out at **Appendix 2**.

2. Made up of a team of paid (not volunteers), suitably qualified and experienced actuaries and other IFoA contracted/employed staff.

3. Detailed proposals on setting the frequency of review for individual PC holders are set out at **Appendix 3**.

4. It is currently anticipated that the category of 'Reviewing Actuary' PC will be recommended for removal by the IFoA's Practising Certificates Review Steering Group and so it is not specifically addressed in these proposals.

## Confidentiality and Protection of Sensitive Information

2.9 A key concern for the IFoA is to provide reassurance to PC holders and their employers about the protection of confidential and/or sensitive information, including personal data, that may be considered as part of Category A monitoring.

2.10 The IFoA already has significant experience of dealing with this type of issue in terms of the QAS assessment visits it carries out and through its disciplinary investigations.

2.11 Therefore the following is proposed:

- the IFoA will provide an undertaking to the employers of PC holders in the form included at **Appendix 5**;
- the process for review visits will be designed so that access to confidential and/or sensitive information is minimised as far as possible – this might include a degree of redaction if that can be applied without affecting the quality of the review;
- appropriate measures in relation to data security will be in place in relation to the IFoA's IT systems;
- where possible, documents and advice will be reviewed onsite at the PC holder's offices and not be removed or copied by the IFoA Review Team;
- reports will be drafted to avoid inclusion of confidential and/or sensitive information other than in exceptional circumstances where necessary to communicate a finding; and,
- the IFoA will have in place appropriate insurance to cover its monitoring activities recognising that these may involve access to confidential and/or sensitive information.

## Use of the Outputs of Reviews

2.12 The reviews will result in reports produced by the Review Team that are shared with the PC holder and will, where appropriate, make best practice recommendations for the PC holder to consider. It will be for the PC holder to decide whether to share the report with their employer. Those reviews will themselves be subject to internal review, to ensure the quality and consistency of the review process, within the Review Team.

2.13 The Review Team will share high-level reports flagging up themes or issues for consideration to the IFoA's Regulation Board. They might also recommend additional thematic reviews or identify areas where particular issues might merit further attention/consideration by the IFoA/FRC.

2.14 The sort of outputs expected to arise as a result of the monitoring are:

- individual reports providing feedback to PC holders, fostering continuous improvement;
- high level, regular, anonymised reports published to summarise the Review Team's findings;
- new IFoA (and FRC) actuarial standards and guidance;
- changes to (or removal of) actuarial standards and guidance;
- changes to the qualification requirements for actuaries;
- publication of additional educational material;
- CPD events and roundtable sessions arranged on relevant topics; and,
- relevant issues incorporated into Professional Skills Training materials.

2.15 The focus of the monitoring activity is therefore on continuous improvement and on gathering information to improve standards, guidance and educational materials and activities.

2.16 If, as a result of the review, the Review Team has a serious concern about a particular PC holder's suitability to be a PC holder then they would flag that in their report and share those concerns with the PC holder, who would have an opportunity to respond. If, after receiving the response, the Review Team remains concerned then their report will be passed to the Practising Certificates Committee (PCC) along with the PC holder's response for the PCC to decide whether further steps are required. It is expected that this will occur only in circumstances of significant concern (and not just as a result, for example, of best practice recommendations).

2.17 It is also possible that the Review Team may, in serious cases, identify instances of potential misconduct on the part of an IFoA Member. As a professional regulator with a responsibility to protect the public interest, and the reputation of the actuarial profession, such circumstances would lead to further enquiries being made to determine whether the matter should be referred for formal investigation under the IFoA's Disciplinary and Capacity for Membership Scheme. It is worth noting that the test for misconduct is not simply a breach of standards or that the quality of a Member's work might be improved. It requires a failure to comply with the standards of behaviour, integrity, competence or professional judgement which other Members or members of the public would reasonably expect from an actuary. Referral for disciplinary investigation will accordingly only occur where evidence obtained through monitoring suggests a basis for serious concern or risk to the public.

# 3: Category B monitoring, thematic reviews

3.1 The IFoA proposes additionally to carry out a programme of regular thematic reviews, looking at particular topics, roles and/or areas of work. This will not be limited to work within the scope of the PC Scheme.

## Identifying themes

3.2 The thematic reviews will potentially apply to any area of actuarial work and themes will be identified using a range of sources, including: ongoing risk analysis undertaken by the IFoA's Regulation Board; the Risk Perspective document published (and renewed from time to time) by the JFAR<sup>5</sup>; the risk analysis work carried out by the FRC in determining the scope of the specific Technical Actuarial Standards<sup>6</sup> (TASs); insights shared with the IFoA by regulators with an interest in actuarial matters including the FCA, FRC, PRA, and TPR; as well as, the IFoA's other regulatory activities (including its disciplinary process). It is anticipated that thematic reviews will not be restricted only to UK work but might have a wider geographic scope.

3.3 Some potential topics flagged for possible thematic review are:

- actuarial investment advice, including, in particular, investment modelling work for banks/investment firms;
- corporate pensions advice;
- advice on terms of exchange of pensions for cash;
- advice on setting longevity assumptions; and,
- role of actuarial advice in the pricing of specific General Insurance (GI) products.

3.4 Illustrations of how a thematic review might be carried out are included at **Appendix 4**.

## Agreement with organisations

3.5 Thematic reviews will be carried out only with the agreement of participant organisations and/or individual Members (as appropriate). The IFoA hopes that the benefits to organisations of enhanced information about the quality of the actuarial work upon which they rely to make significant decisions will encourage them to agree to participate.

3.6 As thematic reviews are carried out by agreement with organisations, the IFoA will offer the same undertakings in relation to confidentiality and protection of sensitive information (including personal data) as for Category A monitoring.

## Form of reviews

3.7 The form of thematic reviews will depend on the particular theme and will involve a mixture of smaller targeted and larger scale reviews. It is expected that, for many of the reviews, the format will involve a site visit and interview with a Member of the Review Team and/or a review of particular work, in much the same way as for Category A monitoring. There may also be scope for reviews to be carried out by providing documents to the IFoA for a desk based review and/or for them to be done by telephone.

3.8 It is expected that, for some more specialist reviews, it will be necessary for the IFoA to seek external expertise to assist the Review Team. This might be the case for any category of monitoring (including Category A) but is more likely to arise for Category B monitoring given the specific focus of such reviews. The IFoA is very mindful of the potential for conflicts of interest and commercial sensitivities in such circumstances and will ensure that this is assessed when appointing external assistance and any potential commercial conflicts addressed with those involved in the review.

## Anonymity in the review process

3.9 The IFoA will explore ways in which reviews might be anonymised, for example, not identifying the author of particular work when attending a site visit or an organisation providing documents to the IFoA that are anonymised/redacted, while recognising that this might not always be practical (or helpful).

## Outputs from reviews

3.10 It is anticipated that the outputs for thematic reviews will be very similar to Category A but will depend, to some extent, on the form of the particular review.

5. Risk Perspective document

6. Section 2 of the FRC's Consultation: Revised Specific TASs

3.11 Where there is a high-level report published and shared more widely than with the individuals/organisation involved in the review, for example where it is published on the IFOA website or is presented at a conference, it will be anonymised so that no individuals or organisations are identified.

3.12 In some cases, where the review is not carried out anonymously, there might be reports provided to individuals with some good practice recommendations and/or a feedback meeting or call. Those reports would not be shared publicly.

3.13 The nature of thematic reviews also means that published reports are likely to be more specifically targeted at particular issues.

# 4: Category C monitoring, data gathering

- 4.1 In addition to the Category A monitoring directed at PC holders and the Category B thematic reviews, the IFoA will also take steps to enhance its wider data gathering activities.
- 4.2 This will complement (and inform) Category A and B monitoring, with information/data obtained from a range of sources, including the IFoA's QAS, periodic surveys, workshops, and focus groups.
- 4.3 Such wider information gathering will, as appropriate, be both scheduled and thematic and might also cover some work within the PC Scheme (for example – looking at a different aspect of that work through a survey).
- 4.4 A key aspect of this proposal is to look at improving, within the requirements of existing legislation, the information sharing arrangements between the IFoA and other regulators with an interest in actuarial matters, primarily in the UK. This not only improves the information available across the regulators but also allows for a more coordinated approach to their respective activities and should help to avoid duplication.