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Regulation update

Ben White, Regulatory Lawyer, IFoA

Professional
skills

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Topics

- Revised Actuaries' Code
 - Changes to the Code
 - Speaking Up - new standalone principle, plus case studies
- Actuarial Monitoring Scheme
- APS L1/L2



Revised Actuaries' Code

- Comes into effect 18 May 2019
- Original version since 2009
- Substantial changes in profession: sectors and locations
- Review and consultation 2017
- Draft online now



Key Changes

- Clearer structure
- Simplification of language
- Obligations clarified using “must” and “should”
- New stand-alone “Speaking Up” principle
- Supporting Guidance



Clarification of application

- **All** Members in **all** locations
- Reflects international nature of membership

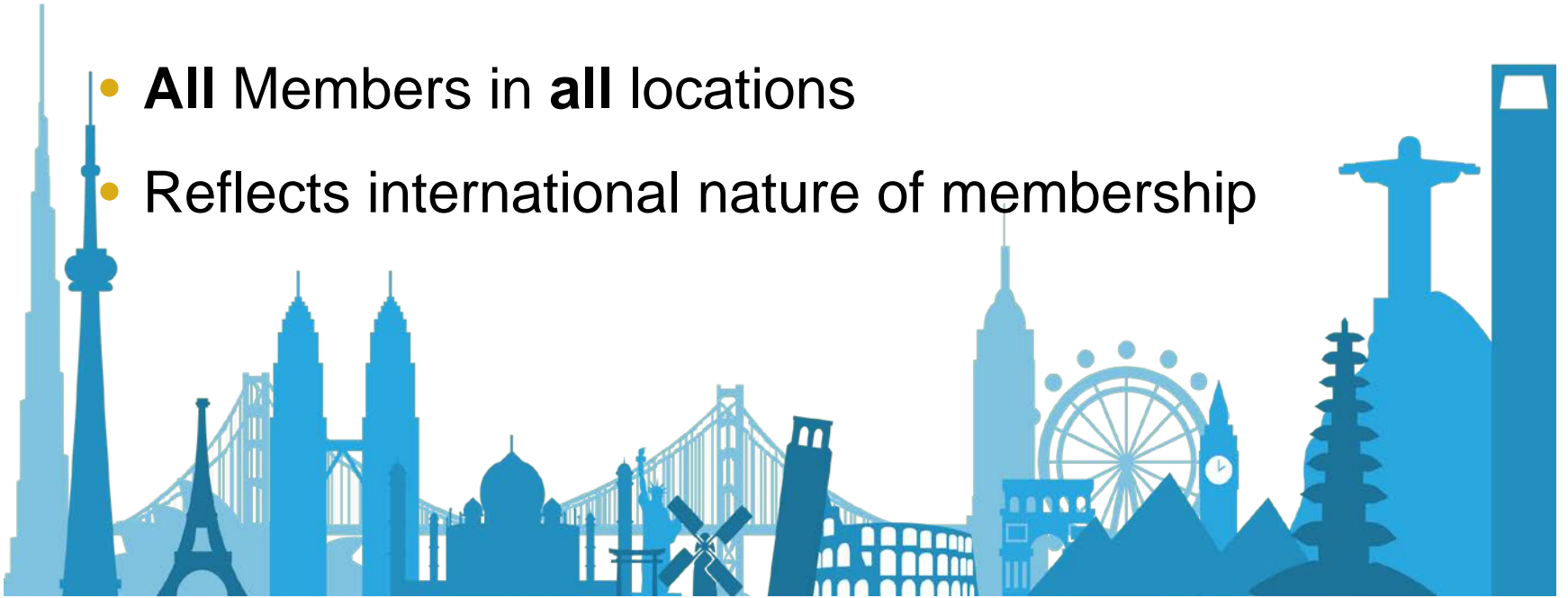


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Clarification of scope

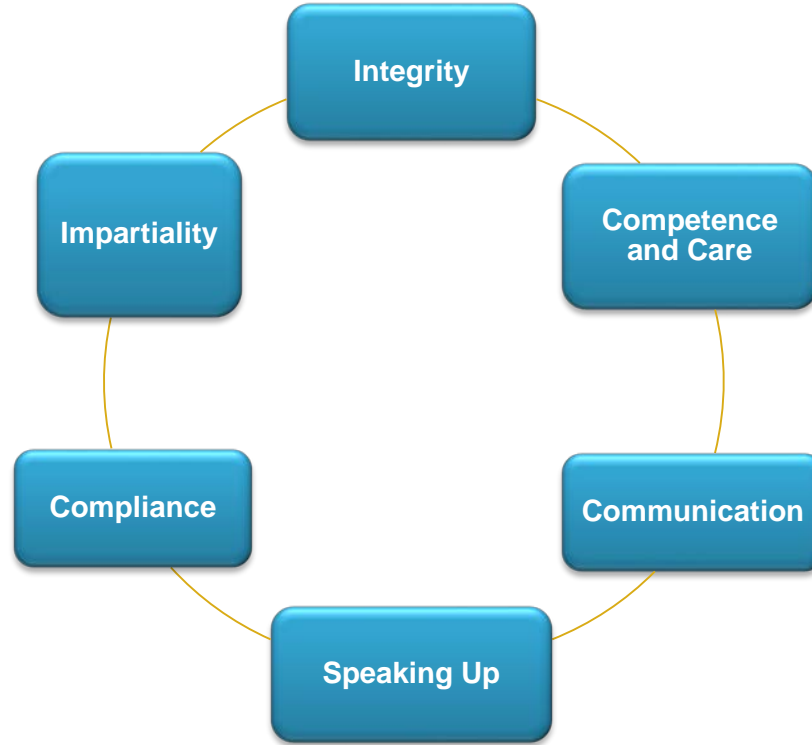
“...all Members’ conduct in relation to an actuarial role”

- Reflects different categories of membership
- Different work and roles: traditional and what can be perceived as “actuarial”

“...Members’ other conduct if that conduct could reasonably be considered to reflect upon the profession”



The Principles



Speaking Up

- What is Speaking Up?
- Why is it important?
- Different to Whistleblowing?
- What does the Code require?
- Case studies



What is Speaking Up, why is it important?

- To be interpreted broadly, includes
 - challenging colleagues on behaviour
 - Notifying users of issues with work
 - formally reporting conduct to relevant authorities
- Addresses problems before harm caused or more damage done
- Protects users, profession and public interest



Whistleblowing

- Reporting act of wrongdoing to relevant authorities
- Can involve legal protection
- Restricted to public interest issues, not personal grievance
- Speaking Up encompasses whistleblowing



Speaking Up – the principle

- *Members should speak up if they believe, or have reasonable cause to believe, that a course of action is unethical or is unlawful.*



Speaking Up – the amplifications

- Should challenge others' non-compliance with relevant legal, regulatory and professional duties
- Must report Misconduct to IFoA
- Should comply with legal duties to report matters to authorities
- Should report unethical or unlawful conduct to authorities (material)
- Must make users aware of substantial issues with work



Reporting Misconduct to IFoA

- Disciplinary and Capacity for Membership Schemes defines Misconduct
- Members must report matters that appear to constitute Misconduct
- As soon as reasonably possible



Reporting to authorities

- Abide by requirements to report to relevant authorities
- Report behaviour that you have reasonable cause to believe is unethical or unlawful and carries significant risk of materially affecting outcomes
- Guidance to the Code
 - Determine if breach is material
 - how to document reaching conclusion



Making users aware of issues

- Reasonable steps to flag substantial issues with work you are responsible for or involved with
- Where issue might reasonably influence the decision-making or judgement of users
- Substantial issues are issues that have the potential to impact user's finances or reputation
- Always document how you reached your decision



Case study

1

2

3

4

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- Do you agree with the advice?
- Is your colleague's behaviour a breach of the Actuaries' Code?
- Is it just the company's reputation you should be concerned about?
- What should you do if you have concerns?



Case Study

PERSONAL MEETS PROFESSIONAL



by D.I. Lema & Bea Goode



You're browsing a social network when you spot a rather heated exchange of comments involving one of your senior actuarial colleagues. Someone has criticised an article he has written, and he is not taking it very well.



You show the posts to your line manager, saying you are concerned about the inflammatory and unprofessional language your colleague is using. She tells you not to worry about it; they've posted the article on their personal page, so it isn't the company's concern.



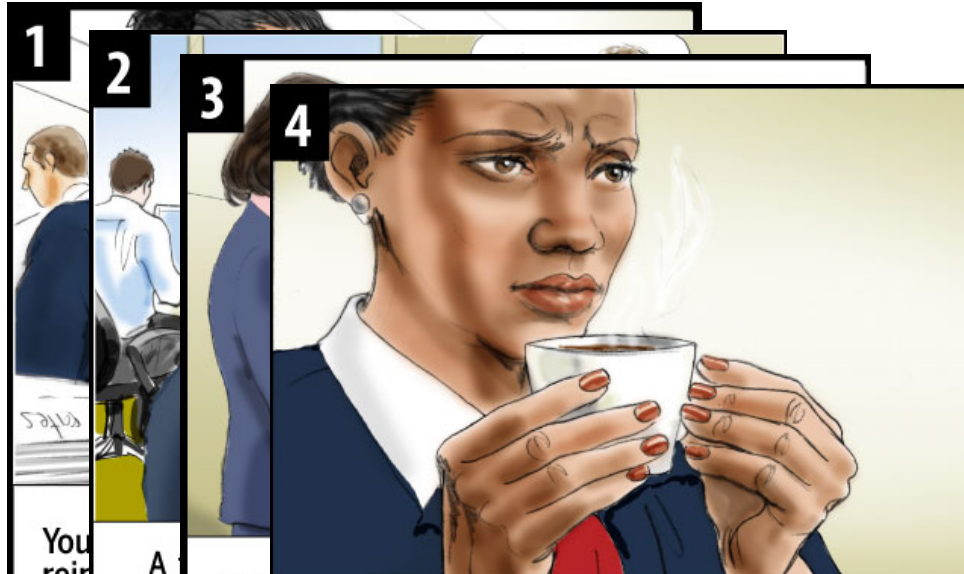
Driving home, you reflect on your line manager's advice and wonder if she is right. You and your colleague have a lot of mutual contacts and you worry they will also have seen the comments.



- Do you agree with the advice?
- Is your colleague's behaviour a breach of the Actuaries' Code?
- Is it just the company's reputation you should be concerned about?
- What should you do if you have concerns?



Case study



1 You reinpre client

2 A yo fig an sta ha

3 You actu to r bad also the

4

What are your options?
What are your obligations under the Code?
What specifically does the revised Code say about this?



Case Study

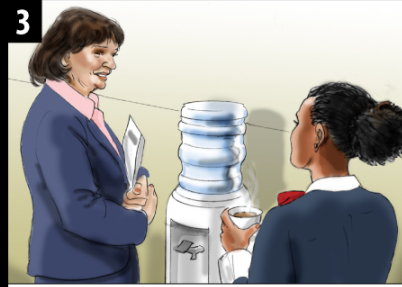
HOW LOW DID WE GO?



1 You're a pricing actuary and work for a reinsurance company. You were involved in preparing the rates in the tender for a large client. Your quote was successful.



2 A few weeks later whilst reviewing the file you notice a problem. Your colleague ran the figures for the basis of the quote incorrectly, and this had been missed in the review stage. The rate is therefore too low, and you have under-priced.



3 You raise the issue with your boss, the senior actuary involved in the work. She doesn't want to rescind the quote as it would make her look bad in front of the client, and to your CEO. It may also damage your company's reputation with the client.



4 What are your options?
What are your obligations under the Code?
What specifically does the revised Code say about this?

by D.I. Lema & Bea Goode



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Actuaries' Code

- Revised Code effective from 18 May 2019
- Code Guidance online now
- Separate Speaking Up Guidance online now
- Professional Support Service regulation@actuaries.org.uk



Actuarial Monitoring Scheme

- Gap in information available to the IFoA to inform its regulatory role
- Aims
 - Provide evidence of the quality of actuarial work
 - Improve effectiveness of actuarial regulation (standards, guidance, educational material, educational requirements)
 - Develop and adapt training and CPD events
 - Promote best practice



Monitoring consultation

- 2018: IFoA consulted on proposals for the introduction of an Actuarial Monitoring Scheme
- Three categories of monitoring proposed:
 - Cat A: Direct monitoring of the work of PC holders
 - Cat B: Programme of Thematic Reviews
 - Cat C: General information gathering



Following consultation

- Regulation Board considered:
 - Consultation responses
 - Further engagement following consultation
 - Reflection on Kingman review
- Conclusion:
 - Continued support for principle of monitoring
 - Introduce Thematic Reviews (Cat B) and Data Gathering activities (Cat C)
 - Explore alternative approaches to monitoring PC holders (Cat A)



Next steps



Continued engagement and consideration of Category A options

(with regard to Regulatory environment)



APS L1 and L2

- APS L1
 - Practising certificate for Life Reviewing Actuary
 - Proposal to remove due to changes to PRA rules

- APS L2
 - Full review
 - Standard or guidance?



Questions

Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenters.



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What does the Code require?

1

Challenge

- Should challenge non-compliance with relevant legal, regulatory and professional duties

2

Misconduct

- Must report to IFoA any matter which appears to constitute Misconduct

3

Legal

- Should report to appropriate bodies any behaviour that is unethical or unlawful (material)

4

Issues with work

- Must make users aware of substantial issues with a piece of work

