



Institute
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of Actuaries

Proposals for an enhanced system to promote the quality of actuarial work

Workshop for Chief Actuaries and Senior Life Actuaries

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Overview of proposals



Introduction

- IFoA's role as a self-regulating professional body
- Royal Charter obligation
 - Regulate the actuarial profession in the public interest
- Require member to uphold and demonstrate high standards of technical competence and ethical behaviour
 - Set standards (IFoA and, for UK work, FRC)
 - Enforcement through disciplinary process
- Don't currently monitor quality of work or compliance with professional standards



Rationale

- Gap in the information available to the IFoA to inform its regulatory role
- PRA, FCA, TPR and external Auditors do not monitor or assess the quality of Members' work (different focus)
- QAS has a different focus too: an accreditation and focused on the working environment and on whether QA processes and procedures embedded



Rationale

- Proposals are not in response to any identified issues with quality of actuarial work
- Growing public scrutiny on key industries in which actuaries are involved
- Risk for profession
- FRC Strategy (2018)



Summary of Proposals

- Introduce an enhanced system to gather information about the work being carried out by IFoA Members

- 3 categories of monitoring proposed:
 - Category A: Direct, scheduled, regular reviews
 - Category B: Programme of thematic reviews
 - Category C: Enhanced wider information gathering activities



Proposed Approach (Cat A)

Category	Type of Review	Scope of Review
A	Direct review of actuarial work on a regular basis	Work of IFoA Practising Certificate (PC) holders relating to that PC role

- Aimed at PC Holders' work because these are roles identified by legislation or regulation as having some particular public interest importance
- Scope of coverage depends on scope of PC regime



Proposed Approach (Cat B)

Category	Type of Review	Scope of Review
B	Thematic reviews of actuarial work	Any actuarial work potentially covered. Includes work outside the scope of the IFoA's PC Scheme

- Evidence-based studies focused on particular theme, issue, or question
- Within and outside scope of PC Scheme
- Areas of work with some significance in terms of the public interest
- Carried out by agreement (IFoA Members and employers)
- Anonymous where possible (actuary's name not disclosed to the reviewer)



Proposed Approach (Cat C)

Category	Type of Review	Scope of Review
C	Enhanced general information gathering activities	Any actuarial work potentially covered.

- E.g. questionnaires, surveys, analysis of insights shared by co-regulators
- Scheduled and *ad hoc*
- Thematic

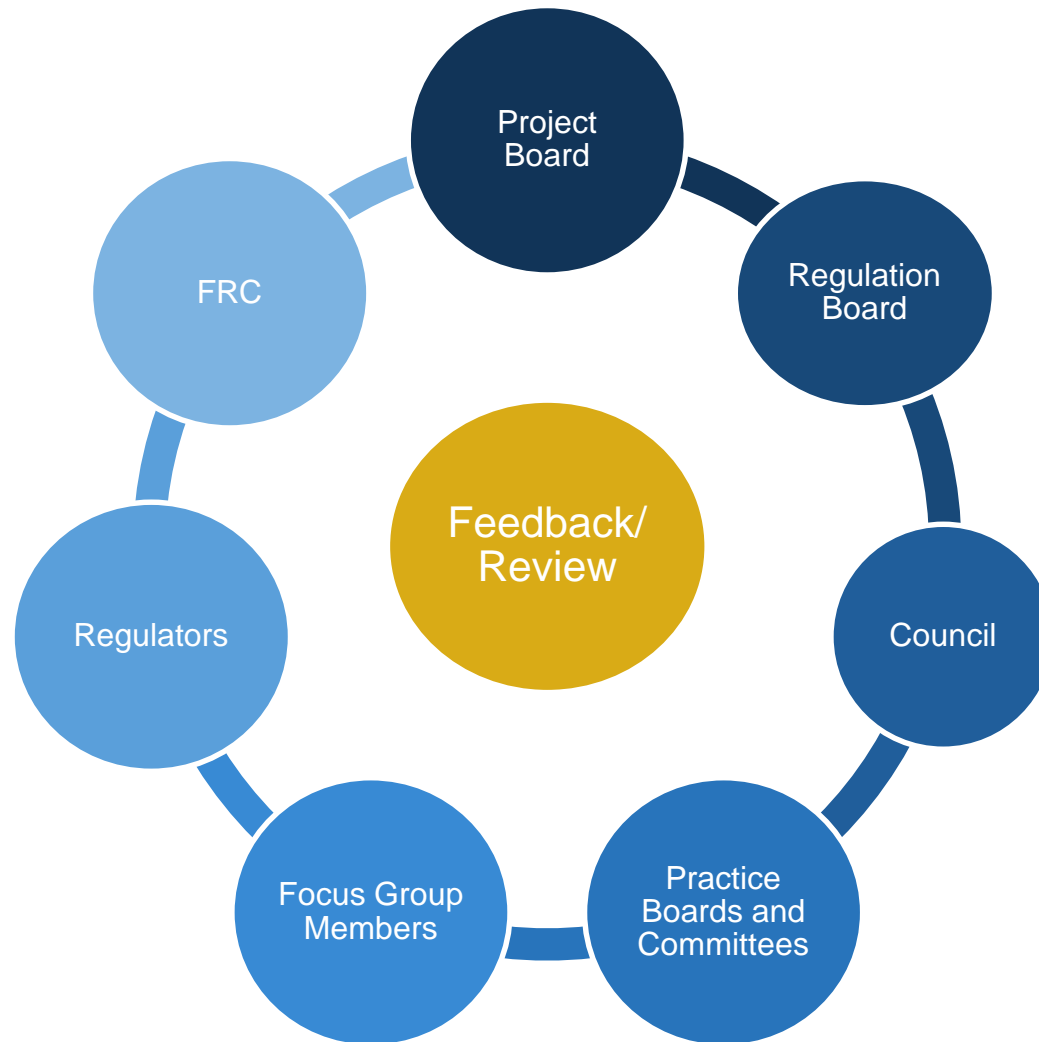


Benefits to the IFoA

- Provide evidence of the quality of actuarial work
- Information used to improve effectiveness of actuarial regulation
 - Improve standards, guidance, and educational material
 - Improve educational requirements
- Develop and adapt training and CPD events
- Promote best practice



Journey so far





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John Jenkins

Chair of Practising Certificates Committee

Member of Actuarial Monitoring Scheme Project Board

Practitioner's perspective



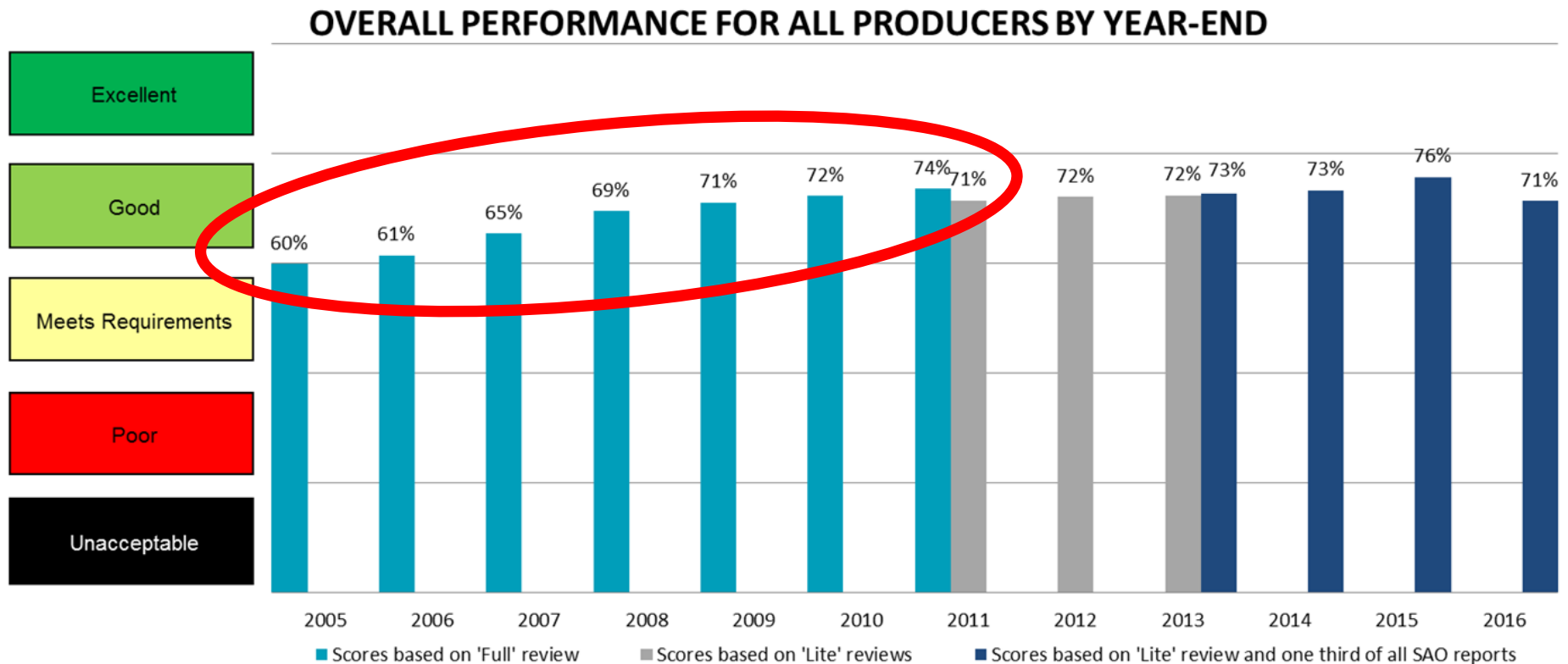
Surely our work is already reviewed?

- To an extent, YES, but
 - PRA, FCA focus is on *outcomes/results* – not the quality of the input actuarial *advice*
 - Nor on compliance with APSs or TASs
 - Same generally applies to audit reviews
 - Much of PRA/FCA review is thematic, rather than covering the whole of the CA/WPA role
 - Some review from APS X2, but not clear how extensive this is, and not monitored
 - So there is a gap



We have seen at Lloyd's that review and feedback works.....

- Fact based feedback and examples of good practice has led to increased “scores” since introduction especially in “full review” period



A life based example – longevity advice

➤ OUTCOME:

- We will use the 20XX CMI model, with:
 - Initial/long term rates of improvement of X%/Y%
 - Other parameters of A, B C as per the latest CMI models

➤ BUT:

- What advice from Chief Actuary supports this?
- When, how extensive, alternatives, good report, poor report?
- Who considers and monitors this?

➤ ACCEPTED THAT:

- The advice from the Chief Actuary is just one input, albeit an important one.



Considerations

- Does the actuary have the time?
- Does the actuary object to being reviewed?
- Does it create confidentiality problems?
- How will the actuary explain this to the firm?
- Do the proposals makes sense?

- Confidentiality is an issue, but firms normally have ways of dealing with this, eg release letters, NDA letters



Is it proportionate?

Category A will directly impact UK PC holders only who are actively using their PCs:

- 7% of UK Members are PC holders
- 70% of IFoA Practising Certificates are Scheme Actuary PCs
 - 77% of Scheme Actuary holders currently employed by a QAS accredited organisation
- 30% of IFoA Practising Certificates are insurance PCs
 - Most will be subject to PRA, FCA and/or Lloyd's supervision - affects frequency of review
 - Life numbers are c130 Chief Actuary PCs and c63 With-Profits Actuary PCs

The above includes some Members holding PC who are not actively using them, and there will be some overlap from those holding both Chief Actuary and WPA PCs.



Makes sense for Category A: Direct Review

- Mandatory for all IFoA Practising Certificate (PC) holders
 - Who are actively using their PC
 - Majority of “public interest” covered by PC roles
- Review visit (IFoA Review Team) so “onsite”
- Interview between the Review Team and PC holder
- Review of key pieces of actuarial work
- Focused on the requirements of actuarial professional standards, TASs, good practices
- Not a “second opinion” on the advice or the results



Who will carry out the review?

- Team of suitably qualified and experienced actuaries
- Employees of or contracted by the IFoA (i.e. not unpaid volunteers)
- Supplemented by specialist actuarial advice obtained from time to time (e.g. to assist with thematic reviews on specialist topics)
- Funding: IFoA (existing and budgeted income streams) with FRC contribution



So how often will the reviews be for “Cat A”?

- Will not be every year
- Duration/frequency dependent on
 - type of PC holder
 - number of PC appointments
 - particular work involved
 - QAS accreditation
 - internal or external audit
 - maybe previous findings
- “Every few years” makes sense



Wider Thematic Reviews also make sense

- Look at particular topics, roles and/or areas of work
- Not limited to work within scope of PC Scheme or UK work
- Sources for themes
 - Risk analysis (Regulation Board / FRC)
 - Risk Perspective document (JFAR)
 - Insights from regulators
 - Other regulatory activities

What would we select as life thematic reviews today? Longevity? Credit?

Seems little to be concerned about here, much to gain, and participation is voluntary



What are we going to get from this?

- Report to PC holder
 - Summary of findings
 - Best practice recommendations
- Report to IFoA Regulation Board
 - Emerging themes or issues
- High-level, anonymised reports for generic findings



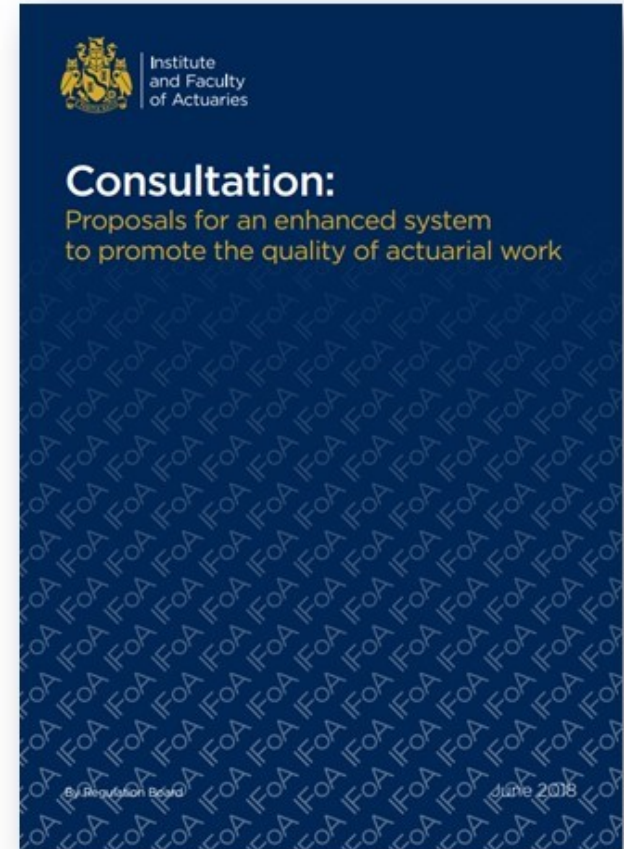
What are we going to get from this?

- Key point is to make sure there is value for the participants/profession
- Reinforce public reputation of actuaries
- Reinforce credibility of the work of PC Holders in important public interest roles



Opportunity for our Members

- Project Board and Regulation Board recognise there may be alternative approaches
- Consultation closed 28 September but we are still listening
- 340 online responses, including:
 - 268 individuals
 - 53 PC holders
 - 28 organisations

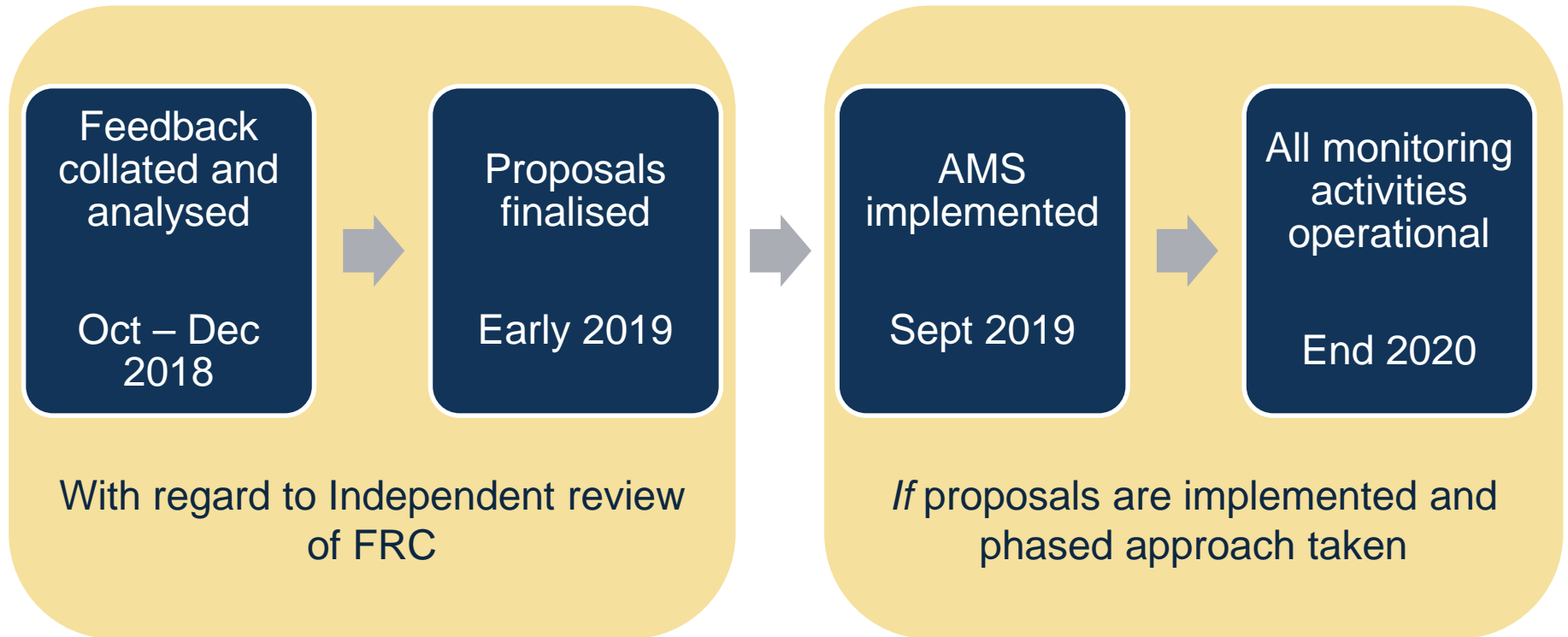


Ongoing stakeholder engagement

- Organisations affected by proposals
 - Insurance companies
 - Consulting firms
- Post-consultation: ongoing engagement and discussion



Anticipated timeline



Any Questions?

