



Society of Actuaries in Ireland

ASP PA-2, General Actuarial Practice

Frequently Asked Questions

February 2017

1 Background

The Society is committed to developing the role and standing of the actuarial profession in Ireland and enhancing its reputation. The Society's work in developing Actuarial Standards of Practice (ASPs) supports this goal, as members' commitment to these standards gives the users of actuarial services confidence in the quality of work performed by members of the profession.

To date, our ASPs have related primarily to regulated actuarial work. Mindful of international developments outlined below and to ensure that members' work is, and is seen to be, consistent with internationally recognised standards, Council has broadened the scope of our standards by introducing a new ASP called ASP PA-2, General Actuarial Practice in 2017.

ASP PA-2 is based on a model standard issued by the International Actuarial Association. From 1st July 2017 it will apply to all members¹ and will relate to all actuarial work (including work that is not necessarily performed solely by actuaries).

1.1 IAA

The Society is an active member of the [International Actuarial Association](#) (IAA).

The IAA has [introduced International Standard of Actuarial Practice \(ISAP\) 1 on General Actuarial Practice](#). This is a model standard of actuarial practice. The IAA has strongly encouraged member associations to adopt it (or introduce a modified but consistent version), if they do not already have standards in place that are substantially consistent with it, and this is now happening around the world. Council have confirmed that ASP PA-2 General Actuarial Practice is substantially consistent with the IAA's model standard ISAP 1.

1.2 AAE

The [Actuarial Association of Europe](#) (AAE) has adopted European Standard of Actuarial Practice (ESAP) 1, which is identical to ISAP 1 except that references to the IAA are replaced by references to the AAE. The AAE is now working on Solvency II-related model standards, using ESAP 1 as a foundation. The Society is contributing to this work and we expect that the model standards will be useful to us as we develop our own Solvency II standards and information materials.

¹ For clarity this includes Fellows, Associates, Students, Honorary Fellows and Affiliates – though in practice it is likely to impact only on the first three categories since it relates to the provision of actuarial services.

2 Questions and Feedback

The following Q&A should be read in conjunction with the ASP.

2.1 Does ASP PA-2 apply to me?

All members, including those who work in non-traditional roles, must decide if and when the ASP applies to services they provide. The question they must consider is whether, in performing part or all of their role, they are providing services based on actuarial considerations. To this end they must consider if the use of principles and/or techniques of actuarial science is central to the provision of those services and if they exercise *professional judgement*² in performing this work.

However, a member's obligations with respect to ASP PA-2 can vary depending on the nature of the member's role, the contractual and/or legal responsibilities of the role and the particular assignment in question. Different aspects of the ASP may apply to different assignments and, having regard to proportionality, to different extents. For example, the obligations under the ASP are different for a member engaged by the trustees of a pension scheme to perform an actuarial valuation of the scheme and for a member who is one of the trustees. The work underlying the advice provided by the Scheme Actuary will almost certainly be based on actuarial considerations and within the scope of the ASP. However, a trustee's use of that advice to inform decision-making, as one of a group of trustees, will not normally constitute providing actuarial services. There may be some exceptions – e.g. if the trustee carried responsibility for determining the assumptions to be adopted for a specific piece of actuarial work, the ASP would apply to the assumption setting. So the trustee needs to exercise judgement, having regard always to the work performed rather than simply the role.

You must consider the scope of ASP PA-2 and its requirements and determine whether they imply responsibilities for you, beyond those that are laid out in legislation or regulatory requirements that apply to your work (if applicable). It is not feasible for the Society to carry out this analysis in respect of specific roles or appointments.

In all cases, members must be cognisant of their professional responsibilities and remember that the Code of Professional Conduct applies to all work, even if they are not necessarily providing actuarial services.

2.2 Why should ASP PA-2 apply to non-traditional roles?

The environment in which our members work is evolving constantly with both changes to traditional roles and new areas of practice emerging. There are now many non-traditional roles in financial services and beyond, where the skills of an actuary are recognised and valued and where members performing these roles employ techniques of actuarial science and exercise professional judgement.

ASP PA-2 is intended to apply to all roles in which our members provide services based upon actuarial considerations, both in traditional and non-traditional fields, so that all users of actuarial services can have confidence in the quality of work performed by our members.

² **Professional judgement:** The judgement of the *member*, based on actuarial training and experience.

2.3 Can you provide an example of actuarial work that is not always performed by actuaries?

Risk management is an evolving area of practice and is an example of work performed by members, in which they provide actuarial services, that could be performed by a person who has not completed actuarial education. While the education syllabus of the Institute and Faculty of Actuaries addresses skills employed in risk management, other relevant, non-actuarial, education paths and qualifications exist.

Other potential examples include data and quantitative analyst roles, book making, compliance (especially in financial services entities), investments, banking and research in certain subjects (*this list is not exhaustive*). Such roles can and do draw on the principles and/or techniques of actuarial science but can also be performed by a non-actuary with an alternative qualification or education path. Indeed, actuaries performing such roles may need to develop a wider skillset than that achieved through an actuarial education. That does not render the ASP invalid or inapplicable. However, the extent to which actuarial techniques and judgement are used in the work may reasonably be taken into account for the purposes of interpreting and applying proportionality in accordance with paragraph 1.2.2 of the ASP.

2.4 Why should ASP PA-2 apply to students?

ISAP 1 refers to actuaries rather than members. Many (if not most) actuarial associations only admit members when they have completed their actuarial education. However, like the Institute and Faculty of Actuaries (IFoA) in the UK, the Society has student members. Just as the Code of Professional Conduct applies to all members, it is proposed that ASP PA-2 will apply to all members.

It is not unusual for students to carry a significant degree of responsibility in their work. In addition, users of actuarial services do not necessarily differentiate between members of the Society who are pre and post qualification. Therefore it is important that all members are cognisant of standards relating to general actuarial practice and that adherence to such standards forms part of the work experience and development of students. It is, however, recognised that a member may act in a support role where another person carries ultimate responsibility for the work, and paragraph 1.2.3.e. elaborates on this.

Note:

The IFoA “APS X1 Applying Standards to Actuarial Work” and “APS X2: Review of Actuarial Work” currently apply to all members of the IFoA including students and partially regulated members.

The Financial Reporting Council’s (FRC) “Technical Actuarial Standard 100 Principles for Technical Actuarial Work” applies to all members of the IFoA (which includes students) subject to the geographic scope of the FRC’s standards.

2.5 The definition of Actuarial Services includes the term “professional judgement”; what does professional judgement mean?

Professional judgement is defined in ASP PA-2 as “The judgement of the member, based on actuarial training and experience.” For example, a member will exercise professional judgement when choosing assumptions and methodologies for deriving a premium rate but multiplying this rate by the sum assured to calculate the premium does not require professional judgement. Similarly, deriving a mortality assumption for a particular purpose will require professional judgement whereas the

mechanical process of entering or loading the mortality parameters or table to a model by following a documented process will not.

In general, the more comprehensive a documented process or instruction for a piece of work is, the less professional judgement that will be employed to complete it. However, if instructions allow for an assessment or judgement to be made, for example in the case of an error, model failure, non-standard policy or product, then professional judgement is deemed to be exercised in such situations.

2.6 “Many members are already applying aspects of this ASP and the concept of proportionality. However, there is now a potential consequence to not applying the ASP adequately or proportionately that may ultimately result in disciplinary action.”

Unfortunately the reputation of many can be damaged by a few. The purpose of standards is to ensure consistency in the quality and delivery of all members’ work.

Many aspects of ASP PA-2 are addressed by the principles of the Code of Professional Conduct. Currently, if a member’s conduct is called into question under the terms of the Society’s Disciplinary Scheme, the member’s conduct will be judged by reference to the Code. ASP PA-2 expresses requirements more explicitly than the Code and, therefore, in a way that helps members to better understand how they should comply with the principles of the Code.

2.7 “Applying proportionality will be challenging; it’s difficult to define.”

Applying proportionality requires members to exercise judgement, which is an intrinsic part of being a professional. These skills are learnt through education, on-the-job experience and continuing professional development activities. The significance and potential consequences of exercising judgement and applying proportionality should correspond to the responsibilities of the role that a member discharges and should therefore correspond to the member’s experience.

It is inevitable that members will encounter situations where it is difficult to decide what to do. You must consider the particular piece of work or situation, the scope of ASP PA-2 and its requirements, and determine whether they imply responsibilities for you. The more significant the work the more important it is to document judgements made in interpreting the ASP and associated decisions.

2.8 “Accepting the assignment (paragraph 2.1) is good for clarifying the scope of work but it might add unnecessary rigour and take a disproportionate amount of time relative to the task.”

Paragraph 1.2.2 outlines that nothing in ASP PA-2 should be interpreted as requiring work that is not proportionate to the scope of the decision or the assignment to which it relates and that members should exercise judgement in this regard. In doing so, there are a number of approaches that are open to members. Some examples are:

- Members may judge that a number of smaller tasks (in particular, tasks that are similar in nature or repetitive) may be addressed in one document and reassessed once a year as part of resource planning or other review;
- Alternatively, members may consider drafting a generic “modus operandi” for ad hoc assignments, each taking less than a specified number of hours; or

- Another approach may include compiling a simple template to complete, circulate and save in order to address paragraph 2.1 for smaller tasks.

2.9 Paragraph 1.2.3 c states that “the requirements in some paragraphs (e.g. 2.1.1.) need not be met by every member on the team personally and may therefore be disregarded by a member if another team member has taken or will take responsibility for them. “. How do I know if another team member has taken or will take responsibility for certain aspects of the ASP?

It would be useful to agree and/or clarify the roles and responsibilities of each team member at the outset of an assignment. This may be captured in a project plan or via an email or other record depending on the nature of the assignment and significance of the work; the more significant the work, the more important it is to document judgements made in interpreting the ASP and associated decisions, including the responsibilities assumed by each member, where relevant, with respect to the ASP.

For smaller, less significant or recurring pieces of work, the responsibilities of each team member, or more generally the responsibilities of each role in the team, could be captured in a “modus operandi”, template or procedures manual; see FAQ 2.8.

2.10 “The requirements with respect to Communication seem long winded and onerous.”

Communication – General principles

Note that the general principle of the requirement with respect to communication in section 3.1 is that communication

“should be appropriate to the particular circumstances and take the skills, understanding, levels of relevant technical expertise and needs of the *intended user* into consideration, with a view to facilitating the *intended user* in understanding the implications of the *communication*”.

As such section 3.1 consists of principles that all professionals might be expected to adhere to. In addition, these principles echo the Code of Professional Conduct principle of “Open Communication” that applies to all members, regardless of their area of work.

Recorded Communications

Note that ASP PA-2 defines a Recorded communication as:

“The *member’s communication(s)* presenting some or all results of *actuarial services* to an *intended user* in any recorded form, including but not limited to paper, word processing or spreadsheet files, e-mail, website, slide presentations or audio or video recordings.”

In other words, section 3.2 of ASP PA-2 requires that members should present the results of their work in a recorded form unless users would otherwise be adequately informed. The recorded form may be an email, presentation, spreadsheet etc. Similar to section 3.1, section 3.2 consists of principles that all professionals might be expected to adhere to. Note, that while the subsequent parts of section 3.2 list potential content, disclosures and authorship details that may be included in a recorded communication, the majority of the items listed are qualified with the words “if applicable”.

2.11 “The definitions of Communication and Actuarial Services seem to cover any view expressed by an actuary. It is not clear where the definitions end and how they would apply in non-traditional areas.”

As members of a highly regarded profession, a lot of weight can be attributed to an actuary’s view, whether expressed casually, verbally or otherwise and sometimes irrespective of the subject matter. Members have a professional responsibility to be mindful of this, caveat their advice as appropriate and to document a conversation, or follow up with written clarification, when judged necessary. In an increasingly litigious society, this serves to protect both the member and the profession. It also protects users of actuarial services and the wider public from inadvertently misinterpreting, over-relying on, or inappropriately applying actuarial advice. In that context, the definitions of Communication and Actuarial Services are broadly framed.

2.12 “ASP PA-2 paragraph 2.13 requires members to retain documentation for a number of purposes. It is not always possible to retain documentation of a project, for example for confidentiality reasons or when leaving an employer.”

Paragraph 2.13.3 clarifies that nothing in the ASP is intended to give any person access to material beyond the access that they are otherwise authorised to have.