



SOCIETY OF ACTUARIES

Article from:

In The Public Interest

January 2012 – Issue 5

IAA TO ISSUE INTERNATIONAL STANDARDS OF ACTUARIAL PRACTICE (ISAPS)

By Rob Brown



For those of you at all close to the International Actuarial Association (IAA), this headline hardly seems worth the ink needed to print it. The IAA has been issuing Standards of Practice since 2003 (called International Actuarial Standards of Practice or IASPs). They have issued 12 in total.¹

Strictly speaking, these statements are not quite true. The IAA did not, in fact, issue standards. Rather, they issued IASPs that were referred to as Guidelines or Educational Notes. They did not have the force of a standard. This was made clear in the wording provided at the beginning of each of the IASPs. Full member associations (FMAs) of the IAA were invited to endorse or adopt (in whole or in part) these Guidelines so that the Guidelines could take on the force of a standard within the FMA where the Guideline was endorsed or adopted.

This adoption of “Guidelines” versus “Standards” was consistent with the Principle of Subsidiarity that is an important operating principle of the IAA. This principle holds that, to the extent that a local FMA is doing good

work (e.g., has good Standards of Practice), the IAA should not interfere in any manner. For example, having two Standards of Practice in one jurisdiction (one from the IAA and a different one from the FMA) should be avoided.

Finally, the older Guidelines avoided normative wording in that the word “should” was not used to the extent possible. Rather “expectations” of good practice were presented with no value statement attached.

The IAA’s New Approach

The IAA has started work on International Standards of Practice (ISAPs). These ISAPs will be Model Standards to again reflect the Principle of Subsidiarity. Local FMAs can adopt the ISAPs (in whole or in part) or ignore them.

The ISAPs will have no force except within FMAs who adopt them. FMAs are free to draft their own standards (although the hope would be that such standards would be at least “as good as” the IAA Model). However, unlike the previous “Guidelines,” the ISAPs will be normative; the word “should” will appear.

The International Actuarial Standards Subcommittee (IASSC) has adopted the following statement of purpose:

International Standards of Actuarial Practice are established to promote high quality actuarial practice globally.

High quality actuarial practice:

- Helps serve the public interest by benefiting users of actuarial work, regulators, and participants and beneficiaries of financial security programs; and
- Benefits both actuarial associations and individual actuaries by enhancing the credibility of the actuarial profession.

Characteristics of high quality actuarial practice include:

- Consistency—providing users of the actu-

arial work product with confidence that practice is consistent over time and across clients subject to similar requirements;

- Usefulness—adding substantial value to financial analysis; and,
- Clarity—clearly articulated and understandable.


The first ISAP has been drafted. ISAP 1 contains general topics that all actuaries (no matter what specialization) should follow.

Topics include comment on data quality, clarity and content of communications and reports, appropriateness of assumptions and methodology, reliance on other professionals, etc. All other ISAPs will avoid repeating the matters covered by ISAP 1. ISAP 1 is now available² as an Exposure Draft; the comment deadline period closed Dec. 1, 2011.

Consideration is being given to producing a number of practice-specific ISAPs.

For example, they will cover matters relevant to IFRS 4, IAS 19 and Social Security Actuaries and Technicians (SSA&T).

It is intended that the ISAP for SSA&T will replace IASP 1, which has existed as a Practice Note since 2005. It will take account of developments since then and will avoid any overlap with the new ISAP 1. It is likely to be called ISAP 2.

The responsibility for the drafting of ISAPs rests with the IASSC and its task forces. 



Rob Brown, FSA, FCIA, ACAS, HonFIA, Ph.D., is retired after 39 years at the University of Waterloo, Ontario. He can be contacted at rlbrown1949@gmail.com.

ENDNOTES

¹ http://www.actuaries.org/index.cfm?lang=EN&DSP=PUBLICATIONS&ACT=PRACTICE_NOTES.

² http://www.actuaries.org/index.cfm?lang=EN&DSP=PUBLICATIONS&ACT=STANDARDS_EXPOSURE.

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