



Institute  
and Faculty  
of Actuaries

# Board interaction with the Actuarial Monitoring Scheme (AMS)

IFoA Executive paper

Regulatory Board Strategy Meeting: 29 September 2021

# Overview of AMS TRP – reminder

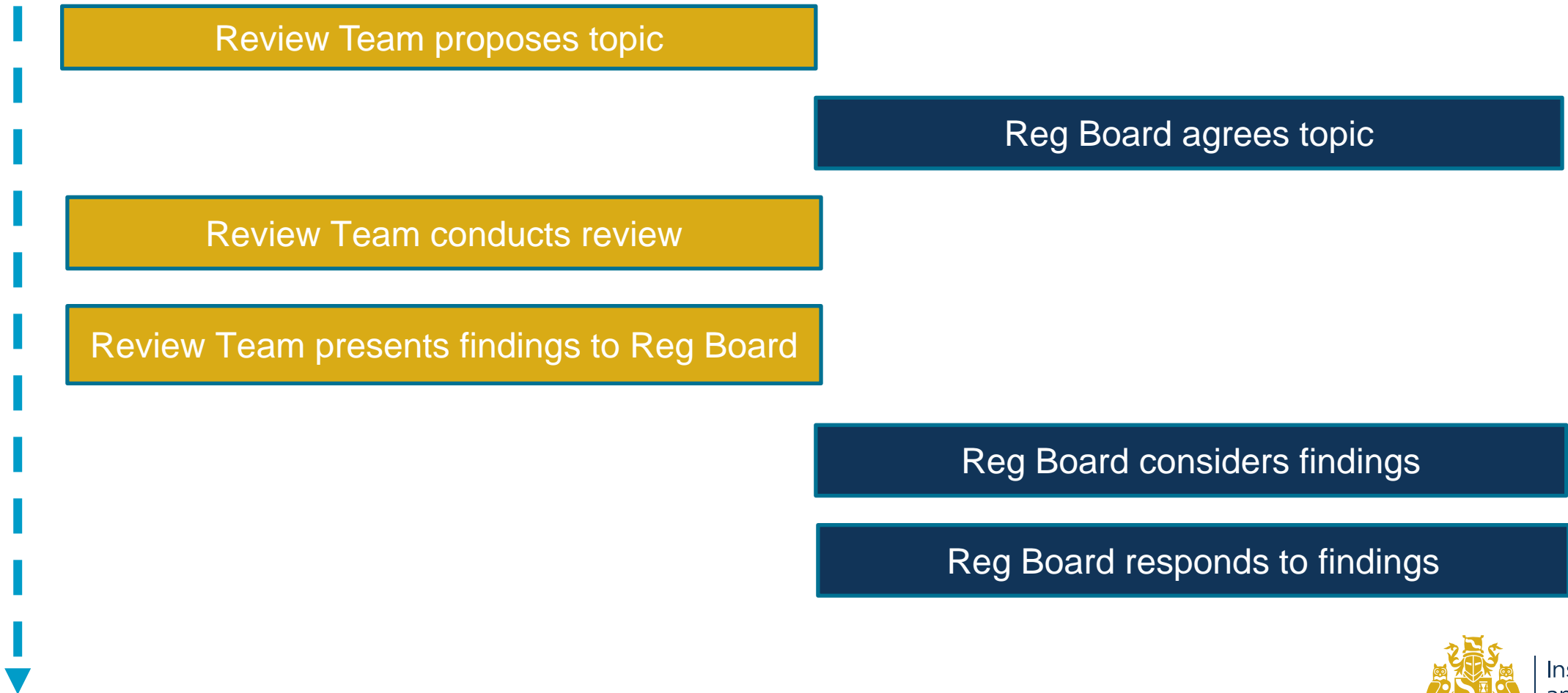
- The IFoA operates a voluntary Thematic Review Programme (TRP) with cooperation of actuaries and organisations that carry out actuarial work
- Introduced in early 2020 after extensive member consultation and engagement with FRC
- Independence of review work important to credibility and overall regulatory strategy
- TRP involves Review Team-led reviews on specific risk-based topics, with the aims of:
  - Understanding more about a particular aspect of actuarial work/practice
  - Raising awareness of issues
  - Sharing useful learning and good practice to improve the quality of work
  - Providing individual feedback to those taking part
  - Identifying areas where further regulatory or other steps might be helpful
- The TRP does not have the aim of identifying instances of individual misconduct or poor quality work



# Where possible misconduct identified

- Although not the aim, there may be issues identified during a review that amount to possible individual misconduct
- AMS Team required to raise this with Disciplinary Investigations Team (DIT) so that the Executive Referral Process can be followed
- Executive Referral Process
  - Issues presented to and considered by the IFoA's General Counsel (or authorised delegate) and Decision Sheet completed with recommendation
  - Chair of the Investigation Actuaries' pool then reviews Decision Sheet and takes decision on referral for disciplinary investigation (or other steps, if appropriate)
  - If referred, disciplinary investigation process is initiated, as if complaint had been made
- Matters relating to entities not within IFoA's disciplinary remit but information can be shared with the appropriate statutory regulators, if appropriate

# Board role in Thematic Review Programme



# Board role in selecting topics

- The Board approves TRP topics proposed by Review team
- The Board can also recommend/suggest topics to the Review team for possible review
- Nature of a thematic review allows for coverage of areas of wider public interest and technical topics – broader than the IFoA's (and therefore Board's) regulatory remit

## But...

- Such an approach makes it more likely that recommendations will be directed at *other* regulators/groups and that the Board's range of available/appropriate responses is more limited
- To date the TRP topics have tended to be on wider public interest issues (where actuaries are involved in that work but not at the heart of public interest issues) and focused on the technical actuarial work rather than on professional ethical considerations and judgements



# TRP topics to date

Review topic	Status (September 2021)
<i>Completed</i>	
Pension schemes – actuarial factors used in DB pension schemes	Report published December 2020
General Insurance – involvement of actuaries in UK Home & Motor pricing	Report published June 2021
<i>In progress</i>	
Climate Related Risk (information gathering exercise)	Report being finalised
Actuaries as experts in narrower fields – Funeral Trusts advice	Closed to submissions September 2021
Equity release mortgage product design and pricing – actuarial role in technical aspects and fairness in product design and pricing	Planning & scoping
<i>Planned</i>	
Corporate pensions advice – advice given to sponsors in reaching agreement on actuarial valuations, investment strategy and benefit design	Q1 2022
Actuaries as experts (in narrower fields) – Topic TBC	TBC

- To date nearly 50 organisations have taken part in at least one exercise.
- The Review Team is always mindful of the balance between aiming for wide participation and the voluntary nature of the TRP



# Board's response to findings

- The Board will be required to consider the findings (and recommendations if there are any) and determine whether it accepts them
- It is open to the Board not to accept the findings and/or any recommendations
- The Board has a range of options available to it in terms of possible responses

## However...

- The extent of available responses will depend on whether the subject matter is within its own regulatory remit



# Possible Board responses to findings

Any topic	Topic within remit (ethical)	Topic outside remit (e.g. technical or wider public interest issue)
Public statement on findings e.g. accepted/welcomed (or not)	New/amended ethical standards (APSs)	Non-mandatory guidance (technical) – <i>requires consent of FRC</i>
Raise issue for discussion at JFAR	Changes to Actuaries' Code	Publish Risk Alert (technical) – <i>requires consent of FRC</i>
Arrange a regulatory CPD event on the topic and/or produce educational material	Non-mandatory guidance (ethical)	Use JFAR network to reinforce recommendations applying to other JFAR regulators
Actuary Magazine article or blog	Introduce a new Practising Certificate (PC) or extend existing PC requirements	Ask member-representative part of IFoA to carry out further work e.g. Practice Board or Working Party
Recommend further Thematic review to AMS Team	Publish Risk Alert (ethical)	Take no steps as within remit of another regulator/government



# Oversight of responses to recommendations

- The Thematic Review reports will often make recommendations (as in the two completed reviews) – this is in addition to the specific feedback provided to participants
- To date, the recommendations in the reviews have been principally directed as follows:
  - how members can better meet their existing professional obligations
  - where other parts of the IFoA (not within the regulatory function) such as the Pensions Board and the Education team, might consider research or education findings
  - where regulators (including the FRC in its technical standards role) might independently, or in conjunction with the IFoA, make enhancements to standards or guidance
- Review Team will liaise with relevant stakeholders and record any progress on recommendations that can be taken forward either within the IFoA or with fellow regulators and industry bodies – no further tracking of recommendations at present
- Naturally, the Board's powers to compel responses/actions by others to the recommendations is limited



# Review of AMS TRP – overview

- The Review Team plans to carry out a high level, post-implementation review of the Thematic Review Programme during H1 2022, when four separate exercises should have completed.
- This would cover a range of potential areas including:
  - How topics are chosen
  - Approach to carrying out reviews
  - How conclusions are reported and promoted
  - Progress on recommendations to date
  - What types of recommendations and actions may be appropriate going forward
  - The role of various key stakeholders, including Regulatory Board and FRC
- We would welcome views from the Board on any other aspects they would like considered



# Suggested discussion points

- Should the Board continue to focus on wider public interest and/or technical topics (recognising that recommendations are likely to be for others) or should it look to have reviews on topics clearly within its own regulatory remit (where actions/recommendations are more likely to be for the Board)?
- How might that approach fit into the future arrangements for ARGA regulation (which is likely to include some monitoring)?
- Is there a role for the Board in ‘tracking’ or overseeing the responses to recommendations made in the findings of reviews?
- What about those recommendations for other regulators/other parts of the IFoA – would that oversight role still be appropriate? Is it possible to do that effectively in the absence of powers to compel action by others? Could the JFAR have a role here?
- Does the Board have any steer on the proposed post-implementation review in 2022? What measures of success should be used for the review?

