



Institute
and Faculty
of Actuaries

Quality Assurance Scheme for Organisations

Responses from organisations

by Quality Assurance Scheme Working Party

February 2014

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Quality Assurance for firms

Date: 8 July 2013
Prepared for: The Institute and Faculty of Actuaries
Prepared by: Aon Hewitt

Exposure Draft 30 - Quality Assurance for firms

Introduction

We set out below Aon Hewitt's response to the profession's consultation on the above. We are happy for our comments to be treated as not confidential.

As a general point, we appreciate that one of the key priorities for the FRC is how to monitor the quality of actuarial work so that the public can be assured that our work is the highest quality, and that the gap in their oversight arrangements of the profession is of concern to them. We believe that the profession's proposal is a proportionate response to the Financial Conduct Authority's concerns.

We are therefore supportive of the proposal, and believe that it has the capacity to achieve the profession's aim in a proportionate way. However we believe there is still much that can be done to ensure that the proposal works well, and creates as little extra burden as possible on firms, particularly those whose processes are already of sufficient standard. We therefore urge the profession to ensure that any processes required for a Quality Assured firm should not need to be in addition to their own procedures, but instead act as an underpin to existing standards. If firms are required to modify standards which are already suitable so that they exactly match those proposed by the profession, this will entail a significant amount of work by firms, without an improvement in quality.

Question 12

To what extent do you think that the proposals set out in the consultation paper will satisfy the following objective: provide assurance to the public and other stakeholders as to the quality of actuarial practice.

On a scale of 1-5 where 1 is Not satisfy and 5 is Satisfy:

4/5

We would hope that if large numbers of firms do sign up, this would lend credibility to the quality framework which in itself could send a very positive message to the wider public that we are serious about demonstrating publicly that we aspire to the highest quality.

Question 13

To what extent do you think that the proposals set out in the consultation paper will satisfy the following objective: foster effective engagement between organisations that employ actuaries

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and the IFoA in relation to regulatory issues.

On a scale of 1-5 where 1 is Not satisfy and 5 is Satisfy:

3/5

The proposals are is likely to bring some level of consistency in approach.

Question 14

To what extent do you think Quality Assured Organisation status would be valued by:

On a scale of 1-5 where 1 is Not valuable and 5 is Valuable:

Organisations:

4/5 (assuming they have opted to attain such status – those who have not opted for the status will have made this decision because they do not value it).

Employees:

4/5 – as it may encourage some consistency in approach

Prospective employees:

3/5 – it may encourage some consistency in approach but those new to the profession are unlikely to be aware of its implications and may not value it as much.

Clients/ users of actuarial work:

4/5 see question 12.

Question 15

Do you think that the proposed monitoring arrangements are sufficient?

Although a review every 5-6 years is not unreasonable we suggest that a paper review and visit might not both be required in all circumstances. In addition, perhaps the timing of a subsequent review could reflect the findings of the latest review – eg 'totally acceptable' would imply the next review after only 7 years, 'some issues to address' might imply the next review would be after 5 years.

We are not sure that the 'short Annual Return to the IFoA' fits into the monitoring arrangements - this should be noted as a separate administrative requirement.

We note that there is also to be a requirement to notify the IFoA of any material changes to policies and procedures 'on a timely basis' which is detailed in the participation agreement as 10 business days (the participation agreement also lists the information required to be provided). We assume that this is the same provision rather than a separate requirement (the terminology is not quite consistent between 5.2.3 and 2.4). It may be acceptable to require that material changes to policies and procedures should be notified within the Annual Return rather than immediately.



Question 16

Do you have any comments on APS Q1: Organisations and Employers of Actuaries?

As a general comment, much of the standard repeats requirements in other areas, for example the Actuaries' code and the Actuarial Profession Standards. It would be helpful therefore if this APS merely referred to those provisions (indeed the appendix notes that the organisation must comply with all applicable mandatory actuarial standards and other relevant legal and regulatory requirements). Where there are any additional requirements being proposed, this can then become clearer. For example while 'conflicts of interest' would certainly sit within the requirements of a quality assured firm, this is covered adequately by APS P1 and the actuaries' code, so should be dealt with by reference rather than repetition.

We have some more specific comments:

The use of the word 'actuary' (in the definition of actuarial work) is somewhat loose – the term 'member' is used everywhere else.

In addition we feel that the requirement to deal 'appropriately with the management, retention and destruction of files and data relating to Actuarial Work' does not need to sit within this APS (or at least within the section on engagement with users) – it is covered adequately by the other duties under the Data Protection Act and in many cases by requirements under FCA authorisation.

It would also be helpful for the APS to acknowledge that it imposes no requirements on the organisation in relation to non-members of the IFoA – although many organisations will want to provide consistent support where relevant.

Question 17

Do you have any comments on the Guide to APS Q1?

Although the guide is not intended to impose any 'obligations upon actuaries or Organisations over and above those embodied in APS Q1' the guide does appear to introduce extra information and requirements – for example in its reference to the money laundering requirements. However as the Actuaries' Code encompasses compliance with all legislative requirements, the obligations are more of detail than action. If our suggestion above of reducing detail in APS Q1 and replacing by reference to other actuarial requirements is accepted, then the guide might be seen more readily as useful detail.

The term 'piece of work' in 1.3 may need clarification that it is intended to be actuarial work (ie work 'undertaken by an actuary in their capacity as such, on which the User is entitled to rely') rather than all work. The text in the appendix that 'The Organisation must achieve the following outcomes, in relation to its Actuarial Work' does imply that it is only actuarial work that is impacted, but it is not apparent until the end of the guidance that this is the case. In this respect the guide is inconsistent with the APS which is clear that it relates only to actuarial work.



- Question 18** **What amendments do you consider would be required to the Guide in order to ensure its applicability to your organisation/ practice area/ sector?**
- We believe that the guide should acknowledge that there will be other staff employed by the organisation, who are not required to be covered by the standard.
- It may also be appropriate to note that many organisations will be subject to requirements under their Financial Conduct Authority authorisation, and that these will still need to be met.
-
- Question 19** **We have avoided being prescriptive as to the terms/ level of PII cover. Do you feel we should provide more detailed principles? If yes, please give details.**
- We do not believe that more detailed principles are required – PII can be provided in various ways and market practices will evolve which may make detailed references inappropriate. In particular, levels of suitable cover will vary greatly.
- However even the text as written in 7.5 might be seen as restricting certain types of PII (eg self-insured), and some organisations may be unwilling to disclose precise details of PII cover as suggested by 7.6.
-
- Question 20** **To what extent do you agree that the combination of an Actuarial Profession Standard with a supporting Guide is a clear and accessible way of presenting the material?**
- On a scale of 1-5 where 1 is Strongly disagree and 5 is Strongly agree:
3/5
-
- Question 21** **Do you have any comments on the Operational Guide?**
- As above, the guide should acknowledge the existence of non-actuaries in organisations.
- Other than that we have no comments although the guide may need to be modified to reflect any comments accepted in relation to the overall process (for example the regular monitoring process)
-
- Question 22** **Do you have any comments on the Participation Agreement?**
- The requirement in 5.2.3 to notify change of address etc is not consistent with the requirement to notify any change of policies in a timely manner. If the latter requirement is to be retained as a specific notification (and we have suggested in q15 above that it is not retained) then it should also feature within the participation agreement.
- We note that there would be a requirement to 'agree to participate in the Designated Representatives' Forum'. We agree that this should be part of the participation agreement as it will be an efficient way of ensuring consistency and regular communication with the participating firms.

Question 23

Do you think that the Designated Representative should be, or include, at least one member of the IFoA?

Yes, because this would ensure that the participants in the forum have a consistent background and understanding.

Question 24

To what extent do you think that the opportunity to obtain a kitemark or branding to promote Quality Assured Organisation status is a valuable part of the proposals?

On a scale of 1-5 where 1 is Not valuable and 5 is Very valuable:

3/5

See our answer to 12 above. Care would be needed so that the "Quality Assured" tag does not cause confusion in relation to firms that are not pure actuarial firms – clients would need to understand that the kitemark only applied to a subset of the services offered (and that the IFoA is not endorsing the non-actuarial work as well as the in scope actuarial work).

Question 25

Do you think that organisations would be willing to join the Quality Assurance Scheme if the Quality Assured kitemark were not available?

We do believe that a kitemark would act as some encouragement for organisations to join the scheme. However if no kitemark existed, organisations would still be able to make reference to their membership, so the kitemark is merely cosmetic.

Question 26

Do you have any other comments on the Quality Assurance Scheme?

There are some other elements that could usefully be introduced into the Scheme in due course:

For example in light of the new mandatory professional skills training required for experienced actuaries, would Quality Assured firms be able to obtain approval for internal training courses more easily so that they can count towards the 2 hour requirement?

The approach to awarding practising certificates might also be eased for employees of such firms, for example where firms already carry out credit checks this might be accepted as fulfilling the profession's requirement.

These could come within the 'training and development' and 'appropriate supervision' principles.

Question 27

Would your organisation be interested in engaging in further exploration of the proposals with the IFoA? If yes or maybe, please



provide details of whom we should contact regarding the Quality Assurance Scheme in the comments box below.

We would be happy to engage in further exploration of the proposals. An initial point of contact would be Jillian Pegrum, Briarcliff House, Kingsmead, Farnborough, Hampshire, GU14 7TE tel 01252 768175 (jillian.pegrum@aonhewitt.com)

Question 28

What would be the most significant factor when considering whether to apply for Quality Assured Organisation status? (Answer one option only)

Cost of resourcing internally

Whether competitor organisations are applying

Level of licence fee

Other (please specify in comments box below)

Extent of monitoring

This assumes that the profession addresses our concerns over whether the proposals would require additional, duplicate procedures rather than act as an underpin to current arrangements. If our concerns are not addressed, we might instead consider resourcing issues as a major factor.

Question 29

What level of work do you think your organisation would be required to carry out to meet the good practice criteria set out in APS Q1?

On a scale of 1-5 where 1 is Very little/ No work and 5 is Very significant level of work:

2/5

We believe that we meet the principles in all the areas noted. The main work in some areas would be consolidation of our processes and ensuring appropriate confirmation that the requirements are met. In addition there would be work required to complete the regular monitoring process.

Question 30

To what extent do you think your organisation might require any extra resource to meet the Quality Assured Organisation requirements?

On a scale of 1-5 where 1 is Very little/ no extra resource and 5 is Significant extra resource:

2/5

This assumes that the profession addresses our concerns over whether the proposals would require additional, duplicate procedures rather than act as an underpin to current arrangements.

Question 31

Do you think that the benefits of obtaining Quality Assured Organisation status could outweigh the potential costs?

Yes – provided the proposals do not create an additional layer of procedures. See the comments in our introduction.



Question 32

Does your organisation currently participate in a similar quality assurance scheme provided by another body?

Yes – ISO 9001:2008

Question 33

Do you have any comments in relation to how the IFoA Quality Assurance Scheme might interact or align with quality assurance schemes provided by other bodies?

The IFoA scheme has its own scope of coverage, which reflects the areas of concern to the profession. Where any of these areas overlap with other quality assurance schemes, again it is important that different sets of standards do not duplicate effort.



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8 July 2013

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Dear Sirs

Quality Assurance Scheme for Organisations

I am writing on behalf of the Association of Consulting Actuaries (ACA) in response to the consultation paper issued in May 2013 containing a new policy proposal to introduce a Quality Assurance Scheme for Organisations.

Members of the ACA provide advice to thousands of pension schemes, including most of the country's largest schemes. Members of the Association are all qualified actuaries and are subject to the Actuaries' Code of the Institute and Faculty of Actuaries (IFoA). Advice given to clients is independent and impartial. ACA members include the scheme actuaries to schemes covering the majority of members of UK defined benefit pension schemes. ACA members also advise insurance companies, banks and other financial institutions.

The ACA is the representative body for consulting actuaries, whilst the IFoA is the professional body.

We have chosen to respond by letter since the fact that we represent many organisations ranging in size from the biggest employing over 200 fellows to sole practitioner firms means the impact can be much different according to the size of firm.

Overall we welcome the proposals. It is clear from the introduction that there is a perceived need to promote actuarial quality and this has been emphasised by the FRC. In particular we cannot but agree that it is important that members of the public can feel reassured when dealing with actuaries and actuarial firms that they are receiving quality advice. The fact that the IFoA has taken the lead and come up with a set of proposals is to be commended and in many ways it has to be better to participate fully in the design of a quality scheme than have one thrust upon the profession. Nevertheless and to state

the obvious the scheme has to work as any shortcomings could reflect badly on the IFoA. Thus we are grateful to be able to input on the scheme and would welcome the opportunity to continue to work with you to bring these proposals into effect.

There are however a number of immediate issues which we would like to highlight, ahead of addressing the questions posed.

First, in consulting with our members it seems pretty clear that the vast majority of firms will wish to apply to become a Quality Assured Organisation. This applies from the largest firms to sole practitioners. The fundamental reason is that from a competitive perspective it will rapidly become a requirement in formal and informal tenders and lack of being recognised will result in not only failure to secure new business but also a catalyst for loss of existing business. Therefore one does become concerned at three levels:

A) If all firms are recognised are the criteria too weak?

B) If all firms are recognised what has been gained in the public eye since it has not provided anything of use in differentiating quality.

C) The actual procedures and practicalities. Is it like an MOT where the firm will be able to submit, if it chooses, for a pre assessment check? If a firm fails can it make the necessary changes and re-submit and are there any time limits on this, especially in the first year?

Second, most of the larger firms would argue that they already operate at a significantly more rigorous level than mere compliance with guidance and codes of conduct. They therefore view this as a recording and audit of their practices and procedures. Nevertheless this will involve significant cost, internal and external which must ultimately be borne by clients or shareholders. One needs therefore to consider whether the public will value the new requirements or merely see this as another layer of costs on what is already perceived to be very expensive advice.

Third, at a practical level with over 80 firms, that we are aware of, who would wish to submit themselves the sheer scale of the initial audit is immense. It would be unacceptable for firms who have been audited early to be able to use the kite-mark ahead of others who, because of the work load, are further down the queue. Thus the staffing of the initial audit needs to be high and with a period of 2 to 4 days for each audit visit itself it is hard to imagine the process taking less than a year. From the wording of the documents I believe it is accepted the audits will have to be undertaken by an outside body, much like ISO accreditation. Indeed I suggest firms will not be prepared to submit themselves to audit by members of other firms, because of IP and competitive aspects. Thus the IFoA is unlikely to be able to undertake the audits without an external organisation. Under this heading we would highlight the incidence of workload is challenging, with continued peaks at times of monitoring visits unless these are to be phased.

Fourth, the documents suggest a period of 6 years for monitoring visits. Surely this of itself would reduce the value in the public eye and risks the scheme being seen as a once off tick box standard. Firms, environment and public perceptions can change considerably over such a long period. Thus we would suggest that the review period is

shortened and further serious consideration is given as to how the monitoring will be delivered with the peaks in audit needs.

Fifth, a firm can choose which of its subsidiaries, divisions and departments are to be covered. Assuming that the entity chosen is the “client facing division” where the advice is delivered to the client, how do we ensure consistency? There are 3 models which immediately spring to mind where the advice would be delivered by a kite-marked firm. First a firm where all members are within the one entity applying for accreditation. Second a firm where client facing and back office is split into separate departments and the organisation has chosen only to apply for accreditation for the client facing department. Third being the same as the second except where the back office is located overseas in a separate subsidiary and cannot, even if desired, be covered by the accreditation, being limited to the UK. Under the 3 models the work being done is the same, as is the output. How can the same quality standards be assured?

Sixth and last, we expand on the second point. In the early days of ISO accreditation of administration businesses, some of the larger firms deliberately sat outside the ISO regime on the basis of their own quality assurance standards. Because of their size and the fact that accreditation was not the established norm this was a sustainable position. As a parallel how does the IFoA guard against say 3 or 4 of the largest firms baulking at the cost aspects and choosing to live outside? If this were to happen then it would potentially damage the brand/ kite-mark and also mean that the launch and central implementation costs would have to be borne by the smaller firms with a disproportionate increase in their costs. Clearly one has to work up a scheme where buy in from the largest players is “guaranteed” but without watering down of the proposals to ensure this.

In the appendix we turn to answering the remaining questions, ignoring those which require particular responses from each organisation. I have adopted the numbering in the on-line response which differs by 1 to the numbering of the questions in the consultation document. I would confirm that the ACA does not require its views to remain confidential. Indeed to the contrary we would welcome open participation with others in furthering work on the scheme.

We hope that you find our comments of assistance and would be happy to discuss them further if that is helpful. You can contact me on 0161 242 5321 (phil_wadsworth@iltgroup.com).

Yours faithfully

Phil Wadsworth
Chairman
ACA Consulting Practices Committee

APPENDIX

ACA'S response to the Quality Assurance Scheme for Organisations

Q12 – To what extent do you think that the proposals will satisfy the following objective: provide assurance to the public and other stakeholders as to the quality of actuarial practice?

Score 4

This does by the way it is phrased imply that there is currently a question over the quality of actuarial advice. We are unaware of great concerns in this area but we cannot operate in a position of arrogance and must continue to look at ways we can further build confidence.

To that extent we believe the proposals will provide assurance, provided that the significant and onerous requirements for accreditation are widely recognised and it is not seen merely as the adding of a kite-mark and nothing further.

Q13 – To what extent do you think the proposals will satisfy the following objective: foster effective engagement between organisations that employ actuaries and the IFoA in relation to regulatory issues?

Score 2

This does seem to be a strange objective. Organisations currently work closely together through the ACA, IFoA working groups and other bodies. It is difficult to see how this scheme will enhance this or the engagement with IFoA. Indeed because of having to introduce other auditable procedures as a result of regulation there is a (remote) possibility it could work in the opposite direction. Equally engagement should be across all organisations not just those who have signed up for the scheme.

Q14 – To what extent do you think Quality Organisation status would be valued by:

Scores Organisations 4, but only because of competitive requirements

Employees 2

Prospective employees 4

Users of actuarial work 2

As suggested in our introductory remarks it is difficult to see how users would value the work which ultimately will result in fee increases and for the better firms little difference in output. Thus the value may just be limited to experiences of dealing with those firms who do not meet the user's expectations. However users have always had the option to remove the adviser and appoint another individual or firm.

Q15 – To what extent do you think the proposed monitoring arrangements are sufficient?

Score 2

As suggested earlier 6 years does seem less than adequate and would not meet the objective of improving the users' view of quality assurance. We would therefore suggest a period of 3 years.

Q16 – Do you have any comments on APS Q1: Organisations and Employers of Actuaries?

The first comment would be to replace APS Q1 by APS QA1, since the Q1 does imply a question.

Second, under definitions Member should come before not after Organisation.

Third, in Appendix 1 (i) the term “high quality actuarial work” is very subjective and raises the question as to how quality will be judged and by whom.

Fourth, in Appendix 7 who will judge “appropriate”. We would suggest these matters are for the Directors and Partners to decide and not for assessment under a Quality Scheme. Indeed any unwelcome mandatory requirements could actually result in firms opting out of what is after all a voluntary scheme.

Q17 – Do you have any comments on the Guide to APS Q1?

Paragraph 7.6 under PII should, we suggest, be deleted. Disclosures are matters covered in agreements with insurers and it is not uncommon for insurers to insist on non disclosure.

Q18 – What amendments do you consider would be required to the Guide in order to ensure its applicability to your organisation/ practice area/ sector? Do you have any comments on the Guide to APS Q1?

The ACA represents many firms of varying size, structure etc and as such it would be very difficult to provide an answer encompassing every organisation. Indeed whilst we have held a sessional meeting on the subject we have not sought views from each firm on these aspects. We are aware a large number of firms will be responding on the position of their own firm and leave this question to be addressed in these individual responses.

Q19 – We have avoided being prescriptive as to the terms/ level of PII cover. Are there however more detailed principles which we should set out in this respect?

We agree that the scheme should not be prescriptive in this area. The arrangements for each firm can be markedly different, from the largest firms who will make use of pooling arrangements for all the firm's risks to sole practitioners who have to seek individual insurances. The disclosure requirements of insurance providers differ and finally many firms operate limitation of liability clauses in agreements.

Q20 – To what extent do you agree that the combination of an Actuarial Profession standard with a supporting Guide is a clear and accessible way of presenting the material?

Score 4

This follows the approach to Conflicts of Interest and we believe it is a tried and tested format.

Q21 – Do you have any comments on the Operational Guide?

No

Q22 – Do you have any comments on the Participation agreement?

No

Q23 – Do you think that the Designated Representative should be, or include, at least one member of the IFoA?

Yes we believe this is essential

Q24–To what extent do you think that the opportunity to obtain a kite-mark or branding to promote Quality Assured Organisation status is a valuable part of the proposals?

Score 4

As indicated earlier I believe it will be difficult to engage with users on the benefits of the proposals. Therefore I believe the kite-mark is very useful in that it does provide a reminder that standards exist and a subliminal acceptance that it exists.

Q25 – Do you think that organisations would be willing to join the Quality Assurance Scheme if the Quality Assured kite-mark is not available?

As indicated in previous answers part of the driver to join is the competitive pressure and in particular the risk of exclusion from tenders if the firm is not part of the scheme. If the kite-mark were absent and there was no means of checking whether an organisation was or was not part of the scheme then we believe a number of firms would not join

Q26 – Do you have any further comments on the Quality Assurance Scheme?

We have two comments in addition to those made earlier and in the covering letter.

First, the burden of compliance for larger firms, whilst likely to be high, is proportionately less than that to be suffered by smaller firms. This is a result of many aspects not being related to the number of clients or members and these costs having to be recouped over a lesser number of clients. Has the IFoA considered how they will react if there is a significant number of small firms, or even all of them, who decide not to join?

Second, having introduced the scheme how will the IFoA measure the difference it has made? How will they demonstrate it is working and meeting its objectives, so they can defend challenge from the FRC and others?

Aviva Response to Exposure Draft 30 - Quality Assurance Scheme for Organisations

We have read with interest the proposals for a Quality Assurance Scheme. We note the scheme at least in the first instance appears to be focussed on consultancies, however, to the extent that it is deemed extensible to all firms and feedback is sought from all, we provide the following comments:-

Aviva does not support the proposals and would not expect to participate in the scheme.

Aviva maintains a strong system of governance and controls and believes that we are able to provide an appropriately professional working environment for our actuarial employees, with the necessary support and recognition.

We read with interest the principles underlying the proposed scheme and recognise many of the desired outcomes in existing mandatory and other pre-existing guidance and regulations. The formal scheme as proposed would be onerous to implement and maintain, with a potentially considerable administrative burden.

We acknowledge the good intentions of the proposals and support the underlying principles. As such, whilst we would not anticipate formally participating in the scheme, if introduced, we will be keen to satisfy ourselves that, to a great extent, the principles are being embedded within our organisation for the benefit of our actuarial employees, and more generally.

We agree that the scheme, if introduced, should be voluntary, but on this basis and with unknown take-up, it is unclear how this can be perceived as increasing general public confidence.

We have not seen enough evidence of the success or otherwise of such schemes in other professions.

Good engagement with the IFoA is an advantage, but we would argue that this should be possible informally without such a scheme. At Aviva we have a number of regional actuarial networks that regularly benefit from IFoA attendance and participation at various organised events. More could be done to foster such relations, perhaps multiple organisations forming networks where their respective actuarial communities are small.

We would question why participation in the scheme should result in greater influence on developments within the profession. The onus should be on the profession to reach out to all individuals and all organisations regardless of their participation in any such scheme. With a potential stronger take-up from consulting actuaries, this would potentially lead to an imbalance of views being reflected.

A review every 5/6 years is a long lag, and much can change in an organisation in this time in terms of people, processes, culture and structures.

Any resource and cost implications would clearly need to be a consideration in a decision to participate.

We understand the objectives the proposal is seeking to meet, but believe that these could be better met with a simpler approach eg a code of conduct for organisations employing actuaries.

Barnett Waddingham

PRIVATE AND CONFIDENTIAL

8 July 2013

The Quality Assurance Scheme Consultation
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Our Ref: NCG/CON/7081

(By Email to qas@actuaries.org.uk)

Dear Sirs

QUALITY ASSURANCE SCHEME FOR ORGANISATIONS New Policy Proposals – Consultation Paper

Barnett Waddingham LLP is a UK based firm of actuaries and consultants. In particular, we provide a range of actuarial, administration and consultancy services to trustees and sponsoring employers of occupational pension schemes. We have therefore considered the Professional Regulation Executive Committee's (PREC) consultation and policy proposals on a Quality Assurance Scheme (QA Scheme) for Organisations with a great deal of interest.

The following represents the views of many, but not necessarily all of the actuaries working at Barnett Waddingham, and the partners of the firm. This response should, however, be considered as my organisation's views, rather than my own professional views although the two are, by and large, the same. We are happy for this response to be made public on the Profession's website.

We have considered the specific questions posed in the consultation document and set out our answers, together with some general comments, below.

Summary

Our primary view is that the proposals seem sensible and there is very little that we, as a firm can object to. The proposed Quality Assurance Scheme is, in the main, outcomes-based which means the process of accreditation, and monitoring, will be as flexible as we could hope.

We would hope that the monitoring process could be relatively light-touch. In view of the need for the Scheme to have credibility for users of actuarial advice (as well as for the Organisations and other Stakeholders), the proposals seem to strike a fair balance between the burden of monitoring and the necessity for Organisations to be able to openly demonstrate good practices – except in one aspect: the proposal for monitoring reviews to take place at intervals of up to six years. This appears too light-touch and may itself undermine the credibility of the Scheme. Perhaps four years would be more appropriate.

Furthermore, we agree that participation in the QA Scheme should be designed to not be a box-ticking exercise. We hope that the whole process would become a "virtuous circle" of feedback and improvement to the way in which Organisations provide advice, and the IFoA interacts with members' firms.

We believe the kite-mark is essential to the success of the QA Scheme. In fact, we would go as far as to say the whole point of the Scheme must be that actuarial firms are able to demonstrate to users that they meet the

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quality test in order to increase user confidence. We don't believe the other potential benefits listed in the consultation could justify this exercise in the absence of such a kite-mark. There is a need, however, for this accreditation to provide an additional level of assurance to users above the fellowship qualification – otherwise the kite-mark itself is redundant.

The downside of the QA Scheme for users is that the cost of actuarial advice may go up. This is the price for having quality assurance. We would hope that the fees for participating in the QA Scheme would be suitably modest, and would welcome the opportunity to comment further when proposals in relation to fees are made.

We also believe it could become very difficult a non-participating firm to compete in a marketplace with participating organisations.

We assume that the IFoA considered carefully whether it was appropriate to create a new Quality Assurance Scheme, rather than simply adopting ISO 9001, the international standard for quality assurance. To the fullest extent possible, it would make sense if the QA Scheme was aligned with the framework of ISO 9001.

We set out below our responses to the specific questions raised in the consultation, which expand on these points further.

Specific Responses

1. About you

Name: Ruth Thomas, **Position held:** Partner

2. Are you a member?

Yes

3. If yes, which class of membership?

Fellow

4. What is your practice area? (Answer one option only)

Pensions

5. About your organisation

Name: Barnett Waddingham LLP

6. Type of organisation (Answer one option only)

Actuarial consultancy

7. Size of organisation

40+ Fellows or Associates

8. Do you want your name to remain confidential?

No

9. Do you want the name of your organisation to remain confidential?

No

**Barnett
Waddingham**

10. Do you want your comments to remain confidential?

No

11. Do these comments represent your own professional views or your organisation's views?

Organisation's views

12. To what extent do you think that the proposals set out in the consultation paper will satisfy the following objective: provide assurance to the public and other stakeholders as to the quality of actuarial practice.

Not satisfy Satisfy

1 2 3 4 5

Comments: The fellowship qualification, in our opinion, already provides a great deal of assurance to the public as to the quality of advice from members. The proposals therefore will need to ensure that users of actuarial advice are aware what participation in the QA Scheme means in terms of the commitment and responsibilities the Organisation is signing up to, and how these benefit the user.

A great deal will therefore depend on how the IFoA (and participating Organisations) publicise the QA Scheme

13. To what extent do you think that the proposals set out in the consultation paper will satisfy the following objective: foster effective engagement between organisations that employ actuaries and the IFoA in relation to regulatory issues.

Not satisfy Satisfy

1 2 3 4 5

Comments: The forum for Designated Representatives will, if operated effectively, provide an excellent opportunity for the IFoA to engage with Organisations who employ actuaries. Care will have to be taken that the forum can operate efficiently as the number of participating firms (and Designated Representatives) grows.

14. To what extent do you think Quality Assured Organisation status would be valued by:

Organisations:

Not valuable Very valuable

1 2 3 4 5

Employees:

Not valuable Very valuable

1 2 3 4 5

Prospective employees:

Not valuable Very valuable

1 2 3 4 5

Barnett
Waddingham

Clients/ users of actuarial work:

Not valuable Very valuable

1 2 3 4 5

Comments: Existing employees are unlikely to value the kite-mark as they will already be aware of, and to a significant extent, involved with the processes and standards that the QA Scheme requires Organisations to exhibit. Prospective employees and prospective users will, over time, begin to look for the kite-mark when selecting an Organisation.

The extent to which prospective clients look for participation in the QA Scheme will depend on the take-up. If most actuarial firms are signed-up, then a firm that hasn't may be viewed in a more negative light during a tendering process. However, particularly in the early stages of the Scheme, we do not expect many clients will view the attainment of QA Organisation status as a key priority.

15. Do you think that the proposed monitoring arrangements are sufficient?

More monitoring is required

Comments: The proposal that the monitoring process is repeated every six years could undermine the credibility of the QA Scheme. A lot can change at a firm in a six year interval between formal monitoring (although we note that compliance with APS Q1 would effectively be a continuous commitment to meeting the standards required for accreditation).

It may therefore be appropriate to increase the frequency of monitoring slightly – to, say, once every four years. Care would be needed to ensure that monitoring is not too frequent however, in order to ensure that compliance does not become burdensome and costs are kept low.

We do agree, however, that the extent of monitoring is appropriate – ie an appropriate balance is struck between full audit and self-policing.

16. Do you have any comments on APS Q1: Organisations and Employers of Actuaries?

Yes

Comments (please specify): The majority of Organisations will already be able to demonstrate compliance with APS Q1. Smaller firms may struggle, however, to demonstrate compliance.

We also wonder how firms who sub-contract their actuarial functions overseas will be able to show adherence to the standard. Barnett Waddingham does not "off-shore" actuarial work in this way.

17. Do you have any comments on the Guide to APS Q1?

No

Comments (please specify):**18. What amendments do you consider would be required to the Guide in order to ensure its applicability to your organisation/ practice area/ sector?****Comments:** None

**Barnett
Waddingham**

19. We have avoided being prescriptive as to the terms/ level of PII cover. Do you feel we should provide more detailed principles? If yes, please give details.

No

Comments (please specify): N/A

20. To what extent do you agree that the combination of an Actuarial Profession Standard with a supporting Guide is a clear and accessible way of presenting the material?

Strongly disagree Strongly agree

1 2 3 4 5

Comments: Although the guide repeats some of the content of APS Q1, it reads as a useful guide of what is expected of Organisations by the IFoA. We expect smaller firms in particular to find the guide helpful.

21. Do you have any comments on the Operational Guide?

Yes

Comments (please specify):

As noted above, we would welcome the opportunity to comment on the detail of the proposed fee charging structure.

22. Do you have any comments on the Participation Agreement?

No

Comments (please specify): N/A

23. Do you think that the Designated Representative should be, or include, at least one member of the IFoA?

Yes

Comments: We believe that members of the IFoA will be better placed to represent the actuarial specific requirements of the QA Scheme, as well as being better placed to engage with the IFoA. We would, however, encourage the IFoA to consider including some non-actuaries in the forum to provide independent thought / insight to the feedback process.

24. To what extent do you think that the opportunity to obtain a kite-mark or branding to promote Quality Assured Organisation status is a valuable part of the proposals?

Not valuable Very valuable

1 2 3 4 5

Comments: As already noted the kite-mark is, in our opinion, a key aspect of the QA Scheme.

Barnett
Waddingham

25. Do you think that organisations would be willing to join the Quality Assurance Scheme if the Quality Assured kite-mark were not available?

No

Comments: We see the kite-mark as being essential to the whole QA Scheme. Without it, we don't believe the potential benefits to Quality Assured Organisations (such as the potential for greater efficiencies and the opportunity to influence developments within the Profession) could justify this exercise in the absence of such a kite-mark.

26. Do you have any other comments on the Quality Assurance Scheme?

No

Comments (please specify): N/A

27. Would your organisation be interested in engaging in further exploration of the proposals with the IFoA? If yes or maybe, please provide details of whom we should contact regarding the Quality Assurance Scheme in the comments box below.

Yes

Comments: Mark Howard (mark.howard@bwlip.co.uk) and / or Ruth Thomas (ruth.thomas@bwlip.co.uk) on behalf of Barnett Waddingham's Professional, Risk and Compliance Committee.

28. What would be the most significant factor when considering whether to apply for Quality Assured Organisation status? (Answer one option only)

Whether competitor organisations are applying.

Comments: We believe competitive pressure will ensure the QA Scheme is a success – once one or two consultancies apply, the rest will inevitably follow. The Profession as a whole (ie the IFoA, Organisations and members) do however need to ensure that the QA Scheme does not become a cynical marketing tool which could devalue the Scheme as a whole.

29. What level of work do you think your organisation would be required to carry out to meet the good practice criteria set out in APS Q1?

Very little/ No work			Very significant level of work		
1	2	3	4	5	

Comments: We believe that Barnett Waddingham already meets the criteria set out in APS Q1 and we are able to demonstrate compliance.

30. To what extent do you think your organisation might require any extra resource to meet the Quality Assured Organisation requirements?

Very little/ no extra resource			Significant extra resource		
1	2	3	4	5	

Comments: Additional resource will be required in meeting the application process, demonstrability requirements and the burden of ongoing monitoring. We do not expect that these additional costs are likely to be significant in terms of our overall compliance budget.

31. Do you think that the benefits of obtaining Quality Assured Organisation status could outweigh the potential costs?

Yes

Comments: We expect that, for the smallest actuarial consultancies who may already be adhering to the principles of APS Q1, the costs of obtaining the QA status may outweigh the benefits. In any case, if *all* actuarial consultancies participate in the QA Scheme, then none of them will gain from participating (and in fact, they will lose because of the cost of participating).

Our answer to this question cannot therefore be a definite "Yes" or "No".

32. Does your organisation currently participate in a similar quality assurance scheme provided by another body?

Yes.

If yes, please provide the name of the other quality assurance scheme: BW is compliant with ISO 9001:2008 and ISO 27001:2005. Pension Administration and Support Services are currently certified by BSi and we expect to extend the scope of registration to the whole business (including Actuarial) by June 2014.

To the extent that it is not possible for the IFoA to simply adopt ISO 9001 as their QA Scheme, we think it would be helpful if the IFoA Quality Assurance scheme was closely aligned with the framework of ISO 9001, the international standard for quality assurance.

33. Do you have any comments in relation to how the IFoA Quality Assurance Scheme might interact or align with quality assurance schemes provided by other bodies?

No

Comments (please specify): N/A

If you would like to discuss any of our comments in more detail, please let me know.

Yours faithfully

Ruth Thomas
Fellow of the Institute and Faculty of Actuaries
Partner, Barnett Waddingham LLP
On behalf of the Professional, Risk and Compliance Committee

**Barnett
Waddingham**

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dxmurray@deloitte.co.uk

29 July 2013

Dear Sirs

Quality Assurance Scheme for Organisations - consultation paper

I am writing on behalf of the Deloitte in response to the May 2013 consultation paper containing a new policy proposal to introduce a Quality Assurance Scheme for Organisations.

As set out in our attached responses, we are supportive of the rationale for the Quality Assurance Scheme and we consider that the new QA Kitemark will be helpful in providing additional assurance to users of actuarial advice.

However, to operate effectively, it will be important to ensure that the scheme is widely recognised and seen as having value distinct from existing quality assurance schemes. It will also be important to ensure that the costs associated with the scheme are proportionate as users of actuarial advice will likely see these costs as adding to the expense of the advice they receive.

We have set out our responses to the questions on the attached appendices.

We hope that you find our comments useful and we would be happy to discuss them in further detail.

Yours faithfully

David Murray

Partner

Enc.

3. Questions

We invite your comments on the proposals relating to the working environment for actuaries and the introduction of a Quality Assurance Scheme for Organisations. It would be helpful if you would offer them by responding to the following questions.

An online version of the questionnaire can be found on the IFoA's website at <http://www.actuaries.org.uk/regulation/pages/consultations-and-discussion-papers>.

1. About you

Name:	DAVID MURRAY
Position held	PARTNER

2. Are you a member?.

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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3. If yes, which class of membership?

Student	<input type="checkbox"/>	Fellow	<input checked="" type="checkbox"/>
Affiliate	<input type="checkbox"/>	Honorary Fellow	<input type="checkbox"/>
Associate	<input type="checkbox"/>		<input type="checkbox"/>

4. What is your practice area? (Answer one option only)

Life Assurance	<input checked="" type="checkbox"/>	Health and Care	<input type="checkbox"/>
General Insurance	<input type="checkbox"/>	Education	<input type="checkbox"/>
Pensions	<input type="checkbox"/>	Retired	<input type="checkbox"/>
Finance and Investment	<input type="checkbox"/>	Other	<input type="checkbox"/>
Enterprise Risk Management	<input type="checkbox"/>		<input type="checkbox"/>

5. About your organisation

Name:	DELOITTE
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Institute and Faculty of Actuaries Proposed Quality Assurance Scheme for Organisations

Q12: To what extent do you think that the proposals will satisfy the following objective: provide assurance to the public and other stakeholders as to the quality of actuarial practice?

Score 4

We are supportive of the rationale for the Quality Assurance Scheme and agree that ensuring quality in actuarial work is vital for our clients, the public and other users of actuarial advice. Overall, we view that the new QA Kitemark will be helpful in providing additional assurance to these stakeholders.

However, to operate effectively, it will be important to ensure that the scheme is widely recognised by these stakeholders and seen as having value distinct from existing quality assurance schemes. It will also be important to ensure that the costs associated with the scheme are proportionate as users of actuarial advice will likely see these costs as adding to the expense of the advice they receive.

Q13: To what extent do you think the proposals will satisfy the following objective: foster effective engagement between organisations that employ actuaries and the IFoA in relation to regulatory issues?

Score 3

We view that the scheme, particularly the Designated Representative Forum, would overall help to achieve this objective. However, as the Designated Representative Forum could include representatives from a significant number of organisations, this will need to be run effectively to ensure it can make a meaningful contribution to fostering effective engagement.

Q14: To what extent do you think Quality Organisation status would be valued by:

Scores:

Organisations 4

Employees 4

Prospective employees 4

Users of actuarial work 4

As mentioned above we view that, if operated effectively, the new QA Kitemark will be valued by users of actuarial advice and other stakeholder.

Q15: To what extent do you think the proposed monitoring arrangements are sufficient?

We view that the proposed monitoring arrangement will be sufficient.

Q16: Do you have any comments on APS Q1: Organisations and Employers of Actuaries

We have no specific comments on this section.

Q17: Do you have any comments on the Guide to APS Q1?

See response to Q19.

Q18: What amendments do you consider would be required to the Guide in order to ensure its applicability to your organisation/ practice area/ sector? Do you have any comments on the Guide to APS Q1?

We have no additional comments to those provided elsewhere in this response.

Q19: We have avoided being prescriptive as to the terms/ level of PII cover. Are there however more detailed principles which we should set out in this respect?

In relation to PII cover, we agree that the scheme should not be over descriptive. In particular, for many firms we anticipate that the absolute level of PII cover is likely to be considered a matter of commercial confidentiality and could not usually be disclosed.

In view of this we feel that the guide to APS Q1 should clarify that in providing clients with appropriate level of reassurance around the PII cover in place, this would not necessarily extend to a requirement to disclose the absolute level of cover.

Q20: To what extent do you agree that the combination of an Actuarial Profession standard with a supporting Guide is a clear and accessible way of presenting the material?

Score 4

We agree that the material is presented in a clear and accessible way.

Q21: – Do you have any comments on the Operational Guide?

We understand that no guidance has yet been given on the expected costs of the scheme.

As noted above, we view that users of actuarial advice will likely see the costs of the scheme as adding to the expense of the advice they receive. It will therefore be important to ensure that the additional costs are proportionate to the anticipated benefits.

Q22: – Do you have any comments on the Participation agreement?

We have no specific comments on the Participation agreement.

Q23: – Do you think that the Designated Representative should be, or include, at least one member of the IFoA?

Yes, we believe that this would be helpful. For example, we view that this would help to ensure that the Designated Representative Forum is best placed to help support the objective of fostering effective engagement between organisations that employ actuaries and the IFoA on regulatory issues

Q24: To what extent do you think that the opportunity to obtain a kitemark or branding to promote Quality Assured Organisation status is a valuable part of the proposals?

Score 4

We view that, overall, the opportunity to obtain a kitemark or promotional branding will be valued by organisations. However, as noted above, to provide the most value, it will be important to ensure that the scheme is widely recognised by stakeholders and seen as having value distinct from existing quality assurance schemes.

Q25: Do you think that organisations would be willing to join the Quality Assurance Scheme if the Quality Assured kitemark is not available?

If the Quality Assured kitemark were not available to firms we view that this could dilute the level of reassurance provided to stakeholders (who then might not be aware of the scheme, or that the firm had joined). We view that this could reduce firms' willingness to join the scheme.

Q26: Do you have any further comments on the Quality Assurance Scheme

We have no additional comments to those provided elsewhere in this response.

Q27: Would your organisation be interested in engaging in further exploration of the proposals with the IFoA? If yes or maybe, please provide further details of whom we should contact regarding the Quality Assurance Scheme in the comments box below.

We have already taken the opportunity to have a short discussion with the IFoA on the proposals. To the extent there are future changes to the proposals, we would be happy to explore these further.

Q28: What would be the most significant factor when considering whether to apply for Quality Assured Organisation status?

Each of the considerations listed is likely to be important. "Whether competitor organisations are applying" would likely be important for most companies.

Q29: What level of work do you think your organisation would be required to carry out to meet the good practice criteria set out in APS Q1?

Score 2

Deloitte has policies in place in each of the areas set out. Any additional requirements should therefore be limited.

Q30: To what extent do you think your organisation might require any extra resource to meet the Quality Assured Organisation requirements?

Score 3

Initial resources would be needed to collate materials to support the initial application.

Further resource would be needed to provide a Designated Representative and also to support the monitoring requirements.

Q31: Do you think the benefits of obtaining the Quality Assured Organisation status could outweigh the potential costs.

Yes. However, to do so it will be important to ensure that the scheme is widely recognised and valued by users of actuarial advice and that the costs of the scheme are proportionate to these benefits.

Q32: Does your organisation currently participate in a similar quality assurance scheme provided by another body?

Deloitte's consulting business (of which substantially all of its UK actuaries are part) has ISO 9001 certification, which covers a range of similar "quality" principles. Deloitte also hold ISO 9001 and ISO 27001 certification relating to management consulting services and information security practices respectively. Further Deloitte is also subject to regulation by the ICAEW and the FCA.

Q33: Do you have any comments in relation to how the IFoA Quality Assurance Scheme might align with quality assurance schemes provided by other bodies.

We anticipate that the IFoA Quality Assurance Scheme will be broadly consistent with requirements of other schemes and regulation that Deloitte is subject to.

EY response to the Institute and Faculty of Actuaries' Exposure Draft ED30 Consultation Paper: Quality Assurance Scheme for Organisations

Ernst & Young LLP

8 July 2013



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1. About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization and may refer to one or more of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

In the UK, we employ over 200 Students and Fellows of the Institute and Faculty of Actuaries (“IFoA”) and provide advice and assurance in all of the IFoA’s practice areas.

2. Overview of our response

EY welcomes the opportunity to comment on the IFoA's new policy proposals for a Quality Assurance Scheme ("QAS") for organisations.

EY recognises the importance of quality in all aspects of our work and invests a significant amount in ensuring that we have the policies and procedures to achieve this. In the UK, EY is regulated by the Institute of Chartered Accountants in England and Wales (ICAEW). The ICAEW's Quality Assurance Department carries out periodic practice assurance reviews – which, periodically, cover non-audit activities – and the Financial Reporting Council (FRC) also monitors the audits of listed companies and certain Public Interest Entities. EY is also subject to the ICAEW / FRC Audit Firm Governance Code.

As part of its independent inspections, the FRC assess us against International Standards on Quality Control 1 (ISQC1). Among many other things it requires "*the firm's chief executive officer (or equivalent) or, if appropriate, the firm's managing board of partners (or equivalent), to assume ultimate responsibility for the firm's system of quality control*". While we accept that ISQC1 is primarily aimed at EY's audit practice, it also applies to those parts of our business that (i) support auditors like our actuaries; or (ii) provide audit-related services. More importantly, we apply the spirit of ISQC1 across our entire business because it is more practical to do it that way.

We are supportive of many of the objectives underlying the proposed introduction of a voluntary QAS for organisations and recognise that there may be a need to demonstrate appropriate quality standards for some organisations. However, we have strong reservations about the practicalities of the QAS as outlined in the consultation paper and about whether the actual benefits will be outweighed by the costs, particularly for larger companies which already have quality procedures in place and which may already be subject to regulation. We recommend that instead consideration be given to issuing good practice guidance for such organisations but without the accompanying overhead of the QAS.

Other key points are as follows:

- ▶ **Cost** – Although we believe that we comply with the good practice criteria set out in the draft APS Q1 and, as noted above, are also regulated by the ICAEW, participation in the QAS would inevitably lead to additional ongoing costs. Such costs would arise from the additional documentation that would be required to demonstrate compliance with the QAS and include inefficiencies arising from the fact that EY employees already have to comply with global quality standards and local regulatory requirements. The multi-disciplinary nature of many of the projects undertaken by EY may also introduce practical difficulties whereby only part of a particular assignment is subject to APS Q1.
- ▶ **Overlap with the regulation of members** – Individual members of the IFoA are already required to comply with the Actuaries' Code and with Technical and Professional Standards. We believe that through the Code and these standards, much of what the IFoA is seeking to achieve through the QAS is already being achieved. Where quality is inadequate, an actuary is likely to be in breach of his or her professional obligations. Regulation of organisations that employ actuaries as well as of the actuaries themselves risks introducing a lack of accountability for the individual actuaries.
- ▶ **Complex scope of application** - In practice, many of the actuaries employed by EY work as part of multi-disciplinary teams on a range of projects. Projects may be on behalf of both UK and international clients and may involve actuaries employed overseas (who may or may not be members of the IFoA). It would therefore be difficult to determine which projects came within the scope of the scheme.
- ▶ **Client due diligence** – We believe there is a risk that potential clients may misinterpret what attainment of the Quality Assured Organisation ("QAO") status means. The IFoA will not be vouching for the quality of work produced and clients will still need to

undertake their own due diligence in relation to potential advisers. We are concerned that the IFoA itself could be vulnerable to criticism in the event that a QAO provides poor advice.

3. Responses to questions

Our answers to the specific questions in the consultation paper are as follows:

1. **About you**

Andrew Stoker, Partner

2. **Are you a member?**

Yes

3. **If yes, which class of membership?**

Fellow

4. **What is your practice area?**

I am responding on behalf of EY which undertakes work in all practice areas: life assurance, general insurance, pensions, finance & investment and enterprise risk management.

5. **About your organisation**

EY

6. **Type of organisation**

Other – professional services firm

7. **Size of organisation**

Over 200 Fellows, Associates and students

8. **Do you want your name to remain confidential?**

No

9. **Do you want the name of your organisation to remain confidential?**

No

10. **Do you want your comments to remain confidential?**

No

11. **Do these comments represent your own professional views or your organisation's views?**

Both personal views and the organisation's views

12. **To what extent do you think that the proposals set out in the consultation paper will satisfy the following objective: provide assurance to the public and other stakeholders as to the quality of actuarial practice.**

We do not believe that the public and other stakeholders will rely on the QAS in gaining assurance as to the quality of actuarial practice. We do however recognise that the QAS may lead to improvement in policies and procedures particularly in the more fragmented

pensions actuarial consultancy market. That said, we believe that the public and stakeholders will continue to rely on the professionalism of individual actuaries (overseen by the IFoA) and on the reputation of individual firms.

We believe that this would continue to be appropriate even if the scheme were to be introduced since there will be considerable variation in the quality of work produced by different organisations attaining QAO status.

13. To what extent do you think that the proposals set out in the consultation paper will satisfy the following objective: foster effective engagement between organisations that employ actuaries and the IFoA in relation to regulatory issues.

Although the proposals will encourage engagement between organisations that employ actuaries and the IFoA, we believe that there is already effective engagement between larger organisations and the IFoA via individual actuaries and the significant time commitment that they make to the IFoA.

In addition, we believe that, as a professional body, the IFoA's remit should be focussed on the conduct of its individual members and not on the organisations that employ actuaries, particularly where these organisation are regulated by regulatory bodies such as the ICAEW.

14. To what extent do you think Quality Assured Organisation status would be valued by:

a. Organisations

Successful established organisations have typically spent many years building a reputation for quality work and hence, in our view, are unlikely to view attainment of QAO status as adding a great deal of value. For those organisations for which this is not true, attainment of QAO status may be more meaningful.

b. Employees

Although EY employees are proud to work for an organisation that focuses on the quality of its work, we do not believe that they would place much value on attainment of QAO status.

c. Prospective employees

Prospective employees will consider a range of criteria when selecting an employer. Attainment of QAO status is unlikely to be a significant differentiator.

d. Clients / users of actuarial work

We believe that clients / users of actuarial work will continue to rely on their own processes for determining whether or not to appoint a particular firm of advisers and that attainment of QAO status is unlikely to play a significant role in such processes.

We would, therefore, recommend that, in addition to evaluating the responses to this consultation, the IFoA undertakes research, targeted at clients / users of actuarial work, to determine the extent to which they would value QAO status (this is likely to be required in addition to the consultation process since many clients / users will not respond to the consultation). This is particularly important given that it is clients who will ultimately meet the costs of the QAS.

Notwithstanding our comments above, our responses to Q15 to Q33 are as follow:

15. Do you think that the proposed monitoring arrangements are sufficient?

Without reviewing specific client files (a requirement which would prove problematic both on cost and confidentiality grounds), the Professional Regulation Executive Committee ("PREC") will be relying on the professionalism and honesty of the employees being interviewed and on the quality of the limited documents reviewed. This does not seem unreasonable, particularly in the light of the consultative and constructive approach being envisaged but might create risk for IFoA.

However, there is no mention in the proposals of the monitoring of complaints. We agree that investigation of complaints should not fall within the remit of the PREC but we would be concerned about an organisation retaining QAO status despite a receiving significant volume of complaints. We therefore wonder whether periodic monitoring should include consideration of complaints.

16. Do you have any comments on APS Q1: Organisations and Employers of Actuaries?

Many of the requirements of APS Q1 are already requirements of actuaries as a result of either the Actuaries' Code or of the application of Technical Actuarial Standards. We believe that the IFoA should continue to focus on oversight of individual members rather than employers of actuaries.

The definition of Actuarial Work in this document is also very broad and may, we believe, actually discourage firms from using UK actuaries for particular assignments (something that is contrary to the goal of the IFoA of encouraging actuaries to work in wider fields).

17. Do you have any comments on the Guide to APS Q1?

The frequent references to the Actuaries Code are consistent with our view that regulation of individual members of the IFoA should already ensure that many of the objectives of the QAS are achieved.

The guide could provide a useful starting point for describing good practice in this area.

18. What amendments do you consider would be required to the Guide in order to ensure its applicability to your organisation/ practice area/ sector?

As we have strong reservations about the practicalities of the QAS as outlined and about whether the actual benefits will exceed the costs, we wonder whether a better approach would be to move to issuing good practice guidance for organisations to adopt without the overhead of the QAS.

19. We have avoided being prescriptive as to the terms/ level of PII cover. Do you feel we should provide more detailed principles? If yes, please give details.

We agree that the Guide should avoid prescription in relation to PII cover. It may not be appropriate to disclose details of the terms and level of PII cover as this information can be commercially sensitive.

20. To what extent do you agree that the combination of an Actuarial Profession Standard with a supporting Guide is a clear and accessible way of presenting the material?

This seems a sensible approach.

21. Do you have any comments on the Operational Guide?

The Operational Guide provides reasonable coverage although we note that there is no mention of voluntary withdrawal from the scheme.

22. Do you have any comments on the Participation Agreement?

The content of the Participation Agreement does not seem unreasonable, although we see no requirement for a section setting out the IFoA's Commitment since monitoring and enforcement applies only to the QAO and not to the IFoA.

The Application section highlights one of the practical difficulties of the scheme. In practice, many of the actuaries employed by EY work as part of multi-disciplinary teams on a range of projects, some of which may be described as actuarial work. Projects may be on behalf of both UK and international clients and may also involve actuaries employed overseas (who may not be members of the IFoA). Should EY decided to join the QAS, it would therefore be very difficult to complete the Application section appropriately.

23. Do you think that the Designated Representative should be, or include, at least one member of the IFoA?

The Designated Representative needs to have appropriate skills and experience to undertake the role. It is not clear to us that the Designated Representative has to be a member of the IFoA, although in practice we anticipate that the Designated Representative will generally be a member.

24. To what extent do you think that the opportunity to obtain a kitemark or branding to promote Quality Assured Organisation status is a valuable part of the proposals?

We do not believe that the opportunity to obtain a kitemark or branding is a valuable part of the proposals. Without significant advertising and promotion activity, the kitemark itself is unlikely to have significant value to stakeholders.

25. Do you think that organisations would be willing to join the Quality Assurance Scheme if the Quality Assured kitemark were not available?

Yes (assuming that the organisation felt that there was a cost benefit case for applying for QAO status). See our response to Q24 above.

26. Do you have any other comments on the Quality Assurance Scheme?

Please see the Overview to our response (above).

27. Would your organisation be interested in engaging in further exploration of the proposals with the IFoA? If yes or maybe, please provide details of whom we should contact regarding the Quality Assurance Scheme in the comments box below.

We would be happy to engage in further discussion of the proposals. Please contact Andrew Stoker (astoker@uk.ey.com) if you would like to discuss our response further.

28. What would be the most significant factor when considering whether to apply for Quality Assured Organisation status? (Answer one option only)

As discussed above, we are not convinced that the actual benefits will outweigh the costs. Hence, EY is unlikely to apply for QAO status.

29. What level of work do you think your organisation would be required to carry out to meet the good practice criteria set out in APS Q1?

We believe that we generally comply with the good practice criteria set out in APS Q1. However for an organisation of the size and complexity of EY, participation in the QAS would inevitably lead to additional cost and inefficiency.

30. To what extent do you think your organisation might require any extra resource to meet the Quality Assured Organisation requirements?

Although we do not believe that EY would require any extra resource to meet the QAO requirements, demonstrating compliance with requirements would represent an additional administrative burden on existing staff. For other organisations, additional resource requirements may be a barrier to applying for QAO status.

31. Do you think that the benefits of obtaining Quality Assured Organisation status could outweigh the potential costs?

As mentioned above, we are not convinced that the benefits of obtaining QAO status would be likely to outweigh the potential costs for EY. A different conclusion might be reached by an organisation that does not currently have appropriate policies and procedures in place.

32. Does your organisation currently participate in a similar quality assurance scheme provided by another body?

EY does not currently participate in a similar quality assurance scheme although, as noted in Section 2 above, the firm applies ISQC1 across its whole business, is regulated by the ICAEW, is overseen by the QAD and is inspected by the FRC.

33. Do you have any comments in relation to how the IFoA Quality Assurance Scheme might interact or align with quality assurance schemes provided by other bodies?

No comments

From: Sophie Dennett [sophie.dennett@gad.gov.uk]
Sent: 13 June 2013 14:30
To: QAS
Cc: Trevor Llanwarne; Colin Wilson
Subject: UNCLASSIFIED: Response to Quality Assurance Scheme Consultation

Quality Assurance Scheme Consultation: The Government Actuary's Department (GAD) would like to submit the following response to the consultation on Exposure Draft 30.

GAD is pleased that by issuing Exposure Draft 30, setting out proposals for a new Quality Assurance Scheme for Organisations, the Institute and Faculty of Actuaries (IFoA) is highlighting the importance of the Organisations' role in producing high quality work and is considering how the IFoA can assist with this. GAD is firmly committed to the need to ensure the high quality of actuarial work and achieving 'Quality' is a topic we have been considering within GAD in recent years. GAD sees the exposure draft as just a first step towards a "monitoring" approach that can build back a reputation for "quality" of actuarial work in society.

We believe that a major driver for achieving high quality work is the underlying culture within firms, and see that the introduction of a Quality Assurance Scheme at the organisational level could be highly influential in addressing such issues. The quality of individual members' work is necessarily driven by the professional environment in which they operate, and we welcome the IFoA's proposals which seek to recognise the merits of a rigorous approach to the working environment.

We have not considered the implementation and operation of the proposed scheme in great detail, but have a few observations that we would like to share with you.

Professional Indemnity Insurance

One of the seven key areas covered by the scheme is Professional Indemnity Insurance (PII). PII cover is not relevant to all Organisations and the materials should be amended to allow for this and provide more clarity.

Through their links to the Crown, public bodies employing actuaries such as GAD (but also TPR, PPF, FCA etc) are exempt from PII requirements. Whilst we recognise the appendix to the draft APS Q1 allows for this as it states cover is needed 'to the extent appropriate to the nature of the Organisation and its Actuarial Work', we feel this 'as appropriate' caveat should be given more prominence or clarity of meaning throughout the various materials, including wherever the seven 'headlines' of the key areas are listed.

Question 19 in the consultation questionnaire mentions the possibility of additional principles being developed to give more detail on the PII requirements. The development of these principles could give further information on where it might not be appropriate/necessary to hold PII. As currently drafted, without detailed inspection of the materials, it looks as if public bodies could not participate in the scheme as one of the seven key areas will be to "maintain and apply appropriate policies and procedures in relation to... Professional Indemnity Insurance".

The name of the scheme: Quality Assurance

The scheme is described as the Quality Assurance Scheme. This name is potentially confusing, as quality assurance (QA) is used both for the overall name of the scheme and the first of the seven key areas: "Quality Assurance (including peer review)". The scheme looks at overall QA of the

organisation and part of this is QA of the technical actuarial work covered in the first key area. We think using a different term for these different meanings would be helpful and aid clarity as to the purpose of the scheme.

Whilst it is difficult to define the term QA some assistance can be found from the Macpherson Review, published in March 2013, which was commissioned to review the QA of analytical models across Government. GAD contributed both to the review process itself - with Colin Wilson on the review team and Trevor Llanwarne on the Steering Group - and also as a government department reporting back to the review on the business-critical models used within GAD. The final report of the review talks about QA referring to “the processes which can help ensure the model’s inputs and outputs meet its quality requirements, manage the risk of errors and ensure the model is fit-for-purpose” as well as helping to ensure the model’s robustness. Whilst the focus in the Macpherson report is on the QA of models, we think this description is helpful in the current context and seems to suggest the term QA as being more appropriate in the narrower technical sense in which you are using it. We would suggest that the proposed scheme goes beyond quality assurance by considering broader aspects, such as the organisations’ policies for dealing with conflicts of interest and whistle-blowing as well as PII requirements, and would welcome a name for the scheme which reflects this broader focus.

The scheme as an APS

We do have some concerns about the merits of introducing this scheme as an APS which applies to Organisations rather than directly to members. This could be confusing for members, Organisations and external stakeholders and risk a loss of clarity on the scope of existing APSs. Whilst the IFoA regulates members not firms, these proposals are at the Organisation level. Trying to fit these organisation-led, voluntary proposals into the current framework of member-specific, mandatory (by work area) APSs risks being misunderstood. If IFoA feels there is a need for action at the organisation level then we would support an approach which communicates this more clearly.

Please do get in touch if you have any questions about this response - we would be very happy to discuss any of these points with you further. I look forward to seeing how these proposals develop.

Kind regards
Sophie

Sophie Dennett
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Government Actuary's Department
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Institute and Faculty of Actuaries (IFoA) Quality Assurance Scheme for Organisations

This is Hymans Robertson LLP's response to the consultation paper published in May 2013

We very much welcome both the overall concept and the detailed proposals contained in the consultation package. There are a few aspects where we think further guidance or communication may help address the concerns of organisations and IFoA members and those comments are made below. Our answers to the specific questions in the consultation paper are included in the Appendix to this document, in the format of the online questionnaire. We confirm that we are happy for all our responses to be made public.

Application Process

Given the scale of the initial transition to such a regime, and the likelihood that most actuarial consultancies will wish to join, we are concerned that there should be no commercial advantage to either participating in the pilot study, or by being near the front of a long queue for the initial application process proper (either by luck, greater internal resource, or influence).

Periodic Monitoring

A perception appears to be developing that monitoring is simply a six-yearly visit from the auditors, notwithstanding the actual wording of the Monitoring Proposals, which states that it will occur '*at least* every six years', together with the annual returns, role of the Designated Representatives, and the requirement to report professional issues and concerns that is included in the complaint-handling section of ED30. We suggest that greater emphasis is given to more-regular, interactive and continuous engagement between organisations and the IFoA, with the periodic monitoring visits being presented as a backstop.

Benefits to IFoA members

Whilst benefits are listed in the consultation paper for organisations, the public and the IFoA, there is no case being made for the QA scheme to individual actuaries. This may be a deliberate omission given the focus on organisations, but we suggest it should not be left entirely to employers to make the case to their actuarial employees. Similarly, actuaries of all levels may want to contribute to their employer's decision-making about whether their organisation should join the QA scheme (or, indeed, which parts of it). ED30 states that APS Q1 is relevant to, and may have professional implications for members working for organisations to which it applies – it may also have implications for those actuaries working for those to which it does not.

Enquiries

If you wish to discuss any of our comments, please contact.

Douglas Huggins
Research Actuary
Hymans Robertson LLP
One London Wall
London
EC2Y 5EA

Email: douglas.huggins@hymans.co.uk

Direct line: 020 7082 6316

Appendix – Responses to individual consultation questions

(Responses to the administrative questions are included at the end of this section)

12. To what extent do you think that the proposals set out in the consultation paper will satisfy the following objective: *provide assurance to the public and other stakeholders as to the quality of actuarial practice?*

Not satisfy 1	2	3	4	Satisfy 5
			✓	
<p>We recognise that it is the “other stakeholders” that provide the direct impetus to these proposals, albeit with a public interest objective. Our existing clients may not be actively seeking assurance as to quality, and may be cynical as to whether a QA kitemark will make a significant difference in practice to the advice they receive (but may be worried about increased costs). Part of the challenge will be to demonstrate the benefits of QA to them.</p>				

13. To what extent do you think that the proposals set out in the consultation paper will satisfy the following objective: *foster effective engagement between organisations that employ actuaries and the IFoA in relation to regulatory issues?*

Not satisfy 1	2	3	4	Satisfy 5
			✓	
<p>The Designated Representatives’ Forum does provide an opportunity to achieve this, although it may be challenging to manage the numbers involved - for example, it may be difficult to build consensus across a large number of organisations of various sizes. It may be that the most effective engagement will be between individual Designated Representatives and the IFoA or between Designated Representatives of homogenous employers.</p>				

14. To what extent do you think Quality Assured Organisation status would be valued by:

	Not valuable 1	2	3	4	Very valuable 5
Organisations				✓	
Employees			✓		
Prospective employees			✓		
Clients / users of actuarial work			✓		
<p>Had the question also included “Prospective users of actuarial work”, then we would have rated it “5”, reflecting the fact that individuals responsible for tenders and appointment of actuarial advisers may not wish to choose an organisation outside the QA scheme (i.e. the “no manager ever got fired for buying IBM” factor). The QA kitemark may even become an explicit requirement for public sector actuarial appointments.</p>					

15. Do you think that the proposed monitoring arrangements are sufficient?

We believe that the proposed arrangements are sufficient, at least as an initial framework. We are concerned, however, that the perception from the outside may focus on just the periodic monitoring (for which six years appears a long interval), and not recognise that a key part of the monitoring should be engagement triggered by information gained through annual returns, reporting of issues/concerns by organisations as a result of complaints, or via the Designated Representative Forums.

16. Do you have any comments on APS Q1: Organisations and Employers of Actuaries?

Yes:

- a) We believe you are already aware of the issue, but the definition of **Actuarial Work** (specifically the reference to “work undertaken *by an actuary*” in ED30 may be more restrictive than intended, given that some of what will be regarded by users as actuarial work may depend substantially on the contribution of non-actuaries employed by organisations.
- b) We note that the definition of **Peer Review** in ED30 effectively excludes the Type 2 Review described in APS P2. This may, however, be deliberate and consistent with the forthcoming Peer Review Guide and APS X2.
- c) The inclusion of outcome 6.(c) in the complaints handling section leaves us wondering whether it is expected that any complaint received should require immediate consideration involving the Designated Representative as to whether it constitutes a professional issue or concern that should be reported. Or is this reporting intended to follow on from more measured consideration as part of outcomes 6.(a)&(b)? Perhaps this can be addressed in the guidance document.

Otherwise we regard the exposure draft as a concise, clear and appropriate standard with which to launch the QA scheme.

17. Do you have any comments on the Guide to APS Q1?

No – any issues are addressed in our response to Q16.

18. What amendments do you consider would be required to the Guide in order to ensure its applicability to your organisation/ practice area/ sector?

As noted in 16.b), it may be appropriate to indicate whether or not Type 2 Peer Review has any part to play in meeting QA requirements.

19. We have avoided being prescriptive as to the terms/ level of PII cover. Do you feel we should provide more detailed principles? If yes, please give details.

No.

20. To what extent do you agree that the combination of an Actuarial Profession Standard with a supporting Guide is a clear and accessible way of presenting the material?

Strongly disagree 1	2	3	4	Strongly agree 5
				✓
The two documents are clear and accessible, at least for IFoA members. We wonder, however, if further guidance might be appropriate for marketing the scheme to users of actuarial services (along the lines of the note for pension scheme trustees on conflicts of interest).				

21. Do you have any comments on the Operational Guide?

No.

22. Do you have any comments on the Participation Agreement?

No – please note, however, that we have not had the wording of the agreement reviewed by our internal legal team at this stage.

23. Do you think that the Designated Representative should be, or include, at least one member of the IFoA?

Yes – it seems vital to us that there is at least one person involved who is accountable individually to the IFoA, as well as their organisation, in performing the Designated Representative role. Furthermore, for the role to be creditable within organisations, it will need to include an IFoA member with appropriate experience, seniority and influence.

24. To what extent do you think that the opportunity to obtain a kitemark or branding to promote Quality Assured Organisation status is a valuable part of the proposals?

Not valuable 1	2	3	4	Very valuable 5
				✓
We do believe that some means for organisations to clearly and simply identify themselves as QA scheme members will be an important element of the proposals, particularly for marketing to prospective clients.				

25. Do you think that organisations would be willing to join the Quality Assurance Scheme if the Quality Assured kitemark were not available?

Yes – at least initially through competitive pressure. There may be some reluctance to maintain membership, however, if, after implementation, the absence of a kitemark or branding meant that clients did not distinguish between QA scheme members and non-members in practice.

26. Do you have any other comments on the Quality Assurance Scheme?

Please see the covering note to our response.

27. Would your organisation be interested in engaging in further exploration of the proposals with the IFoA? If yes or maybe, please provide details of whom we should contact regarding the Quality Assurance Scheme.

Yes – please contact either of the following:

Brian Nimmo (brian.nimmo@hymans.co.uk, 020 7082 6262)

Doug Huggins (douglas.huggins@hymans.co.uk, 020 7082 6316)

28. What would be the most significant factor when considering whether to apply for Quality Assured Organisation status?

The most significant factor for us is the opportunity membership would provide to influence developments within the actuarial profession, and to apply those requirements in a way that best supports the work we do for our clients.

29. What level of work do you think your organisation would be required to carry out to meet the good practice criteria set out in APS Q1?

Very little 1	2	3	4	Very significant 5
		✓		
<p>Whilst we have policies and procedures in place in all the required areas, we anticipate that as part of preparing to apply for membership, we would want to review, refresh and, in some cases, extend the scope and application of those policies. This is not because we believe our current approach is inadequate in any material way, but because we will consider whether joining the QA scheme should be an opportunity to put in place approaches that go beyond the professional and regulatory minima (e.g. around CPD, professional skills training, practising certificates etc.) in anticipation of a movement towards regulation of firms rather than just individual IFoA members.</p>				

30. To what extent do you think your organisation might require any extra resource to meet the Quality Assured Organisation requirements?

Very little 1	2	3	4	Very significant 5
	✓			
<p>We believe that the QA requirements as stated can be met from existing resources, albeit there may need to be some diversion of resource from other internal and external activity from time to time. Extra resource may be needed in due course, should we take on some of the functions carried out currently by the IFoA, both as part of implementation and ongoing support.</p>				

31. Do you think that the benefits of obtaining Quality Assured Organisation status could outweigh the potential costs?

Yes. Or, not entirely flippantly, we believe that the consequences of not obtaining QA status will far outweigh the notional savings. The benefits are likely to emerge as a later consequence of effective engagement influencing the way we are regulated.

32. Does your organisation currently participate in a similar quality assurance scheme provided by another body?

No.

33. Do you have any comments in relation to how the IFoA Quality Assurance Scheme might interact or align with quality assurance schemes provided by other bodies?

No.

Responses to questions 1 to 11:

- 1 Doug Huggins, Research Actuary
- 2 Yes
- 3 Fellow
- 4 Pensions
- 5 Hymans Robertson LLP
- 6 Actuarial Consultancy
- 7 40+ Fellows/Associates
- 8 No
- 9 No
- 10 Both personal and organisation's views.

Response from KPMG Pensions Practice

We invite your comments on the proposals relating to the working environment for actuaries and the introduction of a Quality Assurance Scheme for Organisations. It would be helpful if you would offer them by responding to the following questions.

1. About you

Name: Gordon Sharp

Position held: Director

2. Are you a member?

Yes

3. If yes, which class of membership?

Fellow

4. What is your practice area? (Answer one option only)

Pensions

But colleagues also work in Finance and Investment

5. About your organisation

Name: KPMG LLP – Pensions Practice

6. Type of organisation (Answer one option only)

Actuarial consultancy (within an accountancy firm)

7. Size of organisation

40+ Fellows or Associates

8. Do you want your name to remain confidential?

No

9. Do you want the name of your organisation to remain confidential?

No

10. Do you want your comments to remain confidential?

No

11. Do these comments represent your own professional views or your organisation's views?

Organisation's views

We would be particularly interested in hearing your views on the following:

12. To what extent do you think that the proposals set out in the consultation paper will satisfy the following objective: provide assurance to the public and other stakeholders as to the quality of actuarial practice.

3

Comments: We think that most stakeholders already expect a quality service and advice from actuaries, so we do not really see this scheme adding much if anything to client's perceptions (though it may help to satisfy the expectations of oversight bodies).

13. To what extent do you think that the proposals set out in the consultation paper will satisfy the following objective: foster effective engagement between organisations that employ actuaries and the IFoA in relation to regulatory issues.

4

Comments: Yes, such a forum should help. But why should it be restricted to organisations which have signed up to the QA scheme? That will not enable the profession to engage fully with all organisations, to encourage general improvements in quality standards. In any event, given the large number of actuarial firms, careful thought will have to be given as to how to run such a forum effectively.

14. To what extent do you think Quality Assured Organisation status would be valued by:

Organisations

2

Employees

2

Prospective employees

2

Clients/ users of actuarial work

3

Comments: Many firms (at least the larger ones) already have at least most of the components of the quality scheme in place, so having these (re)certified by the profession would not be seen to be adding anything much.

15. Do you think that the proposed monitoring arrangements are sufficient?

Comments: Less monitoring is required in cases where firms' arrangement are already monitored or checked by another external agency. Otherwise sufficient.

16. Do you have any comments on APS Q1: Organisations and Employers of Actuaries?

No (although APS QA1 might be a better designation than Q1).

Comments (please specify):

17. Do you have any comments on the Guide to APS Q1?

No

18. What amendments do you consider would be required to the Guide in order to ensure its applicability to your organisation/ practice area/ sector?

Comments: None

19. We have avoided being prescriptive as to the terms/ level of PII cover. Do you feel we should provide more detailed principles? If yes, please give details.

Certainly not.

Comments (please specify): We view levels and details of PII cover as very much a confidential commercial matter.

20. To what extent do you agree that the combination of an Actuarial Profession Standard with a supporting Guide is a clear and accessible way of presenting the material?

5

Comments: We strongly agree that the standard should be confined (as it is) to high-level principles and requirements.

21. Do you have any comments on the Operational Guide?

No

22. Do you have any comments on the Participation Agreement?

No

23. Do you think that the Designated Representative should be, or include, at least one member of the IFoA?

Yes

24. To what extent do you think that the opportunity to obtain a kitemark or branding to promote Quality Assured Organisation status is a valuable part of the proposals?

1

Comments: We do not see any intrinsic value in such a kitemark. However it is likely that procurers of actuarial services, such as professional trustees, once they see its availability will require it as one of the boxes to be ticked in any tender exercise.

25. Do you think that organisations would be willing to join the Quality Assurance Scheme if the Quality Assured kitemark were not available?

Yes

Comments: Procurers of actuarial services as above are likely to ask about firms' involvement with such a scheme, regardless of whether there is a public kitemark or not.

26. Do you have any other comments on the Quality Assurance Scheme?

No

If responding on behalf of an Organisation

27. Would your organisation be interested in engaging in further exploration of the proposals with the IFoA? If yes or maybe, please provide details of whom we should contact regarding the Quality Assurance Scheme in the comments box below.

No

28. What would be the most significant factor when considering whether to apply for Quality Assured Organisation status? (Answer one option only)

Cost of resourcing internally

Whether competitor organisations are applying ✓

Level of licence fee

Other (please specify in comments box below)

Extent of monitoring

Comments: An unfair question! Internal and cash costs of applying for and maintaining this are also important, in addition to competitors' positions.

29. What level of work do you think your organisation would be required to carry out to meet the good practice criteria set out in APS Q1?

2

30. To what extent do you think your organisation might require any extra resource to meet the Quality Assured Organisation requirements?

2

Response from KPMG Pensions Practice

Comments: These answers are given so long as the scheme is kept to the high-level requirements as outlined, and we do not get scope-creep.

31. Do you think that the benefits of obtaining Quality Assured Organisation status could outweigh the potential costs?

No

Comments: The main benefit would be to satisfy the oversight body.

32. Does your organisation currently participate in a similar quality assurance scheme provided by another body?

Yes

If yes, please provide the name of the other quality assurance scheme: Various

33. Do you have any comments in relation to how the IFoA Quality Assurance Scheme might interact or align with quality assurance schemes provided by other bodies?

No

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The Quality Assurance Scheme Consultation
The Institute and Faculty of Actuaries
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8 July 2013

Dear Sir / Madam

Quality Assurance Scheme for Organisations

I am writing on behalf of Lane Clark & Peacock LLP in response to the consultation on the above Exposure Draft issued on 8 May 2013.

Lane Clark & Peacock LLP is a firm of financial, actuarial and business consultants, specialising in the areas of pensions, investment, insurance and business analytics. LCP is regulated by the Institute and Faculty of Actuaries in respect of a range of investment business activities. LCP has offices in London and Winchester in the UK. In Europe, the LCP group includes offices in Belgium, Ireland, the Netherlands and Switzerland.

We are supportive of the introduction of a Quality Assurance Scheme for Organisations that employ or consist of one of more actuaries and agree that a focus on an Organisation's policies and procedures is the right starting point.

Our detailed response to a number of the questions posed in the consultation is set out in the appendix to this letter. Our key concerns are set out below.

- **Monitoring visits** – subject to the need to observe confidentiality in relation to our intellectual property we would like to see such visits result in a genuine exchange of views and experiences, rather than a “tick box” approach. This has implications for the level of personnel conducting such visits.

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- **Designated Representatives' forum** – it is important that this forum is a two-way engagement so that the Institute and Faculty of Actuaries can hear what is going on and there can be a full exchange of issues. Crucial to this will be how these forums are organised and run and the level of support they are given by the major firms.
- **Clarity of scope** – there is insufficient clarity as to what parts of a business and exactly what type of work this Scheme encompasses and this is made clear by a number of our responses.
- **The major firms need to sign up** – in order that the Scheme is a success.
- **The documents governing the Scheme need to be re-assessed** – we have some concerns in relation to their structure and the terminology used.

We are happy for our comments, which represent the collective view of a number of partners within LCP, to be attributed to LCP. We hope that our response is helpful but if you have any questions, or would like to discuss anything further then please contact me.

Yours faithfully

+ Prepared as an attachment to an email
at 10:15 on 8 July 2013

Moray R G Sharp FFA
Partner

Direct tel: +44 (0)20 7432 6617
Email: moray.sharp@lcp.uk.com

Sent by e-mail to: gas@actuaries.org.uk

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Quality Assurance Scheme for Organisations

Appendix

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We wish to comment on a subset of the 33 questions as follows:

13. To what extent do you think that the proposals set out in the consultation paper will satisfy the following objective: foster engagement between organisations that employ actuaries and the IFoA in relation to regulatory issues?

We believe that the Scheme will assist in the delivery of this objective.

15. Do you think that the proposed monitoring arrangements are sufficient?

A potential interval of between five and six years between monitoring visits seems too long. We would be concerned for this not to undermine the credibility of the Scheme.

If the length is to remain as proposed then perhaps there should be a shorter reassurance exercise, focussing on where any of the seven areas are known to have been subject to external influences that are likely to have lead to the need to adjust policies and/ or procedures.

On the other hand the suggestion that Quality Assured Organisations advise the Institute and Faculty of Actuaries (IFoA) of any “material changes” to policies and procedures on a timely basis could cause difficulties at a practical level. There is no material within the pack that gives any further assistance as to how to interpret this requirement in a proportionate and pragmatic manner, which could easily lead to inconsistent interpretations.

16. Do you have any comments on APS Q1: Organisations and Employers of Actuaries?

We recognise that the first standard of this nature, aimed at Organisations, is breaking new ground and so is likely to cause more issues in terms of wording etc than other standards.

One area that seems less than clear to us is how the terminology (eg the policies and procedures being described as being “Good practice”) fits within a framework that is mandatory for kite-marked organisations.

There is also much use of the word “must” within APS Q1 and its Appendix and no use of “should” which seems not to be in keeping with the spirit in which this proposal is being put forward and the practicalities of its delivery.

The stated principle is a requirement to achieve “outcomes” as set out in the Appendix, but a number of these would seem to be obligations (that will hopefully lead to good

2243075 outcomes). For example, the requirement in 1(b) for the Organisation to have a
Page 4 of 10 "...clearly defined structure of leadership and operational responsibilities in relation to the
assurance of actuarial quality" would seem to be an obligation rather than an outcome.

Some of the outcomes are arguably not in the gift of the Organisation or not possible to measure. For example the the requirement in 1(h) to "consistently produce high quality Actuarial Work". Furthermore we are not clear what "high quality" means in this context.

Our suggestion is that the structure of the Appendix is re-examined afresh. Taking, for example the Quality assurance section, it may be possible to recast this so that it says something like the following:

"1. Quality assurance

In order to promote high quality Actuarial Work the Organisation should:

- *have a **management structure** designed to ensure that those undertaking Actuarial Work are subject to appropriate supervision; along with*
- ***good practice policies and procedures** that are designed to support:*
 - *compliance with all applicable mandatory actuarial standards and other relevant legal and regulatory requirements; and*
 - *the clear, consistent and effective use of Peer Review.*

*Such policies and procedures should be **appropriately documented** and:*

- *be delivered within the context of a clearly defined structure of leadership and operational responsibilities in relation to the assurance of actuarial quality;*
- *be clearly communicated and understood across the Organisation;*
- *contain mechanisms through which the Organisation monitors clearly and objectively their effectiveness and can identify and act upon areas for improvement, where appropriate; and*
- *enable appropriate steps to be taken to remedy deficiencies, where work is found to fall short of relevant quality standards."*

We suggest that all the other sections require such re-thinking in order that the desired outcome is separated from the various techniques through which the outcome has a good likelihood of being achieved.

2243075 On some other points:

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- We are not sure what is meant in 1(a) by the Organisation complying with all applicable mandatory actuarial standards and other relevant legal and regulatory requirements when it is the individual member who is normally obliged to comply rather than the Organisation.
- We are not sure what is meant by the requirement in 2(a) for the Organisation to communicate clearly and appropriately with Users when in practice it will be the individual members who undertake the communication.
- We believe that the term “Actuarial Work” needs further attention so that it is clear what is being brought within scope of the QA scheme and whether it is limited to “work undertaken by an actuary in their capacity as such” as the proposed term requires.¹ This seems a fairly narrow measure to us as it could be interpreted as work that can only be done by an actuary rather than more general consulting.

We suggest that it is likely to be appropriate to ensure consistency with the undefined term used by the Financial Reporting Council in its Technical Actuarial Standards (for which an FAQ notes that “What constitutes actuarial work depends on matters such as whether users would reasonably expect the work to be performed using actuarial techniques, and whether the work involves risk, uncertainty or modelling.”)

- The definition of Organisation does not seem to work for Limited Liability Partnerships (LLPs) that have within them “members” who are not Members of the IFoA.

17. Do you have any comments on the Guide to APS Q1?

The supporting Guide is very useful and we have relatively few comments on it. In addition, please note our comments above regarding the Appendix to APS Q1 given its relationship with the Guide. It strikes us that there is currently much overlap between the Appendix and the Guide and we even wondered whether the Appendix could be removed and reference be made to the Guide or the two documents pulled together in some way (also see Question 20).

First some general points:

- The introduction of each section often repeats parts from the Appendix to APS Q1 and this seems unnecessary.

¹ We note that a presentation made by PREC to the Association of Consulting Actuaries stated that the QA Scheme “Applies to all actuarial work, not just work undertaken by members of the IFoA” which seems to be inconsistent with the definition used in APS Q1 but which might reflect the intention.

2243075

- There are a number of sections which quote sections from the Actuaries' Code. Would links be more appropriate to provide for future updates?

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- There are a number of areas where the guidance goes further than we would expect – for example, the Conflicts of Interest section gives full detail on how you might put together a suitable policy and links to the relevant guidance. We would have expected a much shorter section not going into such detail.

Now some more detailed points:

- Section 1.1 starts by referring to “achieving the following outcomes”, but the last sentence says “this note provides further guidance in relation to the above principles”. Are they outcomes or principles?
- Section 1.2 sets out some requirements on “training and development” but it seems to us this might be better placed in Section 4 “Development, training and support of members”.
- The statement in Section 1.3 that there should be “at least two people involved in the peer review process” may be misinterpreted as requiring at least two people undertaking the peer review, when we believe that only one is required.
- The general points in Section 2.2 “acceptance of and withdrawal from client engagements (where applicable)” seem reasonable, but it seems a little odd to pick on the anti-money laundering rules when there are a number of issues to address when taking on a client.

It is not entirely clear how the points in Section 2.2 are all relevant to the outcomes required by APS Q1 as listed in Section 2.1 above. We also cannot find the expression of the points in Section 2.2 within APS Q1.

We suggest that the note should refer not just to “scope” of an assignment, but also to the “limitations of that scope”, as experience suggests that this is a cause for possible client misunderstanding.

- In Section 2.3 the wording about the vulnerability of Users seems out of place in this guide. It seems to detract from the real problem, which is simplifying the message whilst remaining high quality and compliant.

18. What amendments do you consider would be required to the Guide in order to ensure its applicability to your organisation/ practice area / sector?

Given our comments on APS Q1 made in our responses to Question 16 above and Question 20 below it might be desirable to fold APS Q1 into the Guide and make sections of this new document the material on which the Organisation signs up to through the Participation Agreement.

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19. We have avoided being prescriptive as to the terms / level of PII cover. Do you feel we should provide more detailed principles? If yes, please give details.

We are content with the material that has been provided and think that there is no need to provide any more detail.

We have a worry that giving messages through the QA Scheme that PII cover gives comfort to Users can be seen to counter the message that Organisations must achieve high quality work consistently.

We note that as there is no statutory PII scheme for actuaries, it is not possible to mandate cover.

20. To what extent do you agree that the combination of an Actuarial Profession Standard with a supporting Guide is a clear and accessible way of presenting the material?

We are uncertain as to whether using the format of an Actuarial Profession Standard is the right way forwards given that its use hitherto has been to regulate members. Moreover, there may be a perception that this is the first in potentially a number of “Q” Standards directed at Organisations. This would be unfortunate given the statement that the IFoA is not intending to introduce a full regulatory regime for Organisations and that its focus will continue to be on the regulation of its individual members.

We suggest that the material within APS Q1 is repackaged and that possibly it is amalgamated with the Guide in a form that Organisations can sign up to through the Participation Agreement.

21. Do you have any comments on the Operational Guide?

It would be useful for there to be more information on the terms under which kite-marking can be used.

We also feel that there needs to be a clear statement as to what the kite-mark means (in the context of an external party) as there is a danger of misunderstanding and potentially of building expectations beyond those actually deliverable. The issue regarding the extent of the work covered would be an important part of such a statement (see our query in relation to the meaning of “Actuarial Work” in our response to Question 16 above).

22. Do you have any comments on the Participation Agreement?

We find the Agreement remarkably short and perhaps rather thin. For example, there are no clauses covering Confidentiality, non-Disclosure, no transfer of any intellectual property to the IFoA, no contractual relationship and hence no liability to each other, covered by UK law, no third party rights etc.

2243075 We believe that there should be an “appeals process” written into the Agreement, otherwise one can just lose QA status without any formal recourse (which we understand is not the intention).

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Actuaries are increasingly to be found working in organisations containing a number of specialisms, not all of which require an actuarial background or qualification. There may be a desire by such organisations to have procedures and policies in place addressing the seven areas for those parts of their businesses that call upon these other skills and qualifications. You may wish to consider how such an organisation can best deliver the requirements of the proposed Scheme in the light of these other specialisms. For example, it would seem to be a missed opportunity if firms choose to set good practice policies and procedures that are of wider application than to actuaries but are limited in the extent to which this can be externally recognised. A case in point is investment work.

On some detailed points:

- Paragraph 1.3 says it covers XYZ who employs Members, so is not consistent with the APS Q1 definition.
- We suggest that the requirement to commit to apply APS Q1 to an “actuarial practice” set out in paragraph 3.1 needs tightening. A reference to “Actuarial Work” might be more appropriate.
- Paragraph 4.3 covers the advertising of QA status, as appropriate. What does “as appropriate” mean?
- Paragraph 5.2.3 (sic) says that changes must be notified to the IFoA within 10 business days – this seems rather tight.
- Paragraph 5.3 is rather odd here. It refers to Members being expected to follow the Actuaries’ Code. As Members do not sign up to the Participation Agreement, it seems out of place.
- There is no mention within the Participation Agreement of the obligation to advise the IFoA of any material changes to policies and procedures on a timely basis (mentioned in 2.4 of the Policy Statement).

23. Do you think that the Designated Representative should be, or include, at least one member of the IFoA?

Yes; otherwise it is not clear to us how the Scheme can work satisfactorily.

24. To what extent do you think that the opportunity to obtain a kitemark or branding to promote Quality Assured Organisation status is a valuable part of the proposals?

We have mixed opinions as to the value of the kitemark. Some see it as having value (for example in tender situations), whilst others are of the view that an Organisation’s general reputation in the marketplace is far more important.

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27. Would your organisation be interested in engaging in further exploration of the proposals with the IFoA? If yes or maybe, please provide details of whom we should contact regarding the Quality Assurance Scheme in the comments box below

We would be interested in engaging further and ask that you contact Fiona Morrison FIA.

28. What would be the most significant factor when considering whether to apply for Quality Assured Organisation status?

We are likely to apply for QA status because it could be a relevant factor in being able to tender for new business (and retain existing business).

29. What level of work do you think your organisation would be required to carry out to meet the good practice criteria set out in APS Q1?

Whilst our initial feeling is that relatively little work will be required we are unsure of the detail of the Scheme, such as what is needed for the inspection visits and so we are unsure of the level of work that will be required in preparation for these.

Whilst on the subject of the work required we are concerned at the sheer scale of resource needed by the IFoA to carry out an initial audit of up to 80 firms and whether this can be delivered within a reasonable timeframe.

30. To what extent do you think that your organisation might require an extra resource to meet the Quality Assurance Organisation requirements?

See the answer to Question 29.

31. Do you think that the benefits of obtaining Quality Assured Organisation status could outweigh the potential costs?

We do but the benefits will be difficult to quantify whilst the costs may be only too visible in terms of expended non-chargeable time and fees. It is therefore most important that the regime is seen to be proportionate.

We would hope that significant value will be obtained over time through the inspection visits and also at the Designated Persons' forums. In both situations we hope that the opportunity will be taken for there to be a constructive dialogue between the parties.

We do have some concern that the inspection visits might become bureaucratic and lose focus on the issues that drive Actuarial Quality. The Consultation Paper does not really expose the thinking behind the inspection visits and yet this is something where expectations need to be clear so that appropriate preparation is made. We accept that there may be a lot of learning in the pilot scheme and hope that the IFoA will properly reflect on its results prior to the full launch. On such new ground we see particular

2243075 issues about the expectations on Organisations and what is required by representatives of the IFoA.

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When considering benefits to participating Organisations we suggest that you explore the possibility of allowing such Organisations to take control of the CPD monitoring and Scheme Actuary certification arrangements. There is a certain amount of duplication at present and the cost savings for Organisations would help mitigate the QA Scheme costs.



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8 July 2013

Subject: Quality Assurance Scheme for Organisations – Exposure Draft 30

Dear Sir or Madam,

Mercer Limited is a global leader for HR and related financial advice and services. In the UK, it is one of the largest employers of actuaries and it also employs actuarial staff in other countries, many of whom are members of the Institute and Faculty of Actuaries and/or other similar bodies. Our client base in the UK includes employers and trustees providing occupational pension schemes to employees in all sectors of industry. We provide advice and services to employers in the FTSE 100, including pensions and financial risk management advice and investment advice and management. We also have a large proportion of clients that are employers classed as “Small to Medium sized Enterprises” or trustees of pension schemes that are sponsored by employers in this class. Mercer is part of a larger group, with sister companies operating in other sectors. It is not uncommon for our clients to have relationships with other members of this wider group, whether in the UK or elsewhere.

We welcome the opportunity to comment on the proposals in Exposure Draft 30. Our detailed response is attached as an appendix to this letter, but our main points are:

- Overall, although the proposals seem reasonable, we are not sure what they are trying to achieve. That is, the consultation does not present a convincing argument why a new regulatory regime is required to meet the objectives set out, of increasing confidence amongst clients and increasing engagement between organisations such as ourselves and the Institute and Faculty.
- If a Quality Assurance Regime, as proposed, were introduced we expect we would take part. However, the information about how the regime would be regulated does not seem to be fully developed and the draft APS Q1 makes it unclear who would be involved in the regulation. Since the devil is likely to be in the detail, we have reservations about the operation of the regime that would need to be addressed before Mercer would be able to be an enthusiastic participant.



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- As described in the opening paragraph, we are a large organisation. Although we have some demarcation between areas of business, some of our staff work across these lines, and we also outsource work to other countries. Although we understand that the regime does not need to apply to the whole business, we would be grateful for more information about how it would work in relation to our structure.

We would be very happy to discuss our concerns further with you and do not need the response to be kept confidential.

Yours sincerely,

[By email]

Deborah R Cooper



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Appendix – Response to questions in Exposure Draft 30

12. To what extent do you think that the proposals set out in the consultation paper will satisfy the following objective: provide assurance to the public and other stakeholders as to the quality of actuarial practice.

Not satisfy			Satisfy	
1	2	3	4 ✓	5

Comments:

The regulation of individual actuaries, including the requirement for CPD and the restriction on doing actuarial work without the necessary skill or supervision, in itself should ensure that actuaries always operate to high standards. Market forces also ought to be viewed as an effective break on poor practice, to the extent that users are sufficiently knowledgeable.

However, we recognise that, sometimes, commercial pressures can conflict with professional expectations and that some clients are less knowledgeable than others. Having a quality assurance scheme that applies to organisations employing actuaries will help the users of actuarial advice have confidence that organisations are at least aware of these conflicts and have procedures in place to recognise when they become challenging. This should, if the process works effectively and is supported by the underlying culture, mitigate any adverse effects.

In particular, organisations are likely to take steps to ensure that advice provided to clients cannot be perceived to have been prepared without the involvement of people who have proper understanding of the issues and also awareness of what acting in clients' best interests entails.

However, the Actuaries' Code already requires individual actuaries to whistleblow against employers that operate in a way that could undermine their ability to comply with their professional responsibilities. So, in many cases and, in particular, where organisations have actuaries in senior management positions, it should be the case that the only added value the Quality Assurance scheme provides is in public perception, rather than producing a marked improvement in the quality of work done.

In the long run, confidence will only be maintained if there are no significant failures in financial (or other) markets that can be laid at the actuarial profession's door. Because financial markets are in any case volatile and are influenced by several factors that cannot be reliably controlled, our advice is always at risk of being proved wrong, or unhelpful. Although we explain the possibility of



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this outcome to clients, we expect they will still be disappointed by some outcomes. The fact that their advisor's employer is also regulated will not be any comfort and could extend their ire beyond their advisor's employer to the Institute and Faculty of Actuaries.

We expect the Institute and Faculty to be alive to these risks, since if, by virtue of this new regime, a failure in one company reflects back on it, the effect will be felt by all actuarial employers (and not just those that are part of the Quality Assurance regime). So it will be important to be transparent and realistic about what the scheme can achieve. Regulation, in itself, does not give confidence. What will be important is the nature of the regulation and the way regulated entities respond to it.

To this end, we would prefer there to be more clarity around:

- The risks that are perceived to exist that make a new regulatory regime an appropriate response (for example, rather than being able to address those risks via the existing regulatory mechanisms);
- A more explicit statement of the regime's objectives, in the context of those risks; and
- How, exactly the regulatory regime's objectives and the way it is operated will address those risks.

13. To what extent do you think that the proposals set out in the consultation paper will satisfy the following objective: foster effective engagement between organisations that employ actuaries and the IFoA in relation to regulatory issues.

Not satisfy			Satisfy	
1	2	3	4 ✓	5

Comments:

We expect that the Quality Assurance scheme will foster better engagement between the IFoA and those employers that take part in the scheme. Currently, what lines of communication there are do not seem very effective at the organisation level. However, a new regulatory regime is not needed (and possibly not the ideal vehicle) to address this weakness.

We are not sure what the effect could be on other firms. We would be concerned if firms employing actuaries that did not participate in the scheme, particularly those giving core actuarial advice, became relatively more removed from the IFoA than those that do decide to take part. For example, we understand that organisations approved under the scheme might be able to take on some responsibilities that would otherwise be carried out by the IFoA, such as monitoring CPD. Whilst this might make life easier for our actuarial staff, this would create increased cost to us and



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could introduce the impression of a two tier regulatory regime. Despite the advantages, its effect overall would be negative if users thought the IFoA and the FRC applied different standards to actuaries, depending on the status of their employer.

We cannot see any immediate advantage in the scheme to firms that do not operate in 'traditional' actuarial spheres, in which case it seems unlikely that they will apply to be part of it. We expect it is with these organisations in particular that the IFoA needs to increase engagement: in any case, we consider that it should seek to do so to ensure the IFoA continues to support innovative career development for actuaries. Unfortunately, we are not sure how the scheme will help in this case.

At this stage also, there is little information about how the regulatory regime will work, apart from a forum for Designated Representatives and infrequent visits. To a large extent, the success of the scheme, and so successful engagement with employers, will depend on how the regime is implemented by the IFoA. If regulation is felt to be onerous, or ineffective, then that will reflect badly on the IFoA and engagement will suffer.

The lack of detailed information about how the regulatory regime will be enforced is one of our greatest concerns. It seems to us impossible to form a complete view on whether regulation will be welcome or effective, without understanding how it will be operated.

Specifically, the plan is to implement the regime from mid 2014, following an initial pilot period. However, assuming more than a few organisations want to take part, the initial process of accrediting applications is likely to be quite resource intensive. How this is handled will be important for the scheme to get off on a sound footing. We would prefer this process to be managed well, even if that results in the implementation date being delayed. Issues that would concern us about the process include:

- Protecting information that might be commercially sensitive: for example, those involved in the process must not be conflicted in any way;
- Managing the announcement of which organisations are accredited: for example, so that one organisation cannot be perceived to have got a commercial advantage over another by receiving accreditation first.



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14. To what extent do you think Quality Assured Organisation status would be valued by:

	Not valuable				Very valuable
	1	2	3	4	5
Organisations	1	2	3	4	5
Employees	1	2	3	4	5
Prospective employees	1	2	3	4	5
Clients/ users of actuarial work	1	2	3	4	5

Comments:

We have not graded how valuable the status will be, because in each case we think the answer is 'it depends'.

As mentioned previously, some clients might take the view that having quality assured organisation status gives them additional reassurance that the advice they receive will be properly prepared. As a result, some organisations might take the view that having the status will give them an advantage over their competitors who do not have the status (or, put less positively, they might be at a competitive disadvantage if they did not have the status).

However, our experience is that many clients already ask questions about internal processes and the implementation of professional and commercial standards during the commissioning process. Since the requirements under the scheme will not be onerous for large firms to establish, in many cases we suspect the 'value' will superficial – a box expected to be ticked – rather than real.

We expect the same will apply to most medium sized firms in our industry, but smaller firms might find it more onerous. If the effect is to raise standards, then that would likely be positive, depending on the cost incurred in doing so, but it seems likely that small firms should be able to foster a culture of excellence without having formal processes in place. The risk, therefore, is that there are significant costs to small firms (in addition to the entry fee) that do not produce material advantage to their clients, but disadvantage the small firm since it becomes less able to compete against its larger competitors on the basis of cost.

The position should be similar with anyone other than junior employees. That is, a more experienced employee, or prospective employee, would be expected to take notice about the way an employer operates, its standards and training policies, and how they are implemented. Many



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actuarial employers in our market will already have most, if not all, of the required processes in place.

So, the only real value will be in how organisations react to the regulation of the new regime: that is, whether the fact of external oversight means that the implementation of their existing policies will become more considered. For example, the risk that commercial pressures sometimes result in internal training projects being deferred, or reduced in scale, might be moderated by concern over the effect deferral would have on employees' engagement and their ability to carry out necessary work.

15. Do you think that the proposed monitoring arrangements are sufficient?

More monitoring is required
 The proposed arrangements are sufficient
 Less monitoring is required

Comments:

We expect the pilot period might surface some issues over what is being proposed, and what can be achieved. There are two aspects: the monitoring visits and regular contact with the Designated Representative.

A lot can happen in six years, so whether the monitoring visits are 'sufficient' will depend on the objective of the regime and how the more frequent monitoring and forum discussions are used. We expect that most large organisations carry out internal reviews of work done, including employee interviews. Even when carried out by people familiar with the organisation and with the work being done, without a considerable investment of time it is not always possible to form a real view on whether work is consistently produced to a high quality that meets clients' objectives. However, for the scheme to be taken seriously, it is important that the monitoring visits do not become a tick box of having appropriate policies in place.

Our view is that the contact between the IFoA and the Designated Representative, and opportunities to share best practice with others with similar roles, could be the most effective part of the regulatory regime, although we doubt whether the regime is needed to achieve this engagement. Individual organisations, even when large, can become insular, and having a forum where prevailing views and practices can be challenged by those working in firms with different cultures (and their own version of insularity) is likely to result in a more healthy environment overall.



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However, the forum will be large, so the way it is managed, and the content discussed, will be crucial to its success, since commercial sensitivity could so easily act as a barrier to useful discussion.

16. Do you have any comments on APS Q1: Organisations and Employers of Actuaries?

Yes No

Comments (please specify):

Overall, the main body of the draft APS seems reasonable, but there are two areas where we have strong reservations:

- We do not think the FRC should have information gathering powers (paragraph 1.1.3). Our understanding is that, with regard to this scheme, the IFoA is the 'regulator', so it is appropriate for the standard to give it explicit power to be able to gather the information it needs to perform that function. By extending the power under the APS to other parties it seems that they also have an active (rather than oversight, in the case of the FRC) interest in how organisations are regulated under APS Q1. In that case, there is a risk of actions being duplicated, or contradicted, which would undermine confidence in the scheme. Also, having effectively two or more regulators makes it (even if only marginally) a more time intensive regime and so less attractive to employers.
- We also do not understand why the APS would include an explicit requirement for firms to co-operate with other 'relevant' regulatory bodies, in relation to work outside the direct scope of the standard. Our view is that this will follow as far as necessary, from our relationship with those other regulators, and the rest of the content of the APS.

Our other comments are:

- Under 'target audience', there is a reference to its relevance to members of the Institute and Faculty of Actuaries. We are not sure what the effect is of this comment. Similar remarks are not made in any other APS, although in our view the comment might still be valid, if only in relation to whistleblowing.
- We understand that the APS is intended apply to an organisation, or part of an organisation, as a whole but it is written in relation to 'actuarial work' which is defined as work done by an Actuary. The intention needs to be clarified.
- We do not agree with the use of the word 'outcomes' in relation to many of the actions expected under the Appendix (paragraph 2.3, and see also our comments under question 17).

Also, the language in the Appendix is unclear in several places. For example:



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- In 1., we are uncertain what is meant by 'all applicable standards', or how widely peer review is expected to be applied. For example, is this all standards that apply to organisations, or all standards that apply to work done by the actuaries employed by the organisation?;
- In 2., we are not sure what communications are being referred to. For example, is this how employees of the organisation communicate with users, or how the organisation itself communicates? Also, we are uncertain about how we could monitor the effectiveness of our communications. We do carry out client reviews, to ensure that what we provide to clients is meeting their objectives and of a suitable quality. However, we do not investigate whether clients have acted in the way we expected as a result of our advice and we would not consider it appropriate to do so, in many cases;
- In 6., we would like some clarity about reporting 'promptly', for example, when complaints could be in the context of potential E&Os.

17. Do you have any comments on the Guide to APS Q1?

Yes No

Comments (please specify):

The guidance provides considerable flesh to the bones of APS Q1, which is helpful, but sometimes it is unclear what is intended. For example, there are some areas where, if it were presented differently, we feel it could be more effective.

- Neither the APS nor the guidance is clear about its specific purpose. Although the consultation document mentions (in paragraph 2.2) the benefits the new Quality Assurance Framework could bring, we think the guidance should state clearly what the IFoA's objectives are in implementing the regime. We understand these are:
 - To provide assurance to the public and other stakeholders that actuaries work in organisations that support their ability to produce high quality work;
 - To enable the IFoA to engage better with those organisations that employ its members, to foster a better regulatory and business environment.
- Although the bullets in paragraph 1.1 are described as 'outcomes', most of them are a series of actions that could be taken to create an environment in which it is more likely that the desired outcomes could be achieved. The exception is the last bullet, which we agree is one of the outcomes intended from the regime.
- The same comment applies in paragraph 4.1. Although it might seem semantics, people will perceive a regulatory regime where the measured 'outcome' is having a policy in place very differently from one where having the policy in place is a step towards having an appropriate culture that supports the production of high quality work;
- In paragraph 2.5, it might be preferable if the guidance does not state a particular 'best practice' standard, since we expect that best practice will vary according to the data in



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question. Also, we feel the guidance should require us to destroy files securely (that is, not just put them in the re-cycling), rather than confidentially (that is, without telling anyone).

- The last bullet of paragraph 3.2 expects organisations to act 'in the best interests of each and every User'. Is this intended? We do not believe we can commit to this. Whilst we aim to give best advice to each and every user, the advice we give to one client will not necessarily be in the best interests of another client. As a firm, therefore, our advice overall is not in the best interests of 'each and every one' of our clients.
- We do not think it should be necessary to repeat whole sections of the Actuaries' Code in the guidance. A general expectation that the organisation is aware of the relevant guidance, and, where appropriate, that the organisation's structures reflect its principles, would seem sufficient.
- We had expected to see some explanation of the Designated Representative role in the guidance. Although we understand the absence from the APS, it seems strange not to give examples of what might be expected from the person (or people) in that role, in relation to the guidance. The participation agreement requires an organisation's Designated Representative to include a senior actuary and to take part in discussions on professionalism and best practice, and the consultation document suggests the Designated Representative must comply with the Actuaries' Code, so we assume more is expected than just acting as a liaison officer.

Finally, guidance intended to encourage clear and simple communication should, it seems to us, be written clearly and simply. For example, the first sentence in the second paragraph of section 2.3 could be re-written

"Communications with Users should be clear and avoid jargon. "

18. What amendments do you consider would be required to the Guide in order to ensure its applicability to your organisation/ practice area/ sector?

Comments:

We do not have any specific recommendations with regard to our sphere of work.

19. We have avoided being prescriptive as to the terms/ level of PII cover. Do you feel we should provide more detailed principles? If yes, please give details.

Yes

No ✓

Comments (please specify):

No. The level of cover required is likely to depend on the nature of the work done by the organisation, including any associated companies, and its corporate structure.



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23. Do you think that the Designated Representative should be, or include, at least one member of the IFoA?

Yes No

Comments

Without having a better understanding of the role and how it would liaise with the IFoA, we cannot comment in any detail.

24. To what extent do you think that the opportunity to obtain a kitemark or branding to promote Quality Assured Organisation status is a valuable part of the proposals?

Not valuable Very valuable

1 2 3 4 5

Comments:

Provided there is some public acknowledgement of the status, so that organisations can state that they have been awarded the status and there is an independent site (we expect the Institute and Faculty's web pages) where the claim can be substantiated, we cannot see added advantage in having a kitemark.

25. Do you think that organisations would be willing to join the Quality Assurance Scheme if the Quality Assured kitemark were not available?

Yes No

26. Do you have any other comments on the Quality Assurance Scheme?

Yes No

Comments (please specify):

Whilst we are supportive of the proposals overall, and understand the imperative that has led the IFoA to propose introducing the scheme, we have some reservations about how much extra value will be added.

Currently, we have taken the view that part of the responsibilities the Actuaries' Code places on individual actuaries is to consider whether their workforce properly supports them as a member of the profession, and to whistleblow against their employer if it takes any actions that undermine



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their professional responsibilities. We believe this follows from paragraph 4 (Compliance), and paragraph 4.1 in particular.

How far this goes is likely to be a matter of individual interpretation, and actuaries working in firms that have many actuaries in senior roles are likely to consider their position differently from those who are not in that position. Consequently, we agree that the Quality Assurance Scheme, being directed at the organisation and a public declaration that an appropriate work environment will be fostered, is likely to be a more transparent way of achieving the same objective.

We are less certain that it will lead naturally to a change in culture, unless it becomes clear that the 'outcomes' desired are not just that processes and policies are put in place, but that the organisation fosters a workplace where people are able to invest in appropriate levels of self-development and are encouraged to share any relevant learning with colleagues. This requires 'professional' support to be balanced against commercial imperatives, which might be easier to achieve in some corporate structures than others.

If responding on behalf of an Organisation

27. Would your organisation be interested in engaging in further exploration of the proposals with the IFoA? If yes or maybe, please provide details of whom we should contact regarding the Quality Assurance Scheme in the comments box below.

Yes ✓

No

Maybe

Jonathan Bernstein, Senior Partner, Tower Place, London EC3R 5BU
jonathan.bernstein@mercer.com

Jenny Condron, Partner, Mercer House, Thames Side, SL4 1QN
jenny.condron@mercer.com

Deborah Cooper, Partner, Tower Place, London EC3R 5BU
deborah.r.cooper@mercer.com



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28. What would be the most significant factor when considering whether to apply for Quality Assured Organisation status? (Answer one option only)

Cost of resourcing internally	Whether competitor organisations are applying
Level of licence fee	Other (please specify in comments box below)
Extent of monitoring	

Comments:

Mercer considers that many of the processes and policies required under the Scheme are already in place within the firm, so we are not concerned with the cost of to us of implementing the standards required to comply with APS Q1. However, we would appreciate understanding more about the monitoring regime: without this information we feel unable to comment on whether the charge that will made to have the Quality Assurance status might seem proportionate.

Currently we have internal groups that monitor the advice provided by our consultants, and it is always clear that we can do better. So understanding what information would be looked for by the review, and how the results will be interpreted and acted upon, will be important to us.

29. What level of work do you think your organisation would be required to carry out to meet the good practice criteria set out in APS Q1?

Very little/ No work				Very significant level of work
1	2 ✓	3	4	5

30. To what extent do you think your organisation might require any extra resource to meet the Quality Assured Organisation requirements?

Very little/ no extra resource				Significant extra resource
1	2 ✓	3	4	5

31. Do you think that the benefits of obtaining Quality Assured Organisation status could outweigh the potential costs?

Yes ✓ No



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32. Does your organisation currently participate in a similar quality assurance scheme provided by another body?

Yes No

If yes, please provide the name of the other quality assurance scheme:

Since 1997, Mercer has been accredited under the Investors in People (IiP) quality standard. We were most recently re-accredited in 2012.

Parts of our business are also regulated by the FCA and we employ people who are members of professional bodies other than the Institute and Faculty, including lawyers and accountants. It would be important to us that the expectations of our regulators, where they overlapped, did so as seamlessly as possible.

33. Do you have any comments in relation to how the IFoA Quality Assurance Scheme might interact or align with quality assurance schemes provided by other bodies?

Yes No

Comments (please specify):

IiP is largely focussed on ensuring that employees are properly supported in the work they do for the firm, that they understand the business's objectives and understand and benefit from their employer's people development and appraisal programs. Its objective is to enable participating employers to make sure their employees remain engaged in their work so that what they produce is of consistently high quality.

The draft APS Q1 requires similar sorts of policies to those the IiP program would expect to see in place. The difference is that APS Q1 is focussed on how actuarial work is supported and delivered to 'users', whereas IiP is focussed on colleagues' general development, how that is aligned with the business's objectives and how that translates into providing a better service to (in Mercer's case) our clients.

We expect there will be some overlap between the two standards, but, since their focus is sufficiently different (for example, the Quality Assurance Scheme seems likely to create a greater focus on technical development than IiP necessarily does) and IiP applies more widely across the firm, we expect there is likely to be value in supporting both initiatives. However, this could depend on how the Quality Assurance scheme's regulatory regime is implemented.



Institute
and Faculty
of Actuaries

Quality Assurance Scheme for Organisations

New policy proposals

by the Professional Regulation Executive Committee

Exposure Draft ED 30
Consultation paper

May 2013

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1. Introduction and Background

I would like to invite you to participate in this consultation about the Institute and Faculty of Actuaries' (IFoA) new policy proposals aimed at promoting an appropriate professional working environment for actuaries, including the introduction of a voluntary Quality Assurance Scheme for organisations which, if approved, it is intended will come in to effect in mid 2014.

Public confidence in the quality of actuarial work is vital to both commercial and professional success. Many factors relevant to public confidence are determined by the environment in which actuaries work. The IFoA has long promoted the professionalism of its members through its system of pre-qualification training and examinations, continuing professional development (CPD) and ethical and disciplinary regulation. However, organisations that employ actuaries also have a crucial influence on the culture, policies, processes and expectations within which actuaries work.

The Financial Reporting Council (FRC) has emphasised the importance of the working environment in promoting actuarial quality. In its May 2009 Report on the Actuarial Profession's Progress and Priorities in Regulating its Members, the then Professional Oversight Board of the FRC included the following recommendation:

"As part of its wider review of regulatory priorities and its regulatory activities generally, the Profession should consider the working environment for actuaries as a driver of actuarial quality and a means of supporting and confirming its members' compliance with their individual responsibilities."

The regulatory framework of the IFoA currently focuses on individual members. This consultation contains proposals which would allow us to work more closely with organisations that consist of or employ actuaries in order:

- To provide assurance to the public and other stakeholders as to the quality of actuarial practice; specifically targeting the environment in which members work as a means by which to obtain that assurance.
- To foster effective engagement between organisations that employ actuaries and the IFoA in relation to regulatory issues, to their mutual benefit.

We believe these proposals to be credible, proportionate and effective, in striking the right balance between effective regulatory engagement with organisations, without at the same time involving disproportionate intervention. The proposals present opportunities for both organisations and the actuarial profession as a whole. We hope that you will support them and look forward to receiving your comments.

Sir Philip Mawer
Chairman of the Professional Regulation Executive Committee
May 2013

2. Proposals

2.1 Outline of the proposals

The IFoA is considering introducing a Quality Assurance Scheme for organisations that employ or consist of one or more actuaries (**Organisations**).

The scheme will focus on the policies and procedures of Organisations, rather than on monitoring of specific client files and technical work. The IFoA will set out the principles relevant to good practice policies and procedures which it expects all Organisations to follow in relation to the undertaking of actuarial work, in each of the following key areas:

- Quality Assurance (including peer review);
- Engagement and communication with users of actuarial work;
- Conflicts of interest;
- The development, training and support of members of the IFoA;
- Whistleblowing;
- Handling of complaints about professional matters regarding members of the IFoA or actuarial work; and
- Professional Indemnity Insurance.

We have deliberately kept the criteria high level and outcomes-focused to ensure they are applicable and relevant to all Organisations.

Organisations that meet the criteria will be eligible to apply to the IFoA to become a Quality Assured Organisation. The good practice principles must be applied in relation to all actuarial work undertaken by the organisation (or by the relevant part of that organisation which has been identified as eligible for Quality Assured Organisation status), not just to the work of individual members of the IFoA.

Successful applicant Organisations will be invited to sign a participation agreement with the IFoA. In return, if their application is successful, **Organisations will be able to use the Quality Assurance Scheme logo and related branding to promote their participation in the scheme.** The Quality Assured Organisation kitemark will signify an Organisation's commitment to promoting high professional and technical actuarial standards and to supporting and developing their employees in undertaking actuarial work of high quality. In addition to the initial approval process, Quality Assured Organisations will be subject to periodic monitoring visits by the IFoA to ensure that their policies and procedures are working in practice.

The Quality Assurance Scheme will **initially focus on actuarial consultancies** in the UK; however all Organisations are encouraged to apply the good practice principles which it embodies and any UK based Organisation will be eligible to apply to be a Quality Assured Organisation. Organisations will also have the ability to opt specific parts of their business into the Quality Assurance Scheme. The Quality Assurance Scheme will initially be restricted to Organisations or parts of a business which are based in the UK; however the geographic scope may be expanded in due course.

It is intended that the IFoA will launch a pilot scheme in January 2014 which will provide opportunity to refine the regime in advance of the full launch of the Quality Assurance Scheme in mid 2014.

2.2 Benefits of the Quality Assurance Scheme

For Quality Assured Organisations:

- An enhanced market presence to compete against non-actuarial suppliers of services;
- Greater opportunity to influence developments within the profession on issues which impact on Organisations;
- The potential for greater efficiencies through improved alignment of professional requirements with Organisations' own business practices and career and performance arrangements for actuarial staff;
- A forum in which to exchange best practice thinking and influence the future development of professional regulatory requirements, to help ensure they are effective from a regulatory and commercial perspective; and
- An improved ability to recruit the best people in the undergraduate market place.

For the public:

- Further enhancement of, and reassurance in relation to, actuarial quality; and
- Independent assurance that Organisations are following good practice in developing actuarial quality.

For the IFoA:

- A framework for pursuing an ongoing dialogue with Quality Assured Organisations;
- A clear mechanism for obtaining improved feedback from Organisations, in order to better inform regulatory developments and the provision of services;
- The opportunity to influence the environment in which our members work; and
- The opportunity to demonstrate a standard of high quality work and professionalism, and evidence of that commitment to clients, partners and employees.

2.3 Consultation Documentation

This consultation package includes the following documents:

- An Actuarial Profession Standard (**APS Q1: Organisations and Employers of Actuaries**) stating the responsibilities of Organisations and the high level good practice principles they are expected to achieve. This is the first Actuarial Professional Standard that is directly applicable to Organisations rather than members of the IFoA. APS Q1 is mandatory for all Organisations participating in the Quality Assurance Scheme, although compliance will not be subject to direct disciplinary enforcement. Further information in relation to enforcement can be found below. Wider adoption of the good practice principles detailed in APS Q1 by Organisations who are not Quality Assured Organisations is strongly encouraged;

- A **Guide** to support APS Q1 which sets out the good practice principles in more detail. This Guide is currently focused on actuarial consultancies. It is intended that additional sector-specific Guides will be developed to support APS Q1 as adoption of the proposed standard progresses;
- An **Operational Guide** setting out how the Quality Assurance Scheme will work in practice;
- A **Participation Agreement** which Organisations will complete in order to sign up to the Quality Assurance Scheme; and
- **Monitoring Proposals** setting out how the proposed monitoring aspects of the Quality Assurance Scheme will work in practice.

2.4 Monitoring

To ensure that the Quality Assured Organisation kitemark remains credible and valuable, it is important that we are able to demonstrate that each Quality Assured Organisation continues to satisfy the good practice criteria. It is therefore proposed that the monitoring aspects of the Quality Assurance Scheme take the following form:

- Quality Assured Organisations will be monitored periodically, and at least every 5/6 years. Monitoring will include:
 - A paper review of the Organisation's policies in the areas outlined above; and
 - An Organisation visit to discuss how the policies work in practice. It is envisaged that this would include discussions with the individuals responsible for the policies, as well as those involved in implementing the policies on a day to day basis.
- Quality Assured Organisations will complete and submit a short Annual Return to the IFoA to ensure their details are correct.
- Each Organisation will identify a Designated Representative (either an individual or group of employees) who will be the main point of contact for the Quality Assurance Scheme within the Organisation.
- Quality Assured Organisations will be expected to advise the IFoA of any material changes to policies and procedures on a timely basis.

Further details on the monitoring proposals are included in the Monitoring Proposals document which forms part of the consultation package.

As well as confirming compliance with the Quality Assurance Scheme requirements, Quality Assured Organisations may use the monitoring arrangements as a risk management tool and to provide a level of assurance that their procedures are in line with industry practice.

2.5 Designated Representative

Each Quality Assured Organisation will identify an individual or a group consisting of employees, partners, directors or, in the case of a Limited Liability Partnership, members to act as their Designated Representative. It is proposed that the Designated Representative should

be a member of the IFoA, or include at least one member, to provide assurance that the Designated Representative is acting in accordance with the requirements of the Actuaries' Code.

2.6 Further Development of the Quality Assurance Scheme

It is hoped that, once the Quality Assurance Scheme has been established, we will be able to work with Quality Assured Organisations to identify areas in which we can better support the members who work for those Organisations in fulfilling their regulatory responsibilities. For example, in relation to Practising Certificates and the Continuing Professional Development requirements. It is anticipated that the Designated Representatives' Forum will provide a mechanism for such matters to be discussed.

2.7 Enforcement/ Withdrawal of Quality Assured Organisation status

The IFoA can investigate allegations of Misconduct against individual members in accordance with its Disciplinary Scheme. The IFoA has no power to discipline Organisations and it is not intended that the Quality Assurance Scheme introduce provision for this. If a Quality Assured Organisation fails to meet the requirements of APS Q1 or the participation agreement, there will be a process in place to allow their participation in the Quality Assurance Scheme to be reviewed and, if appropriate in the circumstances, Quality Assured Organisation status may be withdrawn. Withdrawal of Quality Assured Organisation status will only take place upon reasonable notice, and there will be an appeal mechanism to allow the Organisation to challenge the initial decision.

Members of the IFoA will of course be aware of their individual professional responsibilities, including those set out in the Actuaries' Code.

2.8 Cost and Resourcing Implications

It is proposed that Quality Assured Organisations be charged a reasonable fee for their participation in the scheme and that this will be used towards meeting the costs of resourcing the regime. It is recognised that the scheme is voluntary and the IFoA is keen to ensure that Organisations of all sizes are able to join the scheme. Care will be taken to ensure that any fee introduced is not prohibitive.

The cost and resource implications of the scheme will be influenced by this consultation, and it is therefore not possible to provide a specific indication of the fees for participation in the scheme at this time. However it is likely that the fee model will take into account the size of the Organisation. We may also distinguish between the application fee and the ongoing annual fee to reflect the initial one-off monitoring visit required as part of the application process. It is important to emphasise that our aim will be to position the fee structure in a way which is fair, reflective of the resource implications and credentials of the scheme, but not such as to deter participation. Views on the appropriate fee structure would be welcome.

The IFoA is also keen to obtain comments on the anticipated resource and cost implications of the scheme for Quality Assured Organisations. It will want to work with Organisations to ensure that these are kept to a necessary minimum.

2.9 Governance

As the IFoA currently has no direct regulatory relationship with Organisations outside the Designated Professional Body regime, participation in the Quality Assurance Scheme will be voluntary. However it is hoped that Organisations will recognise the value of promoting quality assurance and will be keen to join us in this new initiative.

The IFoA is not, through this initiative, seeking to add disproportionately to the regulatory burden on firms or to introduce a full regulatory regime for Organisations. Its focus will continue to be on the regulation of its individual members. However we consider that the proposals are important in supporting the objective of the IFoA set out in its Royal Charter "*to advance all matters relevant to actuarial science and its application and to regulate and promote the actuarial profession*"¹, in the public interest.

¹ Charter of the Institute and Faculty of Actuaries; 1 August 2010; Objects: "*The objects of the Institute and Faculty of Actuaries shall be, in the public interest, to advance all matters relevant to actuarial science and its application and to regulate and promote the actuarial profession.*"

3. Questions

We invite your comments on the proposals relating to the working environment for actuaries and the introduction of a Quality Assurance Scheme for Organisations. It would be helpful if you would offer them by responding to the following questions.

An online version of the questionnaire can be found on the IFoA's website at <http://www.actuaries.org.uk/regulation/pages/consultations-and-discussion-papers>.

1. About you

Name:	PETER MAYES.
Position held	CHIEF ACTUARY.

2. Are you a member?.

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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3. If yes, which class of membership?

Student	<input type="checkbox"/>	Fellow	<input checked="" type="checkbox"/>
Affiliate	<input type="checkbox"/>	Honorary Fellow	<input type="checkbox"/>
Associate	<input type="checkbox"/>		<input type="checkbox"/>

4. What is your practice area? (Answer one option only)

Life Assurance	<input checked="" type="checkbox"/>	Health and Care	<input type="checkbox"/>
General Insurance	<input type="checkbox"/>	Education	<input type="checkbox"/>
Pensions	<input type="checkbox"/>	Retired	<input type="checkbox"/>
Finance and Investment	<input type="checkbox"/>	Other	<input type="checkbox"/>
Enterprise Risk Management	<input type="checkbox"/>		<input type="checkbox"/>

5. About your organisation

Name:	PHOENIX
-------	---------

6. Type of organisation (Answer one option only)

Actuarial consultancy	<input type="checkbox"/>	Investment Firm	<input type="checkbox"/>
Insurance company	<input checked="" type="checkbox"/>	Other	<input type="checkbox"/>
Bank	<input type="checkbox"/>		<input type="checkbox"/>

If other, please comment:

--

7. Size of organisation

Sole practitioner	<input type="checkbox"/>	26-40 Fellows or Associates	<input type="checkbox"/>
2-10 Fellows or Associates	<input type="checkbox"/>	40+ Fellows or Associates	<input checked="" type="checkbox"/>
11-25 Fellows or Associates	<input type="checkbox"/>		<input type="checkbox"/>

8. Do you want your name to remain confidential?

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
-----	-------------------------------------	----	--------------------------

9. Do you want the name of your organisation to remain confidential?

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
-----	-------------------------------------	----	--------------------------

10. Do you want your comments to remain confidential?

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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11. Do these comments represent your own professional views or your organisation's views?

Personal views	<input checked="" type="checkbox"/>	Organisation's views	<input type="checkbox"/>
Both personal views and organisation's views	<input type="checkbox"/>		<input checked="" type="checkbox"/>

We would be particularly interested in hearing your views on the following:

12. To what extent do you think that the proposals set out in the consultation paper will satisfy the following objective: provide assurance to the public and other stakeholders as to the quality of actuarial practice.

Not satisfy				Satisfy	
1	2	3	4	5	
Comments:					

13. To what extent do you think that the proposals set out in the consultation paper will satisfy the following objective: foster effective engagement between organisations that employ actuaries and the IFoA in relation to regulatory issues.

Not satisfy				Satisfy	
1	2	3	4	5	
Comments:					

14. To what extent do you think Quality Assured Organisation status would be valued by:

	Not valuable			Very valuable	
	1	2	3	4	5
Organisations				4	
Employees				4	
Prospective employees				4	
Clients/ users of actuarial work				4	
Comments:					

15. Do you think that the proposed monitoring arrangements are sufficient?

More monitoring is required	
The proposed arrangements are sufficient	✓
Less monitoring is required	
Comments:	

16. Do you have any comments on APS Q1: Organisations and Employers of Actuaries?

Yes		No	<input checked="" type="checkbox"/>
Comments (please specify):			

17. Do you have any comments on the Guide to APS Q1?

Yes		No	<input checked="" type="checkbox"/>
Comments (please specify):			

18. What amendments do you consider would be required to the Guide in order to ensure its applicability to your organisation/ practice area/ sector?

Comments:

19. We have avoided being prescriptive as to the terms/ level of PII cover. Do you feel we should provide more detailed principles? If yes, please give details.

Yes		No	<input checked="" type="checkbox"/>
Comments (please specify):			

20. To what extent do you agree that the combination of an Actuarial Profession Standard with a supporting Guide is a clear and accessible way of presenting the material?

Strongly disagree				Strongly agree	
1	2	3	4	5	
Comments:					

21. Do you have any comments on the Operational Guide?

Yes		No	<input checked="" type="checkbox"/>
Comments (please specify):			

22. Do you have any comments on the Participation Agreement?

Yes		No	<input checked="" type="checkbox"/>
Comments (please specify):			

23. Do you think that the Designated Representative should be, or include, at least one member of the IFoA?

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Comments:			

24. To what extent do you think that the opportunity to obtain a kitemark or branding to promote Quality Assured Organisation status is a valuable part of the proposals?

Not valuable				Very valuable
1	2	3	4	5
Comments:				

25. Do you think that organisations would be willing to join the Quality Assurance Scheme if the Quality Assured kitemark were not available?

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Comments:			

26. Do you have any other comments on the Quality Assurance Scheme?

Yes		No	<input checked="" type="checkbox"/>
Comments (please specify):			

If responding on behalf of an Organisation

27. Would your organisation be interested in engaging in further exploration of the proposals with the IFoA? If yes or maybe, please provide details of whom we should contact regarding the Quality Assurance Scheme in the comments box below.

Yes		No		Maybe	<input checked="" type="checkbox"/>
Comments: PETER MAYES, CHIEF ACTUARY.					

28. What would be the most significant factor when considering whether to apply for Quality Assured Organisation status? (Answer one option only)

Cost of resourcing internally	<input checked="" type="checkbox"/>	Whether competitor organisations are applying	
Level of licence fee		Other (please specify in comments box below)	
Extent of monitoring			
Comments:			

29. What level of work do you think your organisation would be required to carry out to meet the good practice criteria set out in APS Q1?

Very little/ No work			Very significant level of work	
1	2	<input checked="" type="radio"/>	3	4
Comments:				

30. To what extent do you think your organisation might require any extra resource to meet the Quality Assured Organisation requirements?

Very little/ no extra resource			Significant extra resource	
1	<input checked="" type="radio"/>	2	3	4
Comments:				

31. Do you think that the benefits of obtaining Quality Assured Organisation status could outweigh the potential costs?

Yes		No	
Comments: <i>TO BE DETERMINED.</i>			

32. Does your organisation currently participate in a similar quality assurance scheme provided by another body?

Yes	<input checked="" type="checkbox"/>	No	
If yes, please provide the name of the other quality assurance scheme: <i>ACCA, ICAEW, ICAS, CIMA</i>			

33. Do you have any comments in relation to how the IFoA Quality Assurance Scheme might interact or align with quality assurance schemes provided by other bodies?

Yes		No	<input checked="" type="checkbox"/>
Comments (please specify):			

4. How to Respond to this Consultation

The deadline for responses is 8 July 2013.

Responses should be sent to gas@actuaries.org.uk

A link to an online version of the questionnaire can be found on the IFoA's website at <http://www.actuaries.org.uk/regulation/pages/consultations-and-discussion-papers>

You can also send a response by post to:

The Quality Assurance Scheme Consultation
The Institute and Faculty of Actuaries
Maclaurin House
18 Dublin Street
EDINBURGH
EH1 3PP

Please indicate whether you wish any of the information you supply in your response to be treated confidentially. Unless you so indicate, we may make responses to this paper available on our website at www.actuaries.org.uk

4.1 Consultation meetings

We are encouraging members and interested stakeholders to attend one or other of the following two consultation meetings to discuss and comment on these proposals:

There will be a consultation meeting at Maclaurin House, 18 Dublin Street, Edinburgh EH1 3PP from 17:00 on Wednesday 26 June 2013. Refreshments will be served from 16:30.

A second consultation meeting will be held in London. The date and location of this meeting will be confirmed in due course. Details will be available on the [Consultation and Discussion Papers](#) webpage and on the [Events Calendar](#).

To allow us to gauge participant numbers, we should be grateful if you could please inform us via email to karen.cross@actuaries.org.uk if you are planning to attend either of these meetings. Depending on the level of interest in the proposals, more meetings may be arranged.

4.2 CPD

Members of the Institute and Faculty are entitled to claim up to one hour private study CPD time for reading this consultation paper and completing the relevant questionnaire, provided that the topic can be shown to be personally relevant and developmental. Please remember to record your learning outcome within your online CPD record.

Additionally, members are entitled to claim up to one hour of CPD for their participation in one of the consultation meetings. Please remember to sign the attendance sheet to verify your attendance and to record it in your online CPD record.

Thank you for your time and interest.



The Quality Assurance Scheme Consultation
The Institute and Faculty of Actuaries
Maclaurin House
18 Dublin Street
EDINBURGH
EH1 3PP

3 July 2013

Dear Sirs

Exposure Draft ED30 - Quality Assurance Scheme for Organisations

We are writing in response to the invitation to respond to the consultation on Exposure Draft 30 – Quality Assurance Scheme for Organisations (“ED30”). We have chosen, after consultation with many senior actuaries in PwC LLP (“PwC”), to respond in a letter that is written on behalf of PwC, rather than for our actuaries to respond individually to the proposal via the on-line questionnaire. This letter is not confidential. We agree to its publication on the website of the Institute and Faculty of Actuaries (“IFoA”) if you wish.

One of the reasons for responding in the form of a letter, rather than by completing the questionnaire is that the questionnaire appears, in some of the questions posed, to assume tacit agreement to the type of scheme proposed. It therefore focuses on the details of implementation, rather than on whether the basic proposal is sound.

We appreciate that the underlying objectives of the scheme are to improve the quality of actuarial advice across the board and to sustain and enhance the confidence of users of actuarial advice (and the general public) in the quality of that advice. We do, of course, applaud these objectives. We do not, however, believe that the proposed scheme will achieve these objectives and PwC is not therefore supportive of the proposal to introduce a quality assurance scheme as set out in ED30. There are a number of points underlying our conclusion. If we consider, first, the position of PwC:

- We don't believe that our clients will have greater confidence in the quality of our actuarial advice if it were to be backed by a kitemark issued to the firm by the actuarial profession. Our clients currently value the assurance that is associated with the PwC brand, our reputation and professionalism.
- PwC is registered with the Institute of Chartered Accountants in England and Wales (ICAEW) and is, in consequence, subject to quality control through Practice Assurance standards including periodic inspection by the ICAEW.
- Having reviewed ED30, we believe that the Risk & Quality processes and policies that PwC already has in place exceed the proposed requirements for the scheme. These involve the concept of peer review on individual assignments and independent reviews of our files and our approach by other parts of PwC on a regular basis. We can therefore see little value to PwC, or to users of our actuarial services, in the scheme proposed, including the suggestion that the IFoA will conduct periodic (and infrequent) reviews of our policies and procedures.



- We can foresee increased administrative costs that will inevitably need to be absorbed by the market, for no clear benefit to users.

Notwithstanding these points, we recognise that the proposed scheme may be directed at organisations that may have less comprehensive Risk & Quality processes than those followed by the larger firms. We have therefore attempted to consider the position for the actuarial profession as a whole:

- We believe that the public and other stakeholders gain considerable comfort regarding the quality of actuarial advice from the requirement on individual actuaries to exercise their professionalism as a matter of their own personal responsibility. We neither agree that the proposal will provide additional comfort to users, nor that it is required. Perhaps an unforeseen consequence is that the proposed scheme potentially undermines the principle of personal responsibility.
- If it is a possible future market failure that is the driver behind the IFoA's proposals, there is no explanation as to how such an event might distinguish between the failure of an individual actuary and the failure of his/her employer:
 - If the scheme is to be a success, then it will need a high take-up amongst employers. It is though likely to be the failure of an individual actuary that exposes the employer.
 - In this situation, and if the scheme is extended to cover corporates as well as consultancies, then corporates might actually be discouraged from employing actuaries in the future. This would, in turn, have a negative impact on the scope and influence of the actuarial profession as a whole.
- We note the scheme's focus on consultancies, at least for the time being:
 - We do not believe that the public differentiates between an actuarial consultancy firm and a corporate that employs actuaries, so there is no logic in a scheme that focuses on actuarial consultancies alone.
 - It is incongruous, in our view, to suggest that quality concerns within actuarial consultancies are different from, or greater than, quality concerns within corporates that employ actuaries.
 - We might expect the take-up from corporates, if they were invited to join the scheme at some later date, to be even lower than it will be for actuarial consultancies.
- We do not believe there is evidence that the proposal will lead to greater efficiencies, as claimed in ED30.
- We do not believe that the scheme will give employers a greater opportunity to influence developments within the profession. Employers are already well represented within the profession by their staff. Although their engagement with the IFoA is in a personal capacity, they can be expected to be well aware of the needs and views of their employers.



On the basis of our comments above, it is unlikely that PwC will apply for membership of the kitemark scheme unless there is demand from our clients for us to do so, which we consider unlikely. It would be far preferable, in our view, for the IFoA to seek other ways of improving the quality of actuarial advice and the confidence of users of actuarial advice (and the general public) in the quality of that actuarial advice.

A possible alternative approach would be to encourage all actuarial employers to embed policies and procedures that maintain quality via the publication of a good practice guide. Whilst we believe that it is crucial to maintain the principle of personal responsibility, it may also be possible to set up mechanisms within actuarial employers that encourage younger actuaries to consult with more experienced actuaries when they encounter problems of a professional nature. This type of support is already provided externally by the IFoA's Professional Support Service (PSS). Perhaps more could be done to raise awareness of this service and it might be worth considering whether to extend the remit of the PSS to provide advice to employers on good practice.

If you would like any clarification of our views please contact Mark Allen on 020 7212 4631, who will be happy to discuss them in detail.

Yours faithfully

PricewaterhouseCoopers LLP



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10 July 2013
Our Ref: DOC/AM/ms

Dear Sirs

EXP 30 Quality Assurance Scheme

Introduction

This is the Punter Southall Limited response to the consultation document on Quality Assurance.

The detailed comments we set out in this response are given on the basis that the IFOA has decided to introduce such a process rather than whether such a process is valid. The submission of these detailed comments should not be taken as support of the process and this point is addressed in our next section.

Analysis of the value of a quality assurance process.

Punter Southall Limited (PSL) has operated in the pensions actuarial market for 25 years having been founded by individuals already experienced in that field. The fact that the firm has grown from 10 people to over [300] people in pensions consultancy and over [100] pension scheme clients is evidence that a detailed understanding of the UK pension scheme market exists within the firm.

We have always placed quality as a paramount part of the service we provide to clients and, we believe, that our sustained growth over the last 25 years reflects that focus.

We are aware that clients (both sponsors and trustees) appoint advisers for a variety of reasons, of which quality may be one. However we are strong believers that the market should be freely allowed to make these choices and interference in the market is something that should be treated with care. We see the introduction of a quality assurance standard as proposed as such an interference in the market.

Firstly it is interference in our operational processes, which will ultimately lead to higher cost for our clients with no corresponding gain. If introduced we will have no real commercial option other than to comply with the process as this will introduce a "barrier to entry" to the market we wish to participate in. Compliance (despite the overtures of the Exposure Draft) will not be "free" in either direct (or more importantly) indirect costs which will inevitably be passed to clients who (as far as we are aware) are not demanding increases in quality nor reassurance that quality exists.

Secondly, we see no indication that the proposed quality assurance standard will carry a real risk of not being given, nor will it be a compulsory requirement. This means any actual indicative value of quality that it may have will be minimal. If we contrast this quality level with one process we do participate in (IIP where we are Gold standard) we find that here we have a process that is independently assessed on an triennial basis where we can show real distinction from our competitors (only 3 of firms are gold standard), where we can show and measure the value it gives our firm and ALL our staff and complies with OUR aims (to provide our clients with quality services) as opposed to others' aims (as per the proposals).

Thirdly, we have no evidence from the market that users of our services are all driven by the need for the same level of quality. Indeed we have strong examples of the reverse, that some clients are driven by the cost of advice rather than the quality, content to receive base level compliant advice rather than the quality and understanding which we strive to provide. If it is felt that the compliant advice being given is not sufficient quality then we would infer that the statutory requirements or the quality control level for individual actuaries are at fault rather than there being a need for further, unrequested, processes to be introduced.

Fourthly, it would be useful if the IFoA could provide examples of where inadequate quality was currently being practised and the current disciplinary process fails to capture the issue. We suspect that few, if any, such cases exist. Similarly examples of where users have complained and asked for a higher level of quality from a member of the profession would provide insight on actual (rather than perceived) demand. In this context we are aware of the profession's desire to act "in the public interest" but we must always be careful we consider the public as a whole in this context. Scheme beneficiaries are not the only members of the public. Shareholders, non scheme members and other taxpayers are also members of the public and their interests should also be considered. In the end such decisions are fundamentally political ones and care must be taken not to impose political views onto a process ahead of an elected government.

Finally we would have a greater degree of support for the process if we did feel that the quality assurance scheme indicated attainment of more than the minimum acceptable standard. This would be commercially beneficial to firms who provide high quality as a distinguishing feature of their service.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D Cule', with a long horizontal line underneath.

David Cule FIA
Principal



Exposure Draft ED 30 of APS Q1: Organisations and Employers of Actuaries

Draft as at 1 May 2013

Author:	Professional Regulation Executive Committee
Status:	Draft (to be approved under the Standards Approval Process)
Version:	1.0, effective from xx 2013
To be reviewed:	No later than xxx 2016
Purpose:	To promote the application by Organisations of effective quality controls, in order to assure high quality in relation to Actuarial Work .
Authority:	Institute and Faculty of Actuaries
Target Audience:	<p>This APS is mandatory for Organisations participating in the Institute and Faculty of Actuaries' Quality Assurance Scheme for Organisations.</p> <p>Wider adoption by other Organisations is strongly encouraged.</p> <p>Although not directly applicable to Members as individuals, this APS is nonetheless relevant to, and may have professional implications for, Members working for Organisations to which this APS applies (or by which this APS is adopted).</p>

Use of the words “must” and “should”:

This **APS** uses the word “must” to mean a specific mandatory requirement.

In contrast, this **APS** uses the word “should” to indicate that, while the presumption is that **Organisations** comply with the provision in question, it is recognised that there will be some circumstances in which **Organisations** are able to justify non-compliance.

1. Responsibilities of Organisations**1.1 Organisations must:**



- 1.1.1 Provide reasonable support to **Members** in the fulfilment of their professional responsibilities and in order to help them achieve high quality **Actuarial Work**;
- 1.1.2 Demonstrate through their standards of practice their commitment to the quality of **Actuarial Work**; and
- 1.1.3 Cooperate with any reasonable request for information and explanation from relevant regulatory bodies, including the Institute and Faculty of Actuaries and the Financial Reporting Council.

2. Good practice policies and procedures**2.1 Organisations must achieve the outcomes set out in the Appendix to this APS.****2.2 For the purpose of achieving these outcomes, Organisations must maintain and apply appropriate policies and procedures in relation to each of the following areas as regards its Actuarial Work:**

- 2.2.1 Quality assurance (including **Peer Review**);
- 2.2.2 Engagement and communication with **Users**;
- 2.2.3 Conflicts of interest;
- 2.2.4 The development, training and support of **Members**;
- 2.2.5 Whistle-blowing;
- 2.2.6 The handling of complaints about professional matters regarding **Members** or **Actuarial Work**; and
- 2.2.7 Professional Indemnity Insurance.

2.3 Organisations must take reasonable steps to ensure that the policies and procedures to which this section refers are applied, and to monitor the extent to which the outcomes set out in the Appendix to this APS are achieved.






Definitions



Term	Definition
Actuarial Work	 Work undertaken by an actuary in their capacity as such, on which the User is entitled to rely.
Actuaries' Code	The ethical code for Members issued by the Institute and Faculty of Actuaries (available here: http://www.actuaries.org.uk/research-and-resources/documents/actuaries-code-october-2009).
APS	Actuarial Profession Standard issued by the Institute and Faculty of Actuaries.
Organisation	An organisation, including: <ul style="list-style-type: none"> <li data-bbox="743 788 957 824">(a) a partnership; <li data-bbox="743 846 1123 882">(b) a limited liability partnership; <li data-bbox="743 904 1005 940">(c) a sole practice; or <li data-bbox="743 963 995 999">(d) a corporate body which consists of or employs one or more Members .
Member	A member, of any category, of the Institute and Faculty of Actuaries, employed by, or (in the case of a firm) a partner or member of, or (in the case of a sole practice) comprising, the Organisation in question.
Peer Review	 The process by which a piece of work (or one or more parts of a piece of work) for which a Member is responsible is considered by at least one other appropriately qualified or experienced individual(s) at a time when the review is capable of influencing the outputs of the piece of work, for the purpose of providing assurance as to the quality of the work in question.
User	A person, including a body corporate, for whose use Actuarial Work is produced.

Appendix

Principles relevant to good practice policies and procedures, to which section 2 of this APS refers

The **Organisation** must achieve the following outcomes, in relation to its **Actuarial Work**:

1. Quality assurance
 - (a) The **Organisation** **complies** with all applicable mandatory actuarial standards and other relevant legal and regulatory requirements.
 - (b) The **Organisation** has a clearly defined structure of leadership and operational responsibilities in relation to the assurance of actuarial quality.
 - (c) The **Organisation** uses **Peer Review**  consistently and effectively with a view to assuring the quality of **Actuarial Work**.
 - (d) The importance of assuring the quality of **Actuarial Work**, and of demonstrating professionalism, are clearly communicated and understood across the **Organisation**.
 - (e) The **Organisation** monitors **clearly**  and objectively the effectiveness of its quality assurance processes and procedures, identifying and acting upon areas for improvement, where appropriate.
 - (f) Appropriate steps are taken to remedy deficiencies, where work is found to fall short of relevant quality standards.
 - (g) The **Organisation** has in place management structures to ensure that those undertaking **Actuarial Work** are subject to appropriate supervision.
 - (h) The **Organisation's** quality assurance processes and procedures, and their implementation, are appropriately documented.
 - (i) The **Organisation** consistently produces high quality **Actuarial Work**.
2. Engagement and communication with **Users**
 - (a) The **Organisation** communicates clearly and appropriately with **Users**.
 - (b) The **Organisation** monitors **appropriately**  the effectiveness of communications with **Users**.
 -  (c) The **Organisation** deals appropriately with the management, retention and destruction of files and data relating to **Actuarial Work**.
 - (d) **Actuarial Work** is only undertaken to the extent that the **Organisation** has at its disposal the relevant skills, knowledge and resource necessary to satisfy the reasonable expectations of the **User**.
 - (e) The **Organisation**  respects the confidentiality of clients and of **Actuarial Work**.

3. Conflicts of interest
- (a) The **Organisation** identifies and handles appropriately conflicts of interest.
 - (b) In relation to the acceptance and undertaking of **Actuarial Work**, the **Organisation** ensures that its ability to provide objective advice is not, and cannot reasonably be seen to be, compromised.
4. The development, training and support of **Members**
- (a) The **Organisation** dedicates appropriate time and resource to the development of student **Members**.
 - (b) The **Organisation** actively and effectively supports **Members** in keeping their competence up to date and in meeting the Institute and Faculty of Actuaries' requirements in relation to Continuing Professional Development and Professional Skills Training.
 - (c)  The **Organisation** has in place an appropriately structured environment which facilitates the identification and fulfilment of individual learning objectives, in relation to:
 - (i) Technical knowledge and understanding;
 - (ii) Relevant skill sets; and
 - (iii) Professionalism.
5. Whistle-blowing
- (a) The **Organisation** successfully fosters an environment in which **Members** and other staff feel able to speak up where they have concerns of a professional nature in relation to **Actuarial Work**.
 - (b) The **Organisation** communicates and applies a clear and appropriate mechanism by which **Members** may raise concerns of a professional nature in relation to work undertaken by the **Organisation**, its staff or customers/ clients.
6. The handling of complaints about professional matters regarding **Members** or **Actuarial Work**
- (a) The **Organisation** communicates and applies a clear and appropriate mechanism by which complaints about its **Actuarial Work** are considered and addressed.
 - (b) The **Organisation** takes clear and appropriate action to address such deficiencies or shortcomings as are identified in relation to its **Actuarial Work**.
 - (c) The **Organisation** reports promptly to the Institute and Faculty of Actuaries and/ or other relevant regulatory bodies **professional issues and concerns**. 

7. Professional Indemnity Insurance
 - (a) The **Organisation** maintains professional indemnity insurance cover to the extent appropriate to the nature of the Organisation and its **Actuarial Work**.

Exposure Draft ED 30

2 July 2013

The Quality Assurance Scheme Consultation
The Institute and Faculty of Actuaries
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Dear Sirs

Comments on the proposals for a Quality Assurance Scheme for Organisations

Thank you for the opportunity to comment on these proposals. This response has been prepared on behalf of Towers Watson, a global firm which employs over 500 qualified actuaries in the UK.

We have submitted an online response with answers to the specific questions raised. However, we thought it would also be appropriate to write a letter summing up our overall reaction and views.

We are supportive of an underlying principle under which the IFoA 'partially regulates' through firms that employ actuaries, so as to deliver enhanced quality assurance in an efficient manner. We think that the current proposals should carry some benefits for the Profession as a whole and for smaller or less-established actuarial firms in particular. However, we do not consider the current proposals to be particularly attractive to Towers Watson or similar organisations, and would like some further ideas to be considered before we decide whether we would want to apply for QAO status.

Clearly, under these proposals there is a cost to obtaining QAO status, first in relation to the (currently completely unknown) fee that the IFoA would charge and, secondly, in relation to our own costs in putting together the necessary paperwork and demonstrating compliance. While on the face of it the latter cost may not be very high, it is for us a significant unknown because we do not know how much detail will be required and we also perceive scope for the requirements to increase gradually over time.

To set against these costs there seems to us to be little immediate benefit to an organisation with its own well-established reputation, as a QAO 'badge' is very unlikely to add any extra incentive or assurance to clients or potential clients. For the proposition to be attractive to such organisations, there needs to be a saving elsewhere in their regulatory burden. This could be achieved by giving QAOs more freedom in areas like peer review, continuing professional development, monitoring student progress (Work-Based Skills) and the issuing of practising certificates, allowing them to apply their own practices and processes (meeting some high-level principles) without the need also to comply with a set of detailed one-size-fits-all rules. We acknowledge that the IFoA has indicated that the QAS might develop in this way in due course, but, given that we suspect that the FRC might be resistant to the introduction of what could be perceived as easements at a later stage, we would wish to see a much clearer commitment at outset that an evolution in this direction is anticipated.

As a further development of the above we would suggest doing away with the idea of a fee for QAO status. All organisations would have the choice, irrespective of ability and willingness to pay, between seeking a status that allows them a significant element of self-regulation and opting for their actuaries to remain fully (directly) regulated by the IFoA. Although there would clearly be a cost to the IFoA in

assessing and monitoring the organisations that seek and achieve the QAO status, this should be offset by the reduced burden for the IFoA in relation to ongoing regulation. There would be a substantial incentive for all organisations that can feasibly do so to seek the QAO status, so meeting the objective of securing an appropriate working environment for as many actuaries as possible.

Since we are supportive of the underlying principle of 'partnering with firms' and keen to contribute to how it develops, we are willing to put ourselves forward for consideration as one of the firms for the 'pilot' initiative.

Please get in touch if you want to discuss any of the above.

Yours faithfully



Dave Gordon
Senior Consultant