



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

Contents

1. Introduction and background	1
2. Proposals	2
3. Questions	7
4. How to respond to this consultation	14

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:	
Position held	

2. Are you a member?.

Yes	No
-----	----

3. If yes, which class of membership?

Student	Fellow
Affiliate	Honorary Fellow
Associate	

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

Life Assurance	Health and Care
General Insurance	Education
Pensions	Retired
Finance and Investment	Other
Enterprise Risk Management	

5. About your organisation

Name:

6. Type of organisation (Answer one option only)

Actuarial consultancy		Investment Firm	
Insurance company		Other	
Bank			

If other, please comment:

--

7. Size of organisation

Sole practitioner		26-40 Fellows or Associates	
2-10 Fellows or Associates		40+ Fellows or Associates	
11-25 Fellows or Associates			

8. Do you want your name to remain confidential?

Yes		No	
-----	--	----	--

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

Yes		No	
-----	--	----	--

10. Do you want your comments to remain confidential?

Yes		No	
-----	--	----	--

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

Personal views		Organisation's views	
Both personal views and 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.

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	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:					

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	
Comments (please specify):			

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

Yes		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:

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):			

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	
Comments (please specify):			

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

Yes		No	
Comments (please specify):			

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

Yes		No	
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		No	
Comments:			

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

Yes		No	
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	
Comments:					

- 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:			

- 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:					

- 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:					

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

Yes	No
Comments:	

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:	

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):	

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.



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">(a) a partnership;(b) a limited liability partnership;(c) a sole practice; or(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** clearly, 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



Institute
and Faculty
of Actuaries

Quality Assurance Scheme

Guidance for APS Q1: Organisations and
Employers of Actuaries

by the Professional Regulation Executive Committee

May 2013

Contents

Introduction	1
1. Quality assurance (including peer review)	2
2. Engagement and communication with Users	4
3. Conflicts of interest	6
4. Development, training and support of Members	8
5. Whistleblowing	11
6. The handling of complaints about professional matters regarding Members or Actuarial Work	13
7. Professional indemnity insurance	15
8. Contact us	16

Introduction

The working environment plays an important part in ensuring that actuaries are properly supported in relation to both technical and professional issues and that they feel empowered to carry out their work with confidence. The operation of quality controls within an Organisation is therefore vital in ensuring actuarial quality and maintaining public confidence in the Organisation and the actuarial profession in general.

APS Q1: Organisations and Employers of Actuaries (APS Q1) (the text of which is reproduced in an appendix to this guide) sets out the good practice principles and policies that the Institute and Faculty of Actuaries (IFoA) expects Organisations to maintain and apply in relation to each of the following areas as regards their actuarial practice:

- 1. Quality assurance (including peer review);**
- 2. Engagement and communication with Users;**
- 3. Conflicts of interest;**
- 4. The development, training and support of Members;**
- 5. Whistleblowing;**
- 6. The handling of complaints about professional matters regarding Members or Actuarial Work; and**
- 7. Professional Indemnity Insurance**

APS Q1 is mandatory for all Organisations participating in the Institute and Faculty of Actuaries' Quality Assurance Scheme¹. Wider adoption by Organisations not participating in this scheme is strongly encouraged.

Organisation is defined in APS Q1 as an organisation, including: (a) a partnership; (b) a limited liability partnership; (c) a sole practice; or (d) a corporate body which consists of or employs one or more Members. In this guide, the term "employee" includes a sole practitioner, partner, (in the case of a limited liability partnership only) member, director and officer.

This guide is issued by the Professional Regulation Executive Committee of the IFoA for the use and benefit of actuaries and Organisations. This is a high level guide which supports APS Q1 and sets out the IFoA's view of good practice in relation to each of the areas detailed above.

Each Organisation should adapt their own policies and procedures based on the size and structure of the Organisation and the nature of the work being carried out. Actuaries and Organisations must be aware that the provisions of the Actuaries' Code are applicable to all Members of the IFoA.

This guide imposes no obligations upon actuaries or Organisations over and above those embodied in APS Q1. It does not constitute legal advice, nor does it necessarily provide a defence to allegations of misconduct. While care has been taken to ensure that it is accurate, up to date and useful, the IFoA will not accept any legal liability in relation to its contents. The defined terms used in APS Q1 apply to this guide.

¹ [insert link to Quality Assurance Scheme webpage]

1. Quality assurance (including peer review)

1.1 Introduction

APS Q1 requires Organisations to maintain and apply appropriate policies and procedures in relation to quality assurance. In particular, Organisations must achieve the following outcomes:

- The Organisation complies with all applicable mandatory actuarial standards and other relevant legal and regulatory requirements.
- The Organisation has a clearly defined structure of leadership and operational responsibilities in relation to the assurance of actuarial quality.
- The Organisation uses Peer Review clearly, consistently and effectively with a view to assuring the quality of Actuarial Work.
- The importance of assuring the quality of Actuarial Work, and of demonstrating professionalism, are clearly communicated and understood across the Organisation.
- The Organisation monitors clearly and objectively the effectiveness of its quality assurance processes and procedures, identifying and acting upon areas for improvement, where appropriate.
- Appropriate steps are taken to remedy deficiencies, where work is found to fall short of relevant quality standards.
- The Organisation has in place management structures to ensure that those undertaking Actuarial Work are subject to appropriate supervision.
- The Organisation's quality assurance processes and procedures, and their implementation, are appropriately documented.
- The Organisation consistently produces high quality Actuarial Work.

This note provides further guidance in relation to the above principles.

1.2 Training and development

Organisations should be able to demonstrate that they have adopted and continue to promote a culture of quality assurance and compliance. In particular, Organisations should ensure that their employees have a good understanding of the legal and regulatory requirements that are relevant to their work, and that these are applied within the Organisation. Employees should be aware of legal and regulatory developments and how these will affect their work. The Organisation should consider whether any training is required to support employees' understanding of legal and regulatory requirements and the policies and procedures adopted by the Organisation. Further guidance in relation to the training and development of Members can be found at section 4 of this guide.

1.3 Peer review

Peer review involves a piece of work, or one or more parts of a piece of work, being considered by at least one other appropriately qualified individual, for the purpose of providing assurance as to the quality of the work in question.

There are circumstances where peer review is mandated by regulation, in particular by APS P2 Compliance Review: Pensions. However, where there is not a mandatory requirement in place, Organisations should expect employees to adopt peer review in all appropriate cases, having regard to:

- The public interest in assuring public confidence in the quality of the work in question;
- The significance of the piece of work;
- The expectations of users; and
- The complexity of the piece of work.

The IFoA expects Organisations to understand the obligations on Members regarding peer review and to foster an environment in which they are able to meet those obligations.

The specific processes for peer review that an Organisation adopts will depend on the size and structure of the Organisation and the nature of the work being carried out; however, the following key elements should be included:

- There should be at least two people involved in the peer review process;
- There should be agreement with the peer reviewer as to the scope and nature of the peer review;
- The person performing the peer review should not have carried out the original work;
- The person performing the peer review should have the appropriate skills and experience to carry out this role; this need not necessarily be a qualified actuary;
- The timing of the peer review should be capable of influencing the outputs of the piece of work.

Further guidance in relation to peer review policies and procedures can be found in the IFoA's Peer Review Guide and APS X2: Actuarial Quality and Peer Review, which are expected to be published in [early 2014].

1.4 Monitoring quality

Organisations should ensure that they have appropriate mechanisms in place to monitor the quality of work being carried out by employees carrying out Actuarial Work. Internal audit or periodic file reviews may help to highlight matters of concern before they have an adverse impact.

1.5 Documentation

Organisations should ensure that they document appropriately the reviewing process carried out, and, in particular, that the date and name of the individual carrying out the review is recorded. Standard forms and templates can ensure that employees apply their minds to all relevant aspects of the review; however a more superficial "tick box" approach should be avoided.

1.6 Appropriate supervision

Organisations should have in place management structures to ensure that those undertaking Actuarial Work are subject to appropriate supervision. Organisations should consider whether there are any learning and development needs which should be addressed and to what extent peer review may be appropriate.

2. Engagement and communication with Users

2.1 Introduction

Appropriate communication and engagement with Users is vital in ensuring client satisfaction, safeguarding the Organisation's reputation and maintaining public confidence in the actuarial profession. Even when difficulties arise, timely communications and managing User expectations can ensure that Users remain happy with the work being carried out and the risk of complaints and litigation is minimised.

APS Q1 requires that Organisations' policies and procedures satisfy the following outcomes in relation to engagement and communication with Users:

- The Organisation communicates clearly and appropriately with Users.
- The Organisation monitors appropriately the effectiveness of communications with Users.
- The Organisation deals appropriately with the management, retention and destruction of files and data relating to Actuarial Work.
- 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.
- The Organisation respects the confidentiality of clients and of Actuarial Work.

This section sets out the principles that Organisations should apply in order to achieve these outcomes.

2.2 Acceptance of and withdrawal from client engagements (where applicable)

The Organisation should have a clear understanding of who their client is. In addition, Organisations should be aware of and comply with their obligations in relation to the Money Laundering Regulations².

Organisations should ensure that there is a mutual understanding of the scope of the relationship with the client at the outset. If possible, this should be set out in writing, together with the terms of business, prior to commencing work. The Organisation should be satisfied that the client understands the terms of the engagement. This is vital in managing client expectations; in particular in relation to fees, the frequency of communications and the outputs of the work. This is reflected in relation to individual Members in principles 2.5 (Members will agree with the client the scope and nature of any appointment or instruction) and 2.6 (Members will agree with the client the basis for their remuneration before commencing an appointment or instruction and before any material change in the scope of an existing appointment or instruction) of the Actuaries' Code.

If it is necessary to withdraw from acting for the client, this should be properly communicated to the client, with an explanation for the withdrawal provided. The Organisation should be satisfied that there is good reason for withdrawing from the engagement and this should be communicated to the client as soon as is reasonably practicable. Organisations should consider whether it is appropriate to continue to act for the client until they are able to instruct an alternative Organisation.

² Money Laundering Regulations 2007 and the Proceeds of Crime Act 2002

2.3 Communications with Users

Principle 5.1 of the Actuaries' Code requires Members to ensure that their communications, both oral and written, are clear and timely and that the method of communication is appropriate.

Communications with Users should avoid the use of language which is likely to impede clarity of understanding. The Organisation should be satisfied that communications are appropriate for the intended audience and that the User is able to understand their contents. The information provided should be relevant and concise, but should also be complete. Principle 5.2 of the Actuaries' Codes states that communication should be "*accurate and not misleading, and contain[s] sufficient information to enable its subject matter to be put in proper context*".

Organisations should consider whether the User is vulnerable and be aware of any language barriers or learning difficulties. Users should also be provided with appropriate contact details in the event that they have any queries regarding the work being carried out.

2.4 Monitoring the effectiveness of communications with Users

Organisations should be open to receiving feedback from Users and should have a process in place to allow comments received from Users to be considered and, if appropriate, acted upon. Regular file reviews may be implemented to ensure that communications with Users are timely and appropriate.

2.5 Management, retention and destruction of files and data relating to Actuarial Work

Files and data may be kept in electronic or hard copy format. However Organisations should ensure that they are kept securely and confidentially and that the information is recoverable.

Files should be kept up to date and contain all significant documentation and correspondence, including telephone notes.

Organisations should have a policy in place which states for how long files will be retained. It is good practice to retain files for at least six years: however Organisations may wish to discuss their file retention policy with their insurer. Due to the sensitivity of the contents of files, Organisations should ensure that, when it is appropriate to destroy files, this is done confidentially.

Organisations must also act in accordance with the Data Protection Act 1998 and other regulatory and legislative requirements. In particular, clients should understand what information the Organisation will retain and how this will be used.

2.6 Satisfying the reasonable expectations of the User

Organisations should ensure, before accepting a piece of work, that they have the relevant skills, knowledge and resource to complete the piece of work within the timeframe expected by the User. Principle 2.2 of the Actuaries' Code states that Members will not act unless they have an appropriate level of relevant knowledge and skill.

2.7 Confidentiality of Actuarial Work

Organisations should ensure that confidentiality is maintained and that employees are aware of their obligations in relation to confidentiality. Further guidance in relation to confidentiality can be found in the IFoA's Conflicts of Interest Guide (see section 3.3 of this Guide).

3. Conflicts of Interest

3.1 Introduction

APS Q1 requires Organisations to maintain and apply appropriate policies and procedures in a number of areas, including in relation to conflicts of interest. The Appendix to APS Q1 sets out specifically in relation to conflicts of interest requirements that:

- The Organisation identifies and handles appropriately conflicts of interest.
- In relation to the acceptance and undertaking of Actuarial Work, the Organisation ensures that its ability to supply objective advice to its Users is not, and cannot reasonably be seen to be, compromised.

This section provides further guidance in relation to the requirement, as set out in APS Q1, to maintain and apply appropriate policies and procedures in relation to conflicts of interest.

3.2 Key principles

The starting point in relation to the consideration of conflicts of interest, in respect of individual actuaries, is principle 3 of the Actuaries' Code which states as follows:

- "3.1 Members will ensure that their ability to provide objective advice to their clients is not, and cannot reasonably be seen to be, compromised.*
- 3.2 A conflict of interests arises if a member's duty to act in the best interests of any client conflicts with:*
- (a) the member's own interests, or*
 - (b) an interest of the member's firm, or*
 - (c) the interests of other clients.*
- 3.3 Members will take reasonable steps to ensure that they are aware of any relevant interest, including income, of their firm.*
- 3.4 Members will disqualify themselves from acting where there is a conflict of interest that cannot be reconciled.*
- 3.5 Members will document the steps they have taken to reconcile a conflict and will agree those steps with their clients if they would be ineffective without agreement.*
- 3.6 Before accepting any assignment, members will consider carefully whether they should consult with any member who previously held such a position with the client, to establish whether there might be any professional reason why the assignment should be declined."*

It is important that Organisations have in place policies and procedures which support these professional obligations, and in particular enable Members and Organisations to:

- Identify (potential) conflicts of interest, as and before they arise;
- To adhere fully to the principles of client disclosure and confidentiality;
- Take and communicate appropriate decisions in relation to (potential) conflicts of interest, once identified (including, critically, as to whether it is, in the circumstances, appropriate to act or to continue to act);

- To put in place and maintain, where appropriate, a conflicts management plan, agreed with the client(s), with a view to setting out clearly and in advance the extent to which, and by what means, any potential conflicts may be managed; and as a result
- To act, and to be seen to act, in the best interests of each and every User.

3.3 Further Guidance and reference material

The IFoA has published separately substantial guidance on conflicts of interest, to which Organisations are referred. This includes:

Conflicts of Interest – A guide for Actuaries³

Conflicts of Interest – A guide for Employers⁴

Conflicts of Interest - A Note for Trustees⁵

The Conflicts of Interest Toolkit is a package of material intended to support Organisations' own in-house training and CPD in relation to conflicts of interest.

The IFoA has additionally published a range of CPD training material in relation to conflicts of interest which is available to Members via its website at:

<http://www.actuaries.org.uk/members/pages/continuing-professional-development-scheme>

³ http://www.actuaries.org.uk/conflicts_of_interest_a_guide_for_actuaries

⁴ [link to be inserted]

⁵ http://www.actuaries.org.uk/conflicts_of_interest_note_for_pension_scheme_trustees

4. Development, training and support of Members

4.1 Introduction

APS Q1 requires Organisations to maintain and apply appropriate policies and procedures in relation to the development, training and support of Members. Paragraph 4 of the Appendix to APS Q1 sets out the outcomes which Organisations must achieve in this respect, as follows:

- The Organisation dedicates appropriate time and resource to the development of student Members.
- The Organisation actively and effectively supports Members in keeping their competence up to date and in meeting the IFoA's requirements in relation to Continuing Professional Development and Professional Skills Training; and
- The Organisation has in place an appropriately structured environment which facilitates the identification and fulfilment of individual learning objectives, in relation to:
 - Technical knowledge and understanding;
 - Relevant skill-sets; and
 - Professionalism.

This section provides further guidance in relation to this requirement and these outcomes.

4.2 Background

Principle 2 of the Actuaries' Code states that "*members will perform their professional duties competently and with care*", and that they will not act unless:

- (a) "*They have an appropriate level of relevant knowledge and skill; or*
- (b) *They are acting on the advice of an individual who has the appropriate level of relevant knowledge and skill and all interested parties are aware that this is the case; or*
- (c) *They are acting under the direct supervision of another member who is taking professional responsibility for that work.*"

Further, according to paragraph 2.7 of the Actuaries' Code, "*Members will keep their competence up to date*". The IFoA has published separately its CPD Scheme⁶ and Professional Skills Handbook⁷, setting out formal requirements in relation to the undertaking of professional development, in addition to relevant guidance. The Professional Skills Handbook applies to all Members, including students, whereas the CPD Scheme does not apply to students, who are subject to the IFoA's examination and Work Based Skills frameworks, as part of the qualification process.

4.3 Principles

The outcomes set out in APS Q1 in relation to development, training and support are focused on the importance of ensuring that Organisations foster and maintain an environment conducive to effective learning and professional development for actuaries. We divide this requirement into three components:

- Student actuaries;
- Qualified actuaries; and

⁶ <http://www.actuaries.org.uk/members/pages/continuing-professional-development-scheme>

⁷ <http://www.actuaries.org.uk/regulation/pages/professional-skills-training>

- Practising certificate holders (or prospective practising certificate holders).

4.4 Students

Organisations must dedicate appropriate time and resource to the development of student actuaries, including through:

- The identification of learning objectives;
- The opportunity for development through a range of relevant work experience;
- The provision of appropriate training and support (whether delivered in-house or sourced externally);
- Regular monitoring, appraisal and feedback; and
- Specific support to students in developing their understanding of professional ethics, including in undertaking applicable elements of the IFoA's professional skills framework.

These principles are intended to complement the more formal Work Based Skills element of the qualification programme, in terms of which Organisations may seek separate accreditation (see <http://www.actuaries.org.uk/students/pages/work-based-skills-accreditation-employers>).

4.5 Professional development for qualified actuaries

The same principles are also applicable to the development of qualified actuaries, with a view to fostering a working environment conducive to effective professional development. In particular, Organisations should have in place a structure such that:

- Development needs are identified;
- Development opportunities are provided;
- The progress and development of individuals against their objectives is monitored; and
- Professional development and training are appraised and objectives reviewed at regular intervals.

Specifically, Organisations are required to support and encourage professional development and training in a way which encourages and enables Members of the IFoA to fulfil their formal obligations in relation to CPD and Professional Skills training. Organisations are encouraged to support Members who wish to become involved in relevant activities of the IFoA. This might include activities in relation to research or thought leadership, to the development and/or delivery of training for other Members, or to serving on a relevant committee responsible for the development of policy or a particular practice area.

4.6 Practising certificate holders (and prospective practising certificate holders)

The IFoA operates a practising certificates regime applicable to those undertaking, or wishing to undertake, reserved roles⁸. Organisations are expected to provide appropriate support to Members undertaking reserved roles, or who wish to do so, in ensuring:

- That they are properly prepared for and have appropriate experience before applying for a practising certificate;
- That, once practising certificate holders, they continue to receive appropriate support in relation to their ongoing development and that they continue to have the relevant expertise and skills necessary to undertake these roles; and

⁸ <http://www.actuaries.org.uk/regulation/pages/statutory-roles-and-criteria-practising-certificates>

- That their particular individual (and sometimes statutory) responsibilities as practising certificate holders are recognised within the Organisation. This will include, for example, ensuring that they are appropriately supported and that particular professional issues to which that role may give rise – for example, in relation to the potential for conflicts of interest between the responsibilities of a practising certificate holder and the interests of his or her Organisation – are properly recognised and appropriately addressed.

DRAFT

5. Whistleblowing

5.1 Introduction

APS Q1 requires Organisations to successfully foster 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. Organisations must communicate and apply 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.

By promoting a safe and supportive environment in which employees can raise concerns, Organisations can ensure that they will become aware of any issues, and have an opportunity to put them right, before they have an adverse impact on the Organisation, employees, clients or others.

5.2 Key principles

Principle 4 of the Actuaries' Code sets out Members' obligations in relation to whistleblowing:

- "4. Compliance: members will comply with all relevant legal, regulatory and professional requirements, take reasonable steps to ensure they are not placed in a position where they are unable to comply, and will challenge non-compliance by others.*
- 4.1 Members will speak up to their clients or to their employers, or both, if they believe, or reasonably ought to believe, that a course of action is unlawful, unethical or improper.*
- 4.2 Members will fulfil any obligations to report information to relevant regulatory authorities.*
- 4.3 Where there is legal protection available, members will report behaviour that they have reasonable cause to believe is unlawful, unethical or improper, to regulators or other relevant authorities. In the UK these protections include: the Public Interest Disclosure Act 1998, sections 342 and 343 of the Financial Services and Markets Act 2000 and section 70 of the Pensions Act 2004.*
- 4.4 Members will promptly report any matter which appears to constitute misconduct or a material breach of any relevant legal, regulatory or professional requirements, including Actuarial Profession Standards and Technical Actuarial Standards issued by the Board for Actuarial Standards, for consideration under the relevant disciplinary schemes. To the extent that the consent of a third party is required for this purpose in order to disclose information, members must take all reasonable steps to obtain such consent."*

Organisations should ensure that there is a clear procedure in place for employees to follow when raising concerns and that there is a good understanding of this among employees. Employees should feel empowered and encouraged to raise concerns, with the expectation that any issues raised will be treated seriously, confidentially and fairly.

It is important that whistleblowing policies are embedded in the culture of the Organisation. In particular, Organisations should consider whether there are training needs that need to be addressed or whether an independent survey of employee attitudes to whistleblowing, undertaken from time to time, may assist with measuring the effectiveness of their procedures.

Further guidance in relation to the requirements for Organisations, as set out in APS Q1, to maintain and apply appropriate policies and procedures in relation to whistleblowing can be found in the IFoA publication “Whistleblowing: A guide for employers of actuaries.”⁹

DRAFT

⁹ <http://www.actuaries.org.uk/research-and-resources/documents/professional-regulation-executive-committee-2011-whistleblowing-g-2>

6. The handling of complaints about professional matters regarding Members or Actuarial Work

6.1 Introduction

Regardless of how high standards of competence and care may be, some complaints are probably inevitable. In many cases, clear and timely communication can help to avoid complaints being made. When complaints are received, it is important that Organisations have processes in place which ensure that they are managed effectively in order to minimise the risk of further regulatory or legal action. In addition, effective complaints handling procedures will help to improve business practices, ensure client satisfaction and enhance the Organisation's reputation.

APS Q1 requires Organisations to maintain and apply policies and procedures in relation to handling complaints about professional matters regarding Members or Actuarial Work. In particular, there must be a clear and appropriate mechanism by which complaints about Actuarial Work are considered and addressed. The Organisation must take clear and appropriate action to address any deficiencies or shortcomings that are identified in relation to its Actuarial Work. The Organisation must also report promptly to the Institute and Faculty, and/or other relevant regulatory bodies, professional issues and concerns. This section provides guidance as to how to achieve these outcomes.

6.2 Receiving complaints

Organisations should be open to receiving feedback and should resist viewing complaints as a personal attack on an individual or the business. Complaints procedures should be easily accessible and well publicised to ensure that potential complainants know how they can make a complaint. For example, details of how and with whom to raise a concern may be included in a letter of engagement, on the footer of correspondence or on the Organisation's website.

Employees should also have a good understanding of any complaints handling policies to ensure that matters of concern are escalated appropriately and efficiently.

Once received, complaints should be acknowledged within a reasonable time. The Organisation may also wish to inform their insurer about the complaint.

Organisations should ensure that they have properly understood the complaint and, if appropriate, should reiterate their understanding to the complainant.

6.3 Investigating complaints

It is important that complaints are investigated thoroughly, expeditiously and objectively. Organisations should therefore ensure that there is appropriate resource available for the handling of complaints. This will be heavily dependent on the size of the Organisation, the flexibility of resources and the volume and complexity of complaints.

A senior member of staff with appropriate experience and competence should be involved in the investigation of the complaint. Where possible, the investigator should not have been involved in the subject matter of the complaint.

The details of the client and/or any employees involved in the complaint should be handled sensitively.

6.4 Responding to complaints

Principle 5.1 of the Actuaries' Code states that "*Members will ensure that their communication, whether written or oral, is clear (indicating how any further explanation can be obtained) and timely, and that their method of communication is appropriate*".

Effective communication can help to resolve complaints quickly and reassure the complainant that their concerns are being properly addressed. Correspondence should use clear and straightforward language and should be tailored to the individual complaint. Complainants should be kept advised of the progress of their complaint and be provided with an explanation if the matter is taking longer than anticipated to investigate or resolve.

The final response to the complainant should include the details of the complaint, an outline of the investigation and its findings and, if appropriate, an offer of remedy and how they can accept this. Remedies should be capable of meeting the complainant's needs, and where a remedy is offered, this should be provided promptly or an explanation provided if there is likely to be a delay.

Organisations should highlight any further avenues of appeal that may be available to the complainant if they are not satisfied with the outcome of the complaint. This may be through an internal appeals process, mediation, a regulator or an ombudsman service, such as the Financial Ombudsman Service or the Pensions Ombudsman.

If someone wishes to complain about the conduct of a Member, they may refer an allegation to the Disciplinary Investigation Team (complaints@actuaries.org.uk). Complainants should be made aware that the IFoA does not investigate allegations against Organisations and cannot award compensation.

Organisations should understand that Members have obligations under the Actuaries' Code to report any matter which appears to constitute misconduct or a material breach of any relevant legal, regulatory or professional requirements under the relevant disciplinary schemes. This includes an obligation on a Member to self report where they are responsible for the breach. Organisations should support their employees in such circumstances. Organisations should also bring the matter to the attention of the relevant authority in the event that the Member fails to do so. Section 1.1.3 of APS Q1 requires Organisations to cooperate with any reasonable request for information and explanation from relevant regulatory bodies, including the IFoA and the Financial Reporting Council.

6.5 Learning from complaints

The investigation of complaints can be used as a vital tool in identifying deficiencies or shortcomings in relation to the Organisation's practices. Organisations should review the nature and type of complaints to ascertain whether policies or procedures need to be amended or whether there are any training and development needs that should be addressed. It is also good practice to maintain a record of complaints received and to retain this for at least six years.

7. Professional indemnity insurance (PII)

7.1 Introduction

APS Q1 requires Organisations to maintain PII cover to the extent appropriate to the nature of the Organisation and its Actuarial Work. This section provides further guidance in relation to this requirement.

7.2 What is professional indemnity insurance?

PII is insurance that covers civil liability claims arising from the work undertaken by professionals, including actuaries. These claims most commonly involve allegations of professional negligence.

7.3 Why is it important?

PII increases Organisations' and individual actuaries' financial security and serves an important public interest function by covering civil liability claims, including certain defence costs and civil awards (damages) made against an Organisation or individual arising from professional negligence claims. It should be noted that insurance is not available to cover the cost of monetary fines or sanctions imposed upon an Organisation by relevant criminal or regulatory authorities. It can, however, provide for the potentially significant costs involved in defending such proceedings.

PII additionally and critically provides assurance to the public that it will not suffer loss arising from professional negligence, for which compensation might not otherwise be available. This in turn helps to reinforce public confidence in Actuarial Work and actuaries.

7.4 What level of cover is appropriate?

The IFoA does not prescribe a specific level of cover, which will depend critically upon the circumstances of the Organisation and the nature of the work it is undertaking. The level of PII cover should be proportionate to the Organisation's circumstances, having regard to the size of the Organisation, the nature of its Actuarial Work and the extent of its exposure to risk. Organisations should regularly review their level of cover to ensure that it continues to be appropriate.

7.5 Sourcing PII cover

PII is available from a number of insurance providers. Clearly, it is important to identify a reputable provider, or providers.

7.6 Disclosure of PII to Users

An Organisation should be in a position to disclose reasonable details of its PII cover where required or otherwise when reasonably requested to do so by Users, or prospective Users.

8. Contact us

8.1 Other sources of guidance

The IFoA offers a confidential Professional Support Service¹⁰ to assist members with professional and ethical matters. Queries from Organisations in respect of their obligations under APS Q1 should be raised with the IFoA's Professional Regulation Team, whose address is below.

8.2 Do you have any comments?

The content of this guide will be kept under review and for that reason we would be pleased to receive any comments you may wish to offer on it. Any comments should be directed to:

Professional Regulation Team
The Institute and Faculty of Actuaries
Maclaurin House
18 Dublin Street
Edinburgh
EH1 3PP

or regulation@actuaries.org.uk

¹⁰ <http://www.actuaries.org.uk/regulation/pages/professional-support-service-0>



Institute
and Faculty
of Actuaries

Quality Assurance Scheme for Organisations

Operational Guide

by the Professional Regulation Executive Committee

May 2013

The Institute and Faculty of Actuaries (IFoA) Quality Assurance Scheme recognises employers of actuaries that promote quality and regulatory compliance in the working environment.

Why should I apply?

The Quality Assurance Scheme mark signifies an Organisation's commitment to high professional and technical standards and to supporting and developing their employees, which in turn provide assurance of a high quality service for clients.

Quality Assured Organisations are encouraged to use the Quality Assurance Scheme logo and branding for promotional purposes in communications with current and prospective employees and clients. A list of Quality Assured Organisations is also published on our website.

In addition, the application and verification processes provide an opportunity for organisations' working practices to be independently reviewed and can serve as an effective risk management tool. The IFoA will also work closely with Quality Assured Organisations to ensure it is tackling the issues that are important to its members and their employers.

Who Can Apply?

All organisations based in the UK that employ members of the IFoA. The Quality Assurance Scheme is currently limited to UK organisations, although wider adoption of the good practice principles it embodies is encouraged. The geographic scope of the scheme may be expanded in due course.

How do I apply?

Organisations can apply for Quality Assured Organisation status on our website. As part of the application process, the IFoA will assess the organisation's policies and procedures against the principles set out in the Appendix to Actuarial Profession Standard Q1: Organisations and Employers of Actuaries (APS Q1) in relation to the following areas:

- Quality assurance (including peer review);
- Engagement and communication with users of actuarial work;
- Conflicts of interest;
- The development, training and support of members in their employment;
- Whistleblowing;
- The handling of complaints about professional matters regarding members or actuarial work; and
- Professional Indemnity Insurance

We will also visit applicant organisations and meet with employees to discuss how the policies work in practice. Organisations that meet the criteria will be invited to sign a participation agreement with the IFoA confirming that they will apply APS Q1.

Designated Representative

Each Quality Assured Organisation will be expected to identify an individual or group of employees to act as their Designated Representative. The Designated Representative will be responsible for communication with the IFoA in relation to professional and regulatory matters and will be required to participate in the Designated Representatives' Forum for the purpose of discussing matters of mutual interest with the IFoA and other Quality Assured Organisations. The Designated Representative should be a member of the IFoA, or include at least one member.

Ongoing Responsibilities

Quality Assured Organisations are required to comply with APS Q1. In particular, organisations' policies and procedures must achieve the outcomes detailed in the Appendix to APS Q1. The IFoA has published a Guide which supports APS Q1 and sets out the IFoA's view of good practice in relation to each of the areas detailed in APS Q1. Quality Assured Organisations should have regard to this Guide when setting, applying and reviewing their policies.

Verification

Once approved, the IFoA will arrange periodic monitoring visits to speak with you about your policies and procedures, including with your Designated Representative and appropriate employees, to ensure that relevant policies and procedures are working effectively and to provide feedback. Quality Assured Organisations are also required to confirm that the information they have provided is correct on an annual basis and to advise the IFoA in the event that there is a material change to their circumstances or policies.

Withdrawal

If a Quality Assured Organisation fails to meet the requirements of APS Q1 or the participation agreement, their participation in the Quality Assurance Scheme may be reviewed and, if reasonable in the circumstances, Quality Assured Organisation status may be withdrawn. Such withdrawal will take place upon reasonable notice and the organisation will have an opportunity to appeal any such decision.

Fees

There is an annual fee payable by **[date]** each year.

[Details of fees to be inserted]

Applications can be made at any time throughout the year and fees will be charged on a pro rata basis.

Further information

Further information about the Quality Assurance Scheme can be found on the IFoA website: <http://www.actuaries.org.uk/regulation/pages/regulation> or by contacting the Professional Regulation Team at the IFoA:

Professional Regulation Team
The Institute and Faculty of Actuaries
Maclaurin House
18 Dublin Street
Edinburgh
EH1 3PP

or qas@actuaries.org.uk



Quality Assurance Scheme for Organisations

Participation Agreement with [XYZ]

1. Background

- 1.1 **The Institute and Faculty of Actuaries (“the IFoA”)** has primary responsibility for regulating its members (“Members”), in the public interest. It has published regulatory requirements, including the Actuaries’ Code, setting out required standards of professionalism with which actuaries are expected to comply.
- 1.2 The IFoA is overseen in relation to the exercise of its regulatory functions by the Financial Reporting Council. The Financial Reporting Council has published a framework of drivers for quality in relation to the work of actuaries (“the Actuarial Quality Framework”).¹
- 1.3 [XYZ] employs Members and recognises their professional responsibilities and the public interest importance of actuarial work.
- 1.4 The IFoA and [XYZ] together wish to record their shared recognition of, and commitment to, the importance of assuring public confidence in actuarial work. They also both recognise the important role of the working environment in fostering a culture of quality and compliance, which is critical in maintaining actuarial standards, and in ensuring the ongoing high regard and credibility of actuaries. [The commitments reflected in this document relate specifically to the part(s) of XYZ’s business and/or operations specified in the **Appendix.**]

2. The IFoA’s Commitment

- 2.1 The IFoA undertakes to:
- 2.1.1 Carry out its public interest responsibilities in accordance with the Good Regulation Principles²;
 - 2.1.2 Make available to Members and the organisations they work for appropriate professional support, including relevant training and assistance in relation to professional issues;
 - 2.1.3 Consult as appropriate with [XYZ] in relation to matters of mutual interest, including through the Designated Representatives’ Forum (see further Section 6 below); and
 - 2.1.4 To support [XYZ] in fostering a culture of actuarial quality.

¹ See <http://www.frc.org.uk/pob/actuaries/drivers.cfm>

² See <http://www.bis.gov.uk/policies/bre/policy/five-principles-of-good-regulation>.

3. [XYZ]'s Commitment

3.1 [XYZ] undertakes to:

- 3.1.1 Apply Actuarial Profession Standard APS Q1: Organisations and Employers of Actuaries ("APS Q1") in relation to its actuarial practice; and
- 3.1.3 To notify the IFoA of the name and contact details from time to time of its Designated Representative (appointed in accordance with section 6 of this agreement).

4. Quality Assured Firm status

- 4.1 Provided [XYZ] satisfies the IFoA that it is fulfilling the requirements of APS Q1, it will be entitled to recognition as a Quality Assured Organisation.
- 4.2 Quality Assured Organisation status is at the sole discretion of the IFoA, is subject to monitoring arrangements agreed and undertaken in accordance with section 5 and may be withdrawn by the IFoA at any time.
- 4.3 Quality Assured Organisations are entitled and encouraged to advertise their Quality Assured Organisation status, as appropriate.

5. Monitoring and Enforcement

5.1 [XYZ] agrees:

- 5.2.1 To provide to the IFoA such documentation in relation to its relevant policies and procedures as the IFoA may from time to time reasonably request;
- 5.2.2 To complete and provide to the IFoA such annual or other returns as the IFoA may reasonably require;
- 5.2.3 To inform the IFoA as soon as practicable, but in any event within 10 business days, of any change to the registered address, name or trading name of [XYZ] or any changes which might reasonably affect [XYZ]'s Quality Assured Organisation status; and
- 5.2.4 To cooperate with the IFoA in relation to such monitoring visits as the IFoA may from time to time reasonably seek to arrange.

5.2 Any failure to fulfil the terms of this agreement, or the requirements of APS Q1, will not of itself give rise to enforcement action, or to any legal liability, but may result in the withdrawal of Quality Assured Organisation status.

5.3 In the application of this Agreement, Members are, however, expected to act in accordance with their professional responsibilities, including those set out in the Actuaries' Code.

6. Designated Representatives

6.1 [XYZ] agrees to appoint (an) individual(s) (to be known as its "Designated Representative"), who will be responsible on behalf of [XYZ] for communication with the IFoA in relation to professional and regulatory matters.

6.2 The Designated Representative must be (an) individual(s) of appropriate seniority and authority within [XYZ], include at least one Member and be in a position to speak on its behalf in relation to professional and regulatory issues relevant to actuaries.

6.3 The IFoA and [XYZ] agree to participate in the Designated Representatives' Forum, for the purpose of discussing matters of mutual interest in relation to professionalism and the promotion of best practice and standards in actuarial work.

7. Withdrawal

7.1 Either the IFoA or [XYZ] may withdraw from this Agreement, upon the provision of reasonable notice to the other, in accordance with the withdrawal terms and conditions [to be defined].

Signed on behalf of [XYZ]
.....

Signed on behalf of the Institute and Faculty of Actuaries

Date

Appendix

Application

This Agreement relates to the following parts of the [XYZ]'s business/ operations*:

DRAFT

1. The following subsidiaries/ divisions/ departments, insofar as employing actuaries [in the United Kingdom]*:

a.[Specify etc.]

2. Other operations of the [XYZ] to the extent that those operations involve actuarial work [in/ connected with [specify any geographical limitation]]*

*Delete/ amend, as appropriate.



Institute
and Faculty
of Actuaries

Quality Assurance Scheme

Proposals for Monitoring the Application of
Actuarial Profession Standard APS Q1:
Organisations and Employers of Actuaries

by the Professional Regulation Executive Committee

May 2013

Introduction

Quality Assured Organisations are required to comply with Actuarial Profession Standard APS Q1: Organisations and Employers of Actuaries (APS Q1). In particular, organisations' policies and procedures must achieve the outcomes detailed in the Appendix to APS Q1. To ensure that the Quality Assured Organisation kitemark is credible and valuable, it is important that we are able to demonstrate that each Quality Assured Organisation satisfies and continues to satisfy the good practice criteria set out in APS Q1.

Application Process

As part of the application process, each applicant organisation's policies and procedures will be reviewed against the good practice principles set out in APS Q1. In addition, it is proposed that each applicant organisation will receive a visit, during which a number of employees, including the Designated Representative(s), will be interviewed. It is estimated that each visit will take approximately two days, although larger organisations may require up to four days. It is not intended that the visit will include a review of specific client files, but will instead be used to confirm that the good practice policies and procedures are embedded in the working environment of the organisation.

Periodic Monitoring

Once approved, the IFoA will arrange periodic monitoring visits, at least every six years, to speak with the Designated Representative(s) and appropriate employees about the policies and procedures to ensure that they are working effectively and to provide feedback. As with the application process, it is estimated that each visit will take approximately two days, although larger organisations may require up to four days.

As well as ensuring adherence with APS Q1, it is hoped that organisations will 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. It is proposed that a consultative approach is taken whereby organisations can obtain constructive feedback on how their policies are operating.

It is proposed that the monitoring aspects of the regime be outsourced, similar to the model used for the Designated Professional Body regime of the IFoA.

Annual Return

Quality Assured Organisations will be required to complete and submit a short Annual Return to the IFoA each year to ensure their details are correct. Quality Assured Organisations will also be required to advise the IFoA of any material changes to policies and procedures on a timely basis.

Engagement with the IFoA

The Designated Representative(s) will be the main point of contact for the Quality Assurance Scheme within the organisation. The Designated Representative(s) is also required to participate in the Designated Representatives' Forum where matters of mutual interest in relation to professionalism and the promotion of best practice and standards in actuarial work will be discussed.