



### Working Party Terms of Reference

Date approved:	
Research topic/title:	Model Validation
Research shadow:	Risk Management Practice Board
Source of idea/initiator:	Matthew Byrne (ARN 14035)
Chair:	Matthew Byrne (ARN 14035)
What issue is this research topic trying to address?	Develop some fresh industry guidance for actuaries working in model validation.
Who will be the audience for this research? <i>Who will this research be of interest to – who will be the end consumer for the research</i>	Actuaries working in model validation – including Internal Model (UK Insurance regulation); Actuaries working in Model Risk Management (UK Bank regulation); Actuaries working in wider model risk or model validation or model building roles.
What are the potential outputs/deliverables of this research?	<p>Content:</p> <ul style="list-style-type: none"> <li>- Validation tools and techniques and best practice</li> <li>- Developing efficient validation processes</li> <li>- Spotlight on industry validation hot topics: <ul style="list-style-type: none"> <li>o Solvency UK</li> <li>o MRM for Banks (and how insurers can learn from the banking experience ahead of the rules landing with insurers too)</li> <li>o Geopolitics</li> <li>o Climate change</li> <li>o Correlation and diversification</li> <li>o Consistency of IM with business plans and other business processes.</li> <li>o AI and Machine Learning: <ul style="list-style-type: none"> <li>▪ how to validate these models</li> <li>▪ how these approaches can aid with validation itself</li> </ul> </li> <li>o Adding value from validation activity</li> <li>o Communicating with Boards</li> </ul> </li> </ul> <p>Formats:</p> <ul style="list-style-type: none"> <li>- IFoA Site Blogs; Presentations at conferences; ad hoc webinars; Actuary Magazine Articles; Formal working party report</li> </ul>
What are the time scales of this research?	2026-2028



<p>What recent work has been done in this area within the profession? Please email <a href="mailto:libraries@actuaries.org.uk">libraries@actuaries.org.uk</a> and other professions/academia</p>	<p>There has been a lot on “Model Risk” (e.g. Illuminating the black box, model risk management etc). However, not much on how exactly to validate models, whether under Solvency UK (formerly Solvency II) <a href="https://www.prarulebook.co.uk/prarules/solvency-capital-requirement---internal-models/24-11-2025#8a54fe0165074e82a66233c48e4c8bd5">https://www.prarulebook.co.uk/prarules/solvency-capital-requirement---internal-models/24-11-2025#8a54fe0165074e82a66233c48e4c8bd5</a> nor under Banking 2023 regulations on model risk management (<a href="https://www.bankofengland.co.uk/prudential-regulation/publication/2023/may/model-risk-management-principles-for-banks-ss">https://www.bankofengland.co.uk/prudential-regulation/publication/2023/may/model-risk-management-principles-for-banks-ss</a>). There have been occasional consultant webinars on validation, e.g. <a href="#">Course: General Insurance Spring Conference 2024: Internal model validation – where did it all go wrong and what can we do about it?</a> and <a href="https://communities.actuaries.org.uk/ifoa-activities/c/e/18">https://communities.actuaries.org.uk/ifoa-activities/c/e/18</a>. The “industry standard” validation work historically was done by IMIF at the IRM (<a href="#">IMIF forum meetings and events</a>) but that is now very old and not being updated as far as I know. Currently Lloyds publishes excellent guidance for Syndicates, though this is specific to their market and only covers Solvency UK: <a href="https://assets.lloyds.com/media-651c0e64-c1d0-4f97-90f7-883c69fe2ef2/a1ad4fb5-2f64-4b68-9ce1-2acdc750dd46/Internal%20Model%20Validation%20Guidance%20-%20April%202025.pdf">https://assets.lloyds.com/media-651c0e64-c1d0-4f97-90f7-883c69fe2ef2/a1ad4fb5-2f64-4b68-9ce1-2acdc750dd46/Internal%20Model%20Validation%20Guidance%20-%20April%202025.pdf</a></p>
<p>Will third party data be used? If so, a protocol will be developed to support you</p>	<p>No.</p>
<p>Proposed membership: <i>The IFoA is registered as a Data Controller in terms of the Data Protection Act 1998. The contact details provided (i.e. names and email addresses) will be shared among the members of this working party, the Practice Area Research Committee and the relevant Practice Area Board in relation to the research topic detailed above. The information provided will be used for the purposes of facilitating the completion of the proposed research. The IFoA will not pass personal information to any other third party without consent. Please contact <a href="mailto:professional.communities@actuaries.org.uk">professional.communities@actuaries.org.uk</a> with any concerns.</i></p>	<p>Matthew Byrne (ARN 14035) – Chair Other volunteers to be recruited via IFoA volunteer vacancy process</p>
<p>If currently operational, add list of members:</p>	
<p>Additional volunteers required:</p>	<p>Yes – let’s say 6-8 would be a good number for a WP.</p>
<p>Frequency and type of meeting:</p>	<p>Monthly, online 1 hour.</p>



<p>Engagement with external stakeholders: <i>Public Affairs will support and arrange for you</i></p>	<p>I would be interested to speak with: PRA; FCA; ICO; ABI; IRM (because they lead the previous work on model validation via their IMIF group) ... if they would be interested to speak to me! I don't know if there are any banking professional bodies who may also be familiar with validation under the 2023 MRM rules? Also happy to be connected with global actuarial professions as even though the specific regulations may differ, model validation must be a common topic globally.</p>
<p>IFoA resource and support required: <i>The Communities Engagement and Knowledge teams can offer various levels of support during the life of your working party; however, we would ask that a member of your working party be responsible for keeping minutes or action points from each of your meetings.</i> <i>It is important that the working party provides updates to the IFoA/working party shadow on an ongoing basis, preferably after every meeting. This ensures that the Board and other relevant parties are kept informed of the work of the working party.</i></p>	<p>Support with vacancies Support with external stakeholders Support with linking to any other relevant WPs that may exist or be set up during the term of this WP.</p>



## Working Party Terms of Reference

(In conjunction with the 'Guidance for Member Led Research Working Parties' and the Volunteer Induction Pack)

### Legal Issues to Note

#### Intellectual property issues

As our members and the wider public will appreciate, we want to ensure that the work produced by our working parties remains the intellectual property of the IFoA and not of individual members, their employers or of the working party itself. This means that that work can be used and disseminated by the IFoA to its members, stakeholders and the wider public to advance all matters relevant to actuarial science and promote the work of the wider actuarial profession.

The IFoA is very grateful to the members and their employers for the time, effort and work which is devoted to the working parties for the shared benefit of all members and the public. However, we also appreciate that employers may have their own intellectual property rights in that material – or even license it to/from third parties – and we need to make sure that the working party is not using that material without the employer's, or third party's consent. Members should remember that they need to get the consent of their employer or relevant third party to bring that material to the working party to use.

In recognition of the support provided by individuals and their employers, all material which is permitted to be used will, of course, be credited – noting the sources or contributors by name in the final work product generated by our working parties. Employers can also raise their own profile by allowing staff to sit on working parties and to have their firms acknowledged as supporting contributors in the final products.

The IFoA has some very short consent forms for our members to use if they do wish to use their employer's or a third party's work which will enable the Executive to compile a list of contributors to be referenced in the final work product. Please approach your relevant Practices Manager for more details. Again, the IFoA cannot provide members with advice in relation to intellectual property law and members may need to consult their own in-house lawyers or external legal advisers about this if they are in any doubt as to their obligations or if they have any concerns.

#### Further guidance

- The [UK Intellectual Property Office](#) has some helpful guidance for members on basic intellectual property issues.
- The World Intellectual Property Office's website also provides some [helpful guidance on intellectual property matters](#).

#### Competition law issues

It is the IFoA's policy to comply with competition law – this applies both to the IFoA itself and to our members. Some working parties will come across competition law issues due to the nature of their research work. Members who are on such working parties must be aware of this issue and be prepared to take steps to avoid any breach of the relevant competition laws.

We have produced an informative video clip which sets out some helpful guidance that working party members should bear in mind regarding competition law. However, we cannot provide advice to members, individual members may need to consult their own in-house lawyers or external legal advisers about this if they are in any doubt as to their obligations or if they have any concerns.

For members who are interested, the IFoA has also produced a short note on competition law issues which may impact our working party members. (See Appendix B, page 15).

#### Further guidance

The Office of Fair Trading (OFT) investigates competition law issues and has some [handy guides](#) which members might find useful.

The OFT also mentions the [Competition Pro Bono Scheme](#) which offers some free legal advice to individuals and businesses who believe that their rights under competition law have been infringed or who are concerned that they may be in breach of any relevant laws. Members may also find this useful.

#### Conflicts of Interest

Consider any conflicts of interest issues which might arise by virtue of a member's membership on the working party and which might breach the [Actuaries' Code](#) provisions.