

Institute and Faculty of Actuaries, **Regulatory Board**

Subject	Proposed Actuarial Profession Standard (APS) X2 survey
Meeting date	14 May 2024
Previous Steer/Approval	Jul 2015 – X2 came into force Nov 2019 – Post Implementation Review (PIR) concluded
Related horizon scan code	N/A
International issues considered?	X2 applies globally
Author	Cargill Sanderson, Regulatory Policy Manager
Reviewer	Emma Gilpin, Head of Regulatory Policy
Purpose	Approval

A: Executive summary

- The Board is asked to:
 - approve** the use of a **survey to review X2**¹ and its non-mandatory guidance²; and
 - provide a steer** on the **proposed survey’s scope and focus**.
- APS X2 is due for review under the terms of the IFoA’s Standards Approval Process (**Appendix 1**). Executive review concludes that, X2 remains appropriate, with no compelling rationale for full consultation on a revised standard. However, given the extensive scope of X2, it is appropriate to give members the opportunity to feedback.

B: Background

- X2 sets out the IFoA’s requirements for work review and independent peer review. It came into force in 2015 and applies to all actuarial work conducted by IFoA members in all practices and jurisdictions. For each piece of actuarial work for which they are responsible, X2 requires that a member must consider whether work review or independent peer review is required and outlines what should be considered in making such determinations. The requirements are designed to be substantially consistent with the relevant provisions in the model standards of the International Actuarial Association³ (IAA) and the Actuarial Association of Europe⁴ (AAE).
- To support members in making such determinations, non-mandatory guidance was issued with X2 in 2015 and, on the conclusion of a PIR⁵ in 2019, new supporting materials⁶ were added, including: a set of case studies; a downloadable training quiz; and a series of video vignettes.

¹ [APS X2: Review of Actuarial Work](#), IFoA 2015

² [Guidance, APS X2 Review of Actuarial Work](#), IFoA 2015

³ 2.12 of [International Standard of Actuarial Practice \(ISAP\) 1: General Actuarial Practice](#), IAA 2018

⁴ 2.12 of [European Standard of Actuarial Practice \(ESAP\) 1, General Actuarial Practice](#), AAE 2019

⁵ [APS X2 post implementation review](#), IFoA 2019

⁶ [Actuarial Profession Standard \(APS\) X2 webpage on the IFoA website](#)

C: Survey to review X2⁷

Research toolkit

Rationale

5. The policy rationale for having peer review requirements remains sound and unchanged since X2 was introduced and the existing standard satisfies that rationale without need for additions.
6. X2 remains consistent with ISAP 1 and ESAP 1. It is high-level and principles-based and therefore remains substantively relevant in its current form.
7. Existing evidence gives no cause for concern as to understanding X2 or how to apply it:
 - the 2018-19 PIR found X2 was understood and being applied appropriately;
 - in the 12 months from March 2023-24, of two Professional Support Service queries referencing X2⁸ neither indicated a fundamental misunderstanding;
 - since the PIR, there have been no disciplinary determinations finding a breach of X2;
 - evidence from thematic reviews suggests members understand X2 and how to apply it;
 - no concerning trends relating to X2 have arisen under the Quality Assurance Scheme or through Reflective Practice Discussions conducted by the IFoA.
8. However, some members may face practical issues when seeking review of their work. Actuaries working at the smallest firms or as sole practitioners may find it difficult to source appropriate review, even if they understand X2 to and how to apply it. A small number of such cases have been identified during the 'Actuaries as Experts' thematic reviews⁹.

Conclusion

9. There are no significant drivers for a substantive revision of X2. A full-scale consultation would therefore not be proportionate. There is, however, some indication that applying X2 may be more challenging for some and the IFoA has not actively engaged the wider membership on X2 since 2019. A survey seeking feedback is therefore now appropriate and would provide:
 - an opportunity to assess the extent to which smaller firms and sole practitioners face practical challenges in applying X2; and
 - best evidence as to the need for any further: revisions to X2; updates to the associated supporting materials; or new materials to support members.
10. The Board is asked to **approve the use of a survey**, as outlined above.

⁷ A research exercise under the Board's [Regulatory Toolkit](#)

⁸ 2 from a total of 15 queries submitted during this period

⁹ [Funeral Plan Trusts: a thematic review report on the advice of actuaries](#), IFoA 2022; and [Pensions on divorce: expert actuarial advice](#), IFoA 2024

D: Proposed survey's scope and focus

11. The Board is asked to consider the following **scope and focus** and **provide a steer**. Draft survey questions are appended (**Appendix 2**).

Scope

12. X2 applies to all actuarial work by IFoA members across all practices and jurisdictions. The 2018-19 PIR indicated that, whilst members remain professionally responsible, X2 requirements are often brought into effect at an organisational level. A survey would, therefore, be open to: all IFoA members; and organisations for whom IFoA members work.

Focus

13. The main challenge for members and the organisations for whom they work, in meeting the requirements of X2, is determining whether any specific piece of work requires review, and what form that review should take. A survey would, therefore, seek respondents' views on: their level of comfort in applying X2; how helpful they find the existing supporting materials; and what additional support or materials they would find helpful.
14. As noted above, there is some expectation that smaller firms and sole practitioners may find it more difficult to source review of their work. For this reason, it is proposed that a survey would seek respondents' views on: whether they have experienced such difficulties; and what additional IFoA support would help mitigate this problem.

E: Survey communication and distribution

15. The Executive would work with the IFoA's Marketing and Propositions team to deliver an appropriate communications campaign aimed at encouraging participation by both members and the organisations for which they work. Given X2's global nature, this would include additional steps to encourage participation from outside the UK. Additional steps would also be taken to proactively promote the survey amongst smaller firms and sole practitioners.

F: Timing

16. To ensure optimal engagement, a survey launch would follow the conclusion of engagement on Diversity, Equity and Inclusion (DEI). The following timings are, therefore, indicative.

Project phase	Timing
Final survey materials shared for approval in correspondence	Aug 2024
Launch survey (to run for 8 weeks)	Sep 2024 – Nov 2024
Executive analysis of results and development of next steps proposal	Nov 2024 – Feb 2025
Survey results and proposed next steps presented to the Board	Feb 2025

G: Appendices

- **Appendix 1** – Standards Approval Process
- **Appendix 2** – Draft survey questions