



Memorandum

To: All Fellows, Affiliates, Associates, and Correspondents of the Canadian Institute of Actuaries and other interested parties

From: Conrad Ferguson, Chair
Actuarial Standards Board
Jacqueline Friedland, Chair
Designated Group

Date: August 31, 2017

Subject: **Notice of Intent to Review the General Standards of Practice (Part 1000) Portion Related to Peer Review**

Comment Deadline: October 31, 2017

Document 217089

Introduction

The Actuarial Standards Board (ASB) has established a designated group (DG) to review the standards of practice related to peer review. Currently, peer review is not an explicit requirement set forth in the Canadian actuarial standards of practice. Standards that are related to peer review are contained mainly in Section 1640, Review or repeat of another actuary's work. Section 1640 is not focused on the general requirement for peer review of [actuarial] work but instead is directed at the engagement, cooperation, and discussion between the first actuary (i.e., the actuary whose work is reviewed or repeated) and the reviewer (i.e., the actuary engaged to review or repeat the first actuary's work), and reporting.

As a result of emerging practice internationally, the ASB believes it is valuable to consider whether the current Canadian standards related to the review of actuarial work should be strengthened.

Background

Recent trends in international actuarial standards are for more fulsome requirements related to peer review.

International Standard of Actuarial Practice 1, General Actuarial Practice, promulgated by the International Actuarial Association (IAA) in 2012, contains the following requirements for peer review:

- Peer Review – The [actuary](#) should consider to what extent, if at all, it is appropriate for the [report](#) to be independently reviewed, in totality or by component, before the final [report](#) is delivered to the [principal](#) or distributed to the [intended users](#). The purpose of peer review is to ensure the quality of the [report](#), with the process tailored to the complexity of the [work](#) and the specific environment in which the [actuary](#) works. If a peer review is deemed to be appropriate:
 - 2.11.1 The [actuary](#) should select a reviewer who is independent of involvement with the specific component(s) reviewed and is knowledgeable and experienced in the practice area of the [actuarial services](#).
 - 2.11.2 If the reviewer is an [actuary](#), the reviewer should comply with the guidance of this ISAP, as applicable, in performing the review.

Effective July 1, 2015, APS X2: Review of Actuarial Work became effective for the Institute and Faculty of Actuaries (IFoA). These standards include the following:

Application of Work Review

- 1.1. **Members** must consider whether to apply **Work Review** to **Actuarial Work** for which they are responsible and should, to the extent it is appropriate and proportionate, ensure that **Work Review** is applied, either in totality or by component, to that **Actuarial Work**.
- 1.2. In complying with paragraph 1.1, **Members** must give particular consideration to whether it would be appropriate and proportionate for such **Work Review** to be in the form of **Independent Peer Review** and, if so should, to the extent appropriate and proportionate, apply **Independent Peer Review** to that **Actuarial Work**.
- 1.3. In considering for the purposes of paragraphs 1.1 and 1.2 whether and to what extent **Work Review** should be applied to a piece of work (including whether and to what extent **Work Review** should be in the form of **Independent Peer Review**), **Members** should have regard to all of the relevant circumstances, including the following:
 - 1.3.1. the degree of difficulty of the piece of work and its complexity;
 - 1.3.2. the significance of the piece of work, including any financial, reputational or other consequences for the person(s) for whom the work is produced;
 - 1.3.3. whether the circumstances of the piece of work make it more likely that errors could be made;
 - 1.3.4. the reasonable expectations of the person(s) for whom the work is produced;
 - 1.3.5. the extent to which judgement and/or analysis is required;

- 1.3.6. the application of other quality assurance controls to the piece of work; and
 - 1.3.7. the desirability of assuring public confidence in the quality of the work in question.
- 1.4. **Members** must ensure that they are in a position to justify the approach which they have taken to the application of **Work Review** for the purposes of this **APS**, if reasonably called upon to do so.

2. Requirements of Work Review

- 2.1. Where **Work Review** is to be undertaken in relation to **Actuarial Work** for which they are responsible, **Members** must take reasonable steps to ensure that:
 - 2.1.1. everybody involved has appropriate experience and expertise and a clear understanding of their relevant role; and
 - 2.1.2. the requirements of paragraph 2.2 are met.
- 2.2. Individual(s) undertaking **Work Review**, including **Independent Peer Review**, must be in a position to do so, and be seen to do so, with objectivity.
- 2.3. Where any form of review is applied to meet the requirements of this **APS**, it should be undertaken at a time such as to be capable of influencing the conclusions and outputs of the work.

The US Actuarial Standards Board has also proposed peer review requirements under specific actuarial standards of practice; for example, the proposed Actuarial Standard of Practice on Modeling includes the following:

- 3.5.1 c. Peer Review—The actuary should consider obtaining a peer review, where appropriate, depending on the intended purpose and the actuary's role. Such peer review, if obtained, may include items such as review of the reasonableness of the input to the model, the implementation of the model, and the model results.

Desired Outcomes and Questions for Feedback

The ASB is soliciting feedback on the following questions:

1. Should the peer review requirements under Canadian standards be strengthened? If yes, why and if no, why not?
2. Does a reviewer need to be independent of the first actuary in all circumstances? If not, under what circumstances would independence be appropriate?
3. Should there be differentiation among types of work that require peer review? Should any peer review requirements be practice-specific?
4. How detailed should any peer review requirements be in areas such as the

qualifications of a peer reviewer and the reporting requirements of the reviewer?

5. What changes to section 1640 would be appropriate if the peer review requirements are strengthened?

Members of the DG

The group responsible for the development of the revisions to these standards of practice consists of Stephen Cheng, Jacqueline Friedland (Chair), Josephine Marks, and Geoffrey Melbourne.

Proposed Timeline

The DG hopes to publish an exposure draft before year-end 2017 after considering feedback on this notice of intent. The DG will coordinate its work with the DG responsible for revisions to General Standards (Part 1000). The current exposure draft of General Standards removed subsection 1640, Review or repeat of another actuary's work, as it was assumed the ASB would separately address peer review. The plan is to ensure harmonization between the two DGs such that any changes related to peer review are finalized at the same time as changes in the General Standards.

Your Feedback

The DG is soliciting feedback on this notice of intent from interested CIA practice committees, the regulatory authorities, members of the CIA, and other stakeholders, as appropriate. Feedback is requested on both the questions raised in this notice of intent and any other aspects related to peer review that may be in need of change. Parties wishing to comment on this NOI should direct those comments to Chris Fievoli at chris.fievoli@cia-ica.ca and Jacqueline Friedland at jacqueline.friedland@rsagroup.ca by **October 31, 2017**.

The ASB's due process has been followed in the development of this NOI.

CF, JF