

# Professional Standards

**Approved by New Zealand Society of Actuaries Council on 12 April 2006**

## **Development of Professional Standards**

As allowed for under Rule 19 of the New Zealand Society of Actuaries (Inc), this document details the due process to be used for the creation and subsequent amendment of the Professional Standards of the New Zealand Society of Actuaries (Inc).

This was developed by the Professional Standards Committee and approved for use by the Council on 12 April 2006.

This replaces with immediate effect the previous process used for creation and subsequent amendment of Professional Standards.

Peter Brown  
President  
New Zealand Society of Actuaries (Inc)

1 May 2006

# Development of Professional Standards

## 1 Introduction

It is vital that the New Zealand Society of Actuaries (NZSA) has a robust process for developing and maintaining professional standards, to promote and maintain high standards of competence and conduct within the profession. The Professional Standards Committee (PSC) is manages the process for the development of professional standards, which are then approved by the NZSA Council. Guidance notes are to be abolished. Instead, professional standards will be mandatory or recommended. Recommended professional standards will generally be more principles based than prescriptive.

The PSC will not be responsible for writing professional standards but will advise Council of professional standards that are to be reviewed or created, recruit or assign responsibility for writing the professional standard, monitor the development process, and approve professional standards. It is expected that professional standards will usually be written by the relevant practice committee.

This document defines the purpose of professional standards and the principles on which they should be based. It also defines the process that should be followed in the development of professional standards, and a template for their format.

In this document terms have the meanings defined in the draft Code of Professional Conduct, unless stated otherwise.

## 2 Purpose and Principles of Professional Standards

A clear statement of the purpose of professional standards and the principles on which professional standards should be based is necessary in order to provide a foundation and guidelines for further progress in the development of professional standards.

The purpose of professional standards is:

- To maintain and enhance public confidence in the work of actuaries
- To equip actuaries with a framework in which to exercise professional judgment
- To define generally accepted actuarial practice
- To meet or support the requirements of legislation or another professional body
- To ensure clients are fully informed

Professional standards should:

- Cover actuarial advice
- Set out rules for disclosure to clients
- Be written in plain English
- Have a clearly stated purpose
- Not be against the public interest
- Be intended for use by actuaries who practice in the area covered by the standard
- Be at either of two levels:
  - mandatory and more prescriptive where required by legislation or other professional bodies OR when required for the maintenance/ enhancement of public confidence in actuaries
  - recommended and more principles-based in other circumstances

## **3 Process for the Development of Professional Standards**

### **3.1 Introduction**

The approved due process for the creation and any subsequent amendment of such professional standards is set out below. The Professional Standards Committee may recommend to Council changes to this process from time to time.

### **3.2 Identification**

A proposal for a new/modification to an existing standard may be made by any individual or group (the “proponent”). Such individual or group is not required to be a member or body of the New Zealand Society of Actuaries. A proposal would normally be made by an existing Committee. If this is not the case, Professional Standards Committee may, if the proponent so requests, request a Committee to assist the proponent develop the proposal.

The proposal for a new/modification to an existing standard must be made in writing to the Professional Standards Committee and summarise the reasons for and objectives of the new standard/modification.

The Professional Standards Committee shall determine whether or not the standard should be developed/modified as proposed. The Professional Standards Committee may ask that the reasons and objectives of the new standard/modification are revised before making its decision.

The Professional Standards Committee may allocate the development/modification of the standard to an existing Committee, with the agreement of that Committee. Alternatively, it shall appoint a working group to develop/modify the standard. The Committee or working group developing/modifying the standard shall be referred to as the Drafting Group.

### **3.3 Development and consultation**

The Drafting Group will agree with the Professional Standards Committee whether a discussion draft or an exposure draft should be prepared initially and agree a timeframe for completion of the approval process.

If the Drafting Group considers it appropriate, the draft may include alternatives or seek comment in specific areas. In this case, an exposure draft (see below) must be developed.

The Drafting Group may distribute one or more preliminary drafts to select persons and interested parties from whom it would like comment prior to developing a discussion or exposure draft.

### **3.4 Discussion draft**

A discussion draft may be prepared where the modifications to an existing standard are minor or if the new standard is straight forward and in either case relatively little comment is anticipated. The Drafting Group is responsible for preparing the discussion draft.

The Professional Standards Committee will review the discussion draft in relation to consistency to the template and other standards.

For a modification to an existing standard, changes must be shown as tracked changes.

After clearance by the Professional Standards Committee, the Drafting Group will circulate the discussion draft for comment, together with the reasons for and objectives of the new standard/modification to members and to any person who requests a copy and may circulate it to any other person or interested party the Drafting Group considers appropriate.

The Drafting Committee may organise workshops or sessional meetings to discuss the draft. Except in exceptional circumstances, the deadline for written comments must be at least one month from the later of the date of circulation to members or any workshop or sessional meeting organised by the Drafting Committee. Comments on the draft must be made to the Drafting Committee in writing. The Drafting Group will acknowledge receipt of the comments in writing.

If, following the consultation, no or minor amendments are necessary, the process can be moved to the adoption stage. If more than minor amendments are required, the Drafting Group shall prepare an exposure draft.

### **3.5 Exposure draft**

An exposure draft shall be accompanied by an associated report. The report shall include:

- the reasons for and objectives of the new standard/modification
- the proposed draft
- a brief history of the process for developing/amending the standard, including the consultation process undertaken
- if applicable, modifications to the existing standard shown as tracked changes or summarised if too complex to show as tracked changes
- details of changes since the last draft was circulated to members, if any
- in respect of any prior draft, a register of all persons who have commented and a summary of each person's comments

The process for clearance by the Professional Standards Committee and circulation and receipt and acknowledgement of comments set out above for a discussion draft will apply. If, following receipt of comments, changes which are not minor to the draft are required, another exposure draft must be developed and the process repeated.

At any stage in the process, the Professional Standards Committee, or the Drafting Group with the written consent of the Professional Standards Committee, may seek legal advice. The cost of such advice shall be met by the Society.

### **3.6 Review**

The Drafting Group shall report to the Professional Standards Committee at least monthly on progress. This report shall include:

- confirmation that the reasons for and objectives of the new standard/modification are still appropriate or recommend changes to the reasons for and objectives of the new standard/modification
- details of actions taken towards finalisation of the new standard/modification since the previous report
- progress in relation to the agreed timeframe

If, in the opinion of the Professional Standards Committee, insufficient progress is being achieved towards finalisation of the new standard/modification, the Professional Standards Committee, may appoint a new working group to develop/modify the standard.

### **3.7 Adoption**

The Drafting Group shall prepare a report which includes:

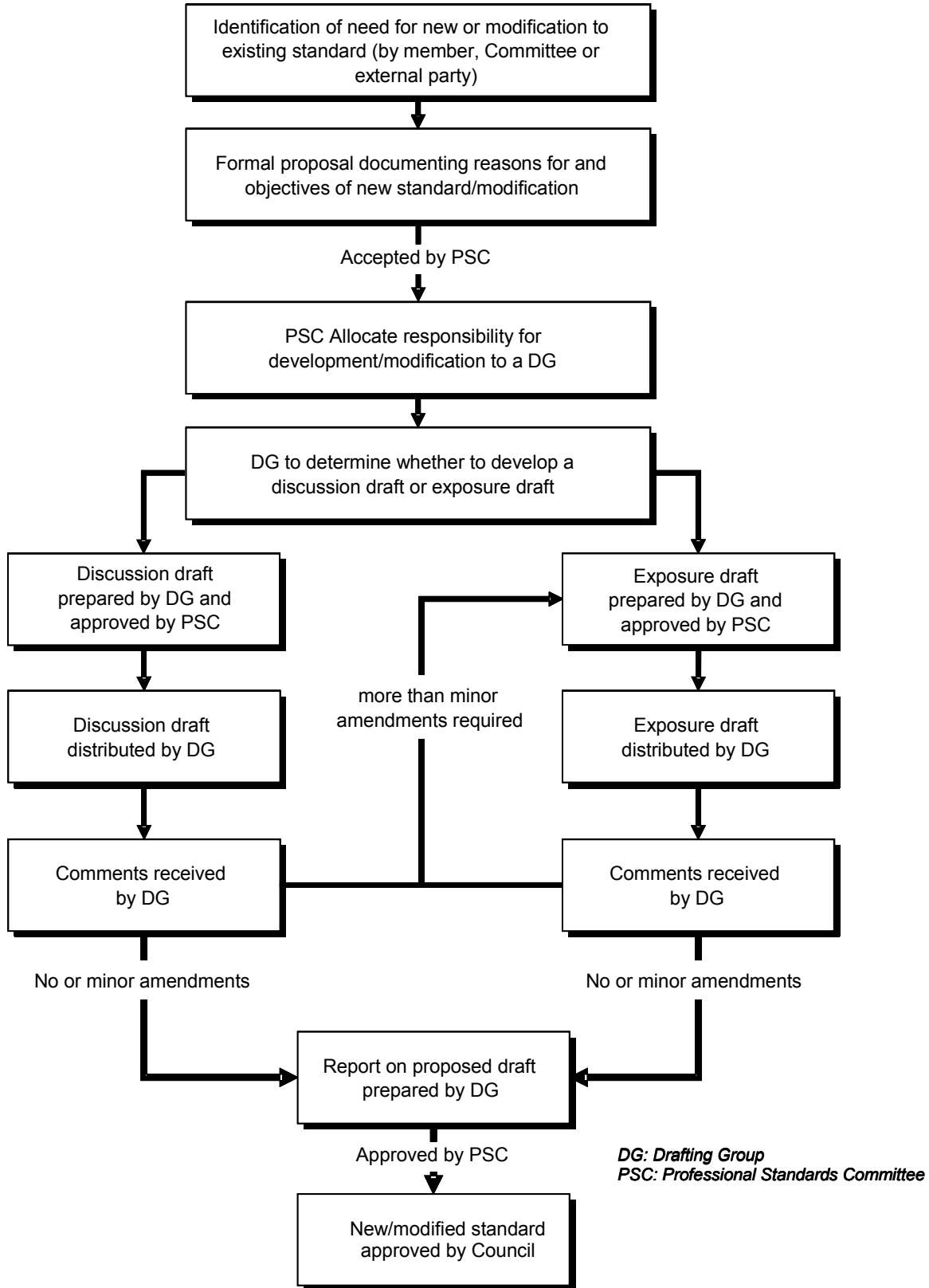
- the reasons for and objectives of the new standard/modification
- the proposed draft standard
- a brief history of the process for developing/amending the standard
- if applicable, modifications to the existing standard shown as tracked changes, or summarised if too complex to show as tracked changes
- details of changes since the last draft was circulated to members
- for each draft standard issued to members, a register of all persons who have commented and a summary of each person's comments

This report shall be provided to the Professional Standards Committee. The Professional Standards Committee may distribute it to the members and any other person it considers appropriate and may receive comment on it.

The Professional Standards Committee may accept the proposed draft and determine a date from which it will be effective. If the Professional Standards Committee does not accept the proposed draft it shall be sent back to the Drafting Group for further evaluation, together with reasons for its rejection.

Once the new/revised standard is accepted by the Professional Standards Committee, the Professional Standards Committee shall forward the standard to Council with a recommendation that Council formally adopt the Standard. Council will then adopt the Standard and notify members and other persons of the new or revised Standard.

### 3.8 Due Process for the Development of Professional Standards



## **4 Template for Professional Standards**

### **4.1 Layout**

The following layout is to be used for all professional standards:

**TITLE**

**STATUS (Mandatory or recommended)**

**INDEX**

#### **1. INTRODUCTION**

**1.1 Application**

**1.2 Background**

**1.3 Purpose**

**1.4 Previous Versions**

**1.5 Legislation**

#### **2. EFFECTIVE DATE**

#### **3. DEFINITIONS**

#### **4. BODY OF STANDARD**

## **4.2 Style Guide**

The following points will be followed when a professional standard is drafted:

- Sections must be headed and numbered, the title encompassing all topics covered in the section.
- Paragraphs within a section must be numbered but would be rarely headed (e.g. 1.5 and 1.6 would be paragraphs 5 and 6 of section 1). It should be noted that if a header is incorporated, it will be read as applying until the next header. This may determine the order of paragraphs in the section.
- Sub-paragraphs are allowed but not required. They are never headed individually, but if a header is considered essential it will be 1.5 (say) with sub-paragraphs 1.5.1, 1.5.2 etc. The next paragraph, either 1.6 or 2 as appropriate, will need a heading.
- Bullets may be used, but always in the dot style. However if a second type of bullet is essential in any paragraph a dash is used.
- Plain English is desirable at all times. Specific features to strive for include short sentences; active verbs; positive statements rather than vague qualifications. “Do [specify action] unless [condition applies]” is always preferable to “Where appropriate, do [action]”; the avoidance of ambiguous phraseology.
- A non-sexist approach is applied: the actuary, he or she, his or her are acceptable. His/her (and variants) should be avoided.
- Examples would not normally be given because they can be misinterpreted as constituting a comprehensive list. The inclusion of any example must be justified specifically.
- Font should be Arial 12 point

## **4.3 Guide on minimum content**

As a minimum a professional standard pertaining to the provision of actuarial advice should cover the following points:

- The source of data
- Who the report or advice is for
- The role and responsibilities of the actuary
- The assumptions to be used, or how to derive them (as appropriate)
- The methodologies to be used
- How the report or advice is to be framed