Public Association "Actuarial Society of Kazakhstan"

Procedure for the Adoption of Actuarial Standards of Practice

First Edition

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I. Introduction

This document describes the Actuarial Standards Committee (ASC) criteria and process for the adoption of Kazakhstan actuarial standards of practice. Specifically, it outlines the roles and responsibilities of the ASC, as well as the designated groups that develop Actuarial Standards of Practice (ASOP) and describes the process of consultation with members of the Actuarial Society of Kazakhstan (ASK) and other interested parties. This document has been developed in accordance with the ASC's Procedure that governs all ASC activities.

II. Purpose of the Procedure

Actuarial Standards of Practice are ASK publications that – together with the ASK Code of Professional Conduct – set out the fundamental principles for the correct practice of actuarial activities. The purpose of this procedure is to ensure that the Actuarial Standards of Practice developed are objective, of high quality, and serve the public interest. As such, the due process was designed to provide a detailed and transparent description of the standard-setting process, to allow for meaningful consultation with all interested parties, including responses to input received, and to hold the ASC accountable to all stakeholders.

III. Criteria for the Adoption of Actuarial Standards of Practice

The ASC adopts Actuarial Standards of Practice that meet the following four criteria:

a) Advance the public interest.
It is of paramount importance for the ASC to hold the duty of the profession to the public above the interests of the profession and its members.

b) Provide for the appropriate application of professional judgment within a reasonable range.
The actuary will apply professional judgment within a reasonable range. The definition of reasonable ranges may be included in the Actuarial Standards of Practice but will often form part of educational notes and, in isolated cases, a single value for an assumption may be prescribed.

c) Ensure that compliance with the standards is practical for actuaries with relevant training.
It is not useful to create Actuarial Standards of Practice that are extraordinarily difficult to apply. The standards should strike a reasonable balance between theoretical precision and clear practical guidance. At the same time, it is understood that actuaries will need to maintain and enhance their skill levels as part of their continuing education.

d) Be clear, concise, and written in a consistent style.
The drafting style for Actuarial Standards of Practice should avoid ambiguity and should ensure that editing and future changes can be made with relative ease.

The ASC also considers that the development of a new or revision to ASOP should promote consistency between the general standards and practice-specific standards, as well as consistency among the standards in different practice areas, where appropriate. If a potential inconsistency between proposed revisions to standards and other portions of the existing

standards is identified, it could be addressed by changing the proposed revisions to standards or by reviewing and revising the other portions of existing standards. At times there will be a valid justification for differences or inconsistencies in standards.

IV. General Process

The ASC has established a process for the development and revision of Actuarial Standards of Practice (ASOPs), the process generally involves the following:

1. Preparation of a proposal for the development of a new or revision of an existing ASOP. The proposal should contain the summary which is a synopsis of the major issues that the proposed ASOP will address.

2. Approval of the proposal by the ASC.

3. Preparation of a proposed exposure draft or drafts.

4. Approval of the exposure draft by the ASC.

5. Release of the exposure draft to the actuarial community for comment and discussion.

6. Preparation of a proposed final standard, which reflects comments received on the exposure draft and which is subject to further review, editing, and adoption or direction to re-expose the proposed ASOP for further comment and discussion before preparation and adoption of a final ASOP.

7. Standards Adoption.

8. Distribution of Final Standard

1. Preparation of a proposal for the development of a new or revision of an existing ASOP

At the commencement of development or revisions to the ASOP, the designated group prepares a proposal for a new or amended ASOP for distribution to ASK members and other interested parties (e.g., relevant industry associations, regulatory bodies, and other professional organizations). The proposal should include the following:

1.1. The subject of the development or revisions to ASOP.

1.1.1. An explanation of why the development or revisions to ASOP are needed, including key drivers of change, how the new ASOP or revisions to ASOP would be in the public interest, and desired outcomes (if known).

1.1.2. An outline of principles expected to be reflected in the ASOP, and their supporting rationale, if applicable.

1.1.3. A summary of the proposed content of the ASOP or revisions to ASOP.

1.1.4. An approximate timetable for completion of the ASOP or revisions to ASOP, including, if applicable, reasons for urgency.

1.1.5. An outline of any particular issues on which input is specifically sought and the deadline for comments on those and other pertinent issues.

1.1.6. The names of the members of the designated group; and

1.1.7. The designated group's contact information.

1.2. Once the proposal is prepared, the designated group recommends that the ASC approve it. The draft proposal, together with a report from the designated group, is sent to the ASC. The report to the ASC should include the following:

1.2.1. The designated group's recommendation is that the ASC approve the proposal for distribution to ASK members and other interested parties.

1.2.2. Commentary on the appropriateness of adopting the ASOP or revisions to ASOP rather than including new guidance in another document such as an educational note.

1.2.3. Commentary on any potential material impact of the ASOP or revisions to ASOP, to the extent feasible.

1.2.4. The interested parties who will be included in communications during the development of the ASOP or revisions to ASOP.

1.2.5. Identification of the ASK committees and other interested parties consulted during the preparation of the proposal for a new or amended ASOP.

1.2.6. Identification of any significant additional resources that may be required by the designated group (e.g., legal advice, other professional advice, research) for the subsequent development of the ASOP or revisions to ASOP; and

1.2.7. A listing of relevant sources of information that the designated group expects to consider in the development of the ASOP or revisions to ASOP (e.g., existing ASK educational notes or research papers, actuarial standards in other jurisdictions, standards of other professions).

2. Approval of the proposal

2.1 If the proposal is approved by the ASC, it can be distributed to ASK members and other interested parties. Both the chair of the ASC and the chair of the designated group sign the proposal.

2.2 If the ASC does not approve the proposal for distribution, the ASC decides whether to abandon the ASOP or revisions to ASOP or ask the designated group to prepare a new notice of intent to address any issues identified by the ASC.

2.3 Comments on the proposal should be provided to the designated group. Input may be provided through written submissions or through the use of specially designed web-based tools.

2.4 Feedback on the comments received will be provided to ASK members and other interested parties. Typically, this feedback is provided in summary form as part of the exposure draft of the revisions to ASOP.

2.5 At any time during the current stage, the ASC may conclude, through a majority vote of ASC members, that the proposal should be withdrawn and/or that further work on the Standard or revisions to ASOP cease. Any such decision would be communicated to ASK members and other interested parties, as appropriate.

3. Exposure Drafts

In preparing the exposure draft of the new or revised ASOP, the designated group should review and consider the input received from ASK members and other interested parties.

3.1. The exposure draft may be discussed with ASK committees and other interested parties before being issued, as appropriate. When the new ASOP or revisions to ASOP are practice-specific, the exposure draft should be discussed with the relevant ASK

committee(s), if any, before being issued. The designated group will edit the exposure draft, and verify it for internal consistency, as well as for consistency with the other ASOPs. If the new ASOP or revisions to ASOP conflict with the existing ASOP, the exposure draft should include the transitional provisions that will apply when the revisions to ASOP are adopted.

3.2. Once the exposure draft and cover letter are prepared, the designated group recommends that the ASC approve them. The cover letter for the exposure draft, to be signed by the chair of the ASC and the chair of the designated group, should include the following:

3.2.1. The intended timeline for feedback, discussion, and adoption of the new or revised ASOP.

3.2.2. The dates that any previous exposure drafts were published.

3.2.3. The date the exposure draft was approved by the ASC.

3.2.4. An outline of any particular issues on which input is specifically sought and the deadline for comments on those and other pertinent issues.

3.2.5. A summary of the major issues raised by ASK members and other interested parties in response to any previous exposure drafts, together with the designated group's response thereto and the rationale for that response, or a reference to an earlier summary of such issues and responses.

3.2.6. Confirmation that due process was followed in the development of the exposure draft.

3.2.7. Whether early implementation is likely to be encouraged, permitted, or prohibited.

3.2.8. The names of the members of the designated group.

3.2.9. The designated group's contact information.

4. Approval of the exposure draft by the ASC

4.1 For approval of the exposure draft the designated group submits a report to the ASC that should include the following:

4.1.1 Recommendation that the ASC approve the exposure draft and the cover letter for distribution to ASK members and other interested parties.

4.1.2 A description of how the exposure draft meets the criteria for the adoption of ASOP identified in section III above.

4.1.3 A commentary on whether the exposure draft has been reviewed by the ASK's legal counsel.

4.1.4 Identification of the ASK committees and other interested parties consulted during the preparation of the exposure draft.

4.1.5 Commentary on any potential material impact of the new or amended ASOP for ASK members and other interested parties.

4.1.6 The interested parties who will be included in the communication of the exposure draft.

4.1.7 A listing of sources of information that the designated group considered in the development of the exposure draft, if considered relevant by the designated group.

4.1.8 A description of any actual or potential conflicts with existing ASOPs.

4.1.9 The proposed length of the exposure period.

5. Release of the exposure draft to the actuarial community for comment and discussion

5.1. The exposure draft will be posted on the ASK website and announced by the ASC staff to the ASK members and/or other interested parties via email as soon as practicable.

5.1.1 All comment letters concerning an exposure draft are to be sent to the ASC staff or to the ASC's e-mail address. The ASC will not accept anonymous comments. Each comment letter or e-mail is assigned a sequential number upon receipt. All comment letters received by the deadline will be posted, with unedited content, to the ASK website. The ASC staff distributes comment letters to the designated group developing the ASOP.

5.1.2 Oral comments, or comments made in Internet chat rooms, will not be processed until they are received in writing by the ASC or are sent specifically to the ASC's e-mail address.

5.1.3 Comments received by the deadline will be posted to and be available for inspection on the ASK website.

5.2. The ASC staff will send each individual submitting a comment an acknowledgment of receipt.

6. Preparation of a proposed final standard

6.1. All comments received by the comment deadline will be given due and impartial consideration by the standing committee or task force. Further communication with commentators to seek clarification, elaboration, establishment of common ground, etc., may occur at the discretion of the ASC.

6.2. A summary of the major issues discussed in the comments received and the designated group's responses to such are printed in the last appendix to the final standard or a subsequent exposure draft if an additional exposure is deemed necessary.

6.3. When comments received on an exposure draft have been analysed, the designated group with the consent of the ASC, may determine that it would be appropriate to have a second (or later) exposure draft.

6.4. If the ASC determines that re-exposure is not required, the designated group prepares the final version of the ASOP and the cover letter. The designated group will edit the final ASOP and verify it for internal consistency as well as for consistency with the other ASOPs. If there is conflict with existing ASOP(s), the new or revised ASOP should include the transitional provisions that will apply when the final ASOP are adopted.

7. Standards Adoption.

7.1. Once the final ASOP and the cover letter are prepared, the designated group recommends that the ASC adopt the final standards and approve the cover letter. The cover letter for the final ASOP, to be signed by the chair of the ASC and the chair of the designated group, should include the following:

7.1.1. The dates that the applicable notice of intent and any exposure drafts were published.

7.1.2. A summary of the major issues raised by ASK members and other interested parties in response to all exposure drafts, together with the designated group's response thereto and the rationale for that response, or a reference to an earlier summary of such issues and responses.

7.1.3. Confirmation that due process was followed in the development of the final ASOP.

7.1.4. The date the ASC adopted the final ASOP.

7.1.5. The effective date of the final ASOP.

7.1.6. Whether early implementation is encouraged, permitted, or prohibited.

7.2. The designated group also submits a report to the ASB that should include the following:

7.1.1. Recommendation that the ASC adopt the final ASOP and approve the cover letter for distribution to ASK members and other interested parties.

7.1.2. A description of how the final ASOP meet the criteria for the adoption of standards identified in section III above; and

7.1.3. A commentary on whether the ASC's legal counsel reviewed the final ASOP.

7.3. The ASC may make any amendments to the final ASOP and the cover letter that it considers appropriate prior to its vote and may consult with the designated group or any other interested party regarding the appropriateness of any such amendments.

7.4. If at least two-thirds of all ASC members are satisfied that the final ASOP has been prepared in accordance with due process, meets the criteria for the adoption of standards in section III above, and are appropriate revisions to the ASOP, and that the cover letter is appropriate, the final ASOP is adopted. The cover letter is approved, and they are communicated to ASK members and other interested parties.

7.5. If the ASC does not adopt the final ASOP, the ASC decides whether to abandon the new or revised ASOP, ask the designated group to prepare a new version of the new or revised ASOP that will meet the applicable adoption criteria, or ask the designated group to repeat the exposure draft stage identified in section 5 above. Any decision to abandon the new or revised ASOP would be communicated to ASK members and other interested parties.

8. Distribution of Final Standard

The final standard will be posted on the ASK website and announced by the ASB staff to the ASK members and other interested parties via an email as soon as practicable. Hard copies of the final standard will be made available to anyone else upon request. The final ASOP may also be posted on other appropriate websites as determined by the ASC.