

Commentary on the Review of PS90

Overview

The IAA issued the latest version of ISAP1 (the International Standard of Actuarial Practice 1: General Actuarial Practice) on 1 December 2018. The IAA encourages relevant actuarial standard-setting bodies to maintain a standard or a set of standards that is substantially consistent with ISAP 1 to the extent that the content of ISAP 1 is appropriate for actuaries in their jurisdiction.

The current version of PS90 was effective from 1 May 2021, and took into account ISAP 1. However, the Society's move to a principles-based and much shorter Code of Conduct means that more detail needs to be included in PS90 to be consistent with ISAP1, most notably what used to be in section 5 of the old Code (Actuarial Advice). ISAP1 also has a section on models which is not in the current PS90.

Consideration has been given to what other actuarial bodies have done in relation to ISAP1. The Actuaries Institute has taken the text of ISAP1 and turned it into Practice Guideline 1 General Actuarial Practice (PG1), with the aim of following ISAP 1 as far as possible given local circumstances. The text of ISAP1 is mostly unchanged with most changes relating to ensuring consistency of definitions and language across the Australian suite of standards. Their Code of Conduct is similar to the NZSA Code.

The Australian approach has been followed as much as possible, rather than working through the current PS90 to identify the gaps with ISAP1 and then updating it. Using as much text as possible from ISAP1 and following the sequence of ISAP1 will make keeping PS90 up to date much easier.

Given the widespread nature of the layout and content changes, it has not been possible to provide a tracked changes version. A description of the changes is provided below. Note that where applicable wording has been updated to reflect ISAP1 but where this is not a material change it is not noted below.

Since this work commenced the IAA has issued an exposure draft of an update to ISAP1 for comment. This update is not likely to be implemented until November 2026 at the earliest. Given the current gaps in NZSA standards relating to items in the previous Code of Conduct and model governance, the Society have decided that it is best to proceed with this update to PS90. Given that the proposed updated PS90 now follows ISAP1 quite closely a further update once the IAA have implemented the new ISAP1 will not be that onerous.

Scope

ISAP1 states that it applies to all actuarial services performed by an actuary, with actuarial services defined as *services based on actuarial considerations provided to intended users that may include the rendering of advice, recommendations, findings or opinions*.

PG1 states that it applies to members providing Applicable Services, defined as *services that are designated in an Institute Professional Standard or Practice Guideline as being Applicable Services*. So PG1 only applies to work covered by the Institute's standards or guidelines. PG1 also states that for services that do not fall within the scope of the PG members are encouraged to consider the guidance provided, if appropriate, when performing such services.

The current PS90 applies to Prescribed Actuarial Services, which is defined as Actuarial Advice:

- a) provided in a statutory role, and/or
- b) within the scope of one of the Society's other Professional Standards, and/or
- c) provided for inclusion in financial statements, and/or
- d) which could significantly affect an Intended User's decision making or reasonable expectations.

Actuarial Advice is defined as: written, electronic or oral Advice:

- a) given by a Member in a professional capacity in areas of work in which actuaries are reasonably understood to have expertise; or
- b) given by a Member and relied upon by the recipient because the recipient reasonably believes the Advice to be given in a professional actuarial capacity;

This means that the scope of PS90 falls somewhere between PG1 and ISAP1. Given the Society's small number of professional standards, it is not recommended that the Australian approach be followed, but ISAP1 seems to have very broad application. It is recommended that the approach of the current PS90 be retained i.e. the standard applies to Prescribed Actuarial Services. The statement in PS90 "*When a Member is providing Actuarial Advice which is not Prescribed Actuarial Services, the Member must consider the requirements of this Professional Standard and determine which of these requirements should apply. The level of detail provided and the extent to which the requirements of this Professional Standard are met will depend on the nature of the Communication and Advice*" would continue to be included.

Note that Prescribed Actuarial Services have been renamed to Applicable Actuarial Services in the new PS90 as ISAP1 uses "prescribed" in another context, which would have been confusing.

Compliance

In ISAP1 and PG1 the section on Compliance refers to compliance with professional standards in general, not just ISAP1 and PG1 themselves. The section sets out where a Member may fail to follow the guidance in a Professional Standard but still comply with it if the Member complies with the requirements of law, the Code or another Professional Standard that conflicts with the Professional Standard, or discloses in any Report a departure from guidance where the guidance is expressed as "should". Where guidance is expressed as "must" a member may not depart from it unless there is a conflict with the requirements of law, the Code or another Professional Standard.

ISAP1 and PG1 are not mandatory and use “should” throughout the documents.

PS90 has followed the ISAP1 / PG1 approach and used “should” throughout and made section 1.4 applicable to all Professional Standards.

New ISAP1 and/or PG1 content not in the previous PS90

(PG1 content not in ISAP1 is in italics)

Section	New content	Source	Rationale
1.3.1 Scope	This Professional Standard is a general standard. It applies to all Applicable Actuarial Services performed by a Member, unless an element of guidance is explicitly superseded by <i>the Code</i> , another Professional Standard or <i>by Law</i> . <i>In such cases, the remaining paragraphs (or parts of those paragraphs) continue in full force and effect</i>	ISAP1 / PG1	Consistency with ISAP1 Replaces the first sentence of old PS90 1.1.1
1.4 Compliance	Replaces old section 1.1.1 Distinction between should and must – see Compliance above	ISAP1	Consistency with ISAP1
1.5 Application	The application of PS90 for an individual, team leader or team member.	ISAP1	Consistency with ISAP1 Covers Old CoC 5.1.4 and old PS90 1.1.2
1.6 Reasonable Judgment	The requirement to exercise reasonable judgment	ISAP1	Consistency with ISAP1 Covers the first sentence of Old CoC 5.1.3
3.1 Definitions	<ul style="list-style-type: none"> Accepted Actuarial Practice Data Model Model Governance Model Risk Professional Judgment 	ISAP1	Consistency with ISAP1
5.1 Acceptance of Assignment	Requirement to confirm nature and scope of services with Principal Requirement to be competent and appropriately experienced, can perform the assignment under the Code, have sufficient time, resources etc	ISAP1	Some of this new section was covered by section 5 of the Old Code
5.2 Knowledge of Relevant Circumstances	Requirement to have or obtain sufficient knowledge and understanding to perform the services <i>Members are also reminded of their professional competence obligations under the Code.</i>	ISAP1 / PG1	Covered to some degree by section 5 of the Old Code
5.3.3 Reliance on Others	Requirements if information used is prepared by another party and the member does not disclaim responsibility	ISAP1	Consistency with ISAP1

Section	New content	Source	Rationale
5.3.5 Reliance on Others	Requirements if the information was prepared by the other party under a different jurisdiction	ISAP1	Consistency with ISAP1
5.4.4 Data Modification	The Member should disclose any modification of Data before its use (such as interpolation, extrapolation, adjustment or discarding of outliers) in any Report.	ISAP1	Consistency with ISAP1
5.6 Assumptions and Methodology set by member	Paragraphs 5.6.2 to 5.6.5 replace paragraph 5.3.2 in the old PS90. Requirements are more detailed.	ISAP1	Consistency with ISAP1
5.7 Assumptions and Methodology Prescribed (other than by Law)	When the Principal requests an additional calculation using an assumption set which the member does not judge to be reasonable for the purpose of the Applicable Actuarial Services, the member may provide the Principal with the results based on such assumptions. The member should disclose to <i>the Principal and to</i> any other party to whom those results are communicated, the source of those assumptions and the Member's opinion of their appropriateness.	ISAP1/ PG1	Consistency with ISAP1
5.9 Model Governance	New section covering model risk, validation, documentation, change control etc	ISAP1	Consistency with ISAP1
5.10 Process Management	New section covering process controls and reasonableness checks	ISAP1	Consistency with ISAP1
5.13 Retention of documentation	Requirements for documentation	ISAP1	Consistency with ISAP1 Replaces paragraph 6.1.6 of old PS90
6.1.2 – 6.1.4 Communication	Requirements relating to the form, content, clarity and timing of communications	ISAP1	Consistency with ISAP1
6.1.5 Communication	Additional sentence: The name of an organisation with which each Member is affiliated may also be included in the Communication, but the Member's responsibilities are not affected by such identification.	ISAP1	Consistency with ISAP1

Section	New content	Source	Rationale
6.2.1 Report	<p>New ISAP1 content in bold</p> <p>The Member should complete and provide to the Principal a Report, including relevant disclosures, if the Member is conveying the results of Applicable Actuarial Services, unless any Intended Users will otherwise be adequately informed about the output of the Applicable Actuarial Services (including access to the supporting information which is necessary to understand the outputs and disclosures).</p>	ISAP1	Consistency with ISAP1
6.2.4 Disclosures	<p>Additional content:</p> <ul style="list-style-type: none"> the management actions or responses assumed in any Model used for the Work, and their implications (subparagraph Error! Reference source not found. of paragraph Error! Reference source not found.) 	ISAP1	Consistency with ISAP1
6.2.5 Authorship	<p>Additional content:</p> <ul style="list-style-type: none"> the Code and actuarial standards under which the Work was performed, if there is any possible ambiguity if applicable, attestations and reliances 	ISAP1	Consistency with ISAP1

NZ-specific content in the new PS90 not in ISAP 1

Section	NZ-specific content	Source	Rationale
1.3.2	When a Member is providing Actuarial Advice which is not Applicable Actuarial Services, the Member must consider the requirements of this Professional Standard and determine which of these requirements should apply. The level of detail provided and the extent to which the requirements of this Professional Standard are met will depend on the nature of the Communication and Advice.	Old PS90	See Scope above
1.4.1 Compliance	Addition of reference to another Professional Standard and requirement to provide an appropriate statement where there is departure from guidance	Old PS90 / PG1	See Compliance above
1.5 Application	ISAP1 1.4.2 requires every member of a team, if relevant to that member's work, to identify which members of the team are responsible for complying with the requirements of ISAP1 and to be satisfied that those members accept that responsibility. ISAP1 1.4.3 requires team members to treat the team leader as the Intended User. Given that PS90 applies to all NZSA Members including students, these requirements seem impractical. ISAP1 1.4.3 has been deleted and amended PS90 1.5.3 to require one Member (the team leader or the actuary signing off the work) to be responsible for identifying which members of the team are responsible for complying with requirements and being satisfied that those members accept that responsibility.	New wording replacing ISAP 1.4.2 and 1.4.3	ISAP1 too onerous
1.5.4 b)	Requirement to make rationale for not including certain content in a Report available to the Intended User	New wording	Appropriate addition
1.9 Cross-references	Wording required by PSC is slightly different to ISAP1	PSC required wording	Required by PSC
3.1 Definitions	<ul style="list-style-type: none"> • Actuarial Advice • Advice • Applicable Actuarial Services 	Old PS90	Replaces various terms used in ISAP1

Section	NZ-specific content	Source	Rationale
	<ul style="list-style-type: none"> • Professional Standard • Society 		
	Addition of definition of Documentation	New wording	Adds clarity
	Change of definition of Model to that used in the ISAP1 2025 Exposure Draft	ISAP1 2025 exposure draft	Better definition
	Change of definition of Professional Judgment to that used in the ISAP1 2025 Exposure Draft	ISAP1 2025 exposure draft	Better definition
4.1.2 Materiality	Where materiality has been imposed by another party it should be stated as such.	Old PS90	Required by PSC
6.2.2 Report	A Member's Report under section 78 of the Insurance (Prudential Supervision) Act 2010 is exempt from the requirements of this professional standard which relate to a Report, provided that all matters which would otherwise be included in the Report are included in a financial condition report and/or another report which complies with the relevant professional standards of the Society and has been provided to the Principal.	Old PS90	NZ-specific circumstances
6.2.3 Report content	<p>Additional content from PG1:</p> <ul style="list-style-type: none"> • Output including drawing attention to any Material implications of those results • a description of Material risks and uncertainties 	PG1	Appropriate addition
6.2.3 Report content	<p>Content from old PS90:</p> <ul style="list-style-type: none"> • the name of the Principal • statements of the extent of, and any limitations to, the Member's responsibilities both to the Principal, other Intended Users and to other third parties • an outline of the circumstances in which the Advice can be relied on and a statement that the Advice should not be used in other circumstances 	Old PS90	Appropriate addition
6.2.4 Disclosures	<p>Content from old PS90:</p> <ul style="list-style-type: none"> • the threshold of materiality under which the Work is being conducted; • where materiality has been imposed by another party, a statement to that effect 	Old PS90	Appropriate addition

Section	NZ-specific content	Source	Rationale
6.2.6 Form	Requirements when a Report becomes out of date	PG1	Appropriate addition Covered by section 5.8 of the old Code

Content deleted from the previous version of PS90

Section (in old PS90)	Deleted content	Rationale
1.2 Background	This section has been summarised	Information on previous iterations of the standard not necessary. Wording no longer consistent with ISAP1
1.3 Purpose	1.3.1b) and to meet the requirements of the IAA that there is a Standard which is substantially consistent with ISAP1	Not necessary – covered by 1.1
1.7 Code of Conduct	Entire section	Code no longer specifically refers to Actuarial Advice Intent covered by new section 1.3.1
1.8 Third Parties	In considering the requirements of the Code and this Professional Standard, Members must assume that a Communication is likely to be disclosed to third parties unless its distribution is specifically restricted.	Not in ISAP1 Covered adequately by new PS90 section 6.2.6c) and f)
3.1 Definitions	The definition for Entity has been deleted	Not used – replaced by organisation in ISAP1
3.2 Examples	This Professional Standard includes a number of examples, as it was considered that these examples assisted in providing a framework in which Members must exercise their professional judgement. In no case are these examples to be considered exhaustive.	No examples identified
5.5 Results	The Member must be satisfied as to the material accuracy of the results given the purpose, scope and proposed use of the Prescribed Actuarial Services. The Member must perform appropriate validation tests and reasonableness checks on the valuation result and key intermediate results.	Covered adequately in other parts of new PS90
6.2.2 d)	Comment on the extent to which the Report falls short of or goes beyond its stated purpose	Consistency with ISAP1 Covered adequately in other parts of new PS90
6.2.3d)	Comment on issues which are relevant to the Prescribed Actuarial Services but which are outside the terms of reference, or of the Member believes that the scope of the Work should have been wider in order to include other material issues	Consistency with ISAP1 Covered adequately in other parts of new PS90

Content of ISAP1 not included in PS90

Section (in ISAP1)	Deleted content	Rationale
1.2 Scope	Usually, the intent of a practice-specific standard is to narrow the range of practice considered acceptable under the general standards. In exceptional cases, however, the intent of a practice-specific standard is to define as acceptable a practice that would not be acceptable under the general standards, in which case that intent is specifically noted by words in a practice-specific standard like: “Notwithstanding the general standards, the actuary should . . .”, followed by a description of the exception.	This situation is effectively covered by the PG1 additions to paragraph 1.3.1
1.4.4b	<p>Replaced</p> <p>If the actuary believes circumstances are such that including certain content in a report is not necessary or appropriate, the actuary should be prepared (if challenged by a professional actuarial body with jurisdiction over the actuarial services) to describe these circumstances and provide the rationale for limiting the content of that report.</p> <p>With</p> <p>If the Member believes circumstances are such that including certain content in a Report is not necessary or appropriate, the Member should record these circumstances and the rationale for limiting the content of that Report.</p>	Followed PG1 approach
1.6 Language	Explanation of meaning of must, should, may or any in all ISAPs	Explanation of must and should in the context of PS90 is included in section 1.4.1