



## Professionalism in Practice

Society of Actuaries' Professionalism Course for Credentialed Actuaries  
Presented in cooperation with the Caribbean Actuarial Association  
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This handout package includes:

1. SOA Code of Conduct
2. CAA Code of Conduct
3. CAA Discipline Process
4. IAA Professionalism Principles
5. IAA Common Understanding of Professionalism
6. IAA ISAP1



## Code of Professional Conduct

Effective Date: January 1, 2001

The purpose of this Code of Professional Conduct ("Code") is to require Actuaries to adhere to the high standards of conduct, practice, and qualifications of the actuarial profession, thereby supporting the actuarial profession in fulfilling its responsibility to the public. An Actuary shall comply with the Code. An Actuary who commits a material violation of the provisions of the Code shall be subject to the profession's counseling and discipline procedures.

The Precepts of the Code identify the professional and ethical standards with which an Actuary must comply in order to fulfill the Actuary's responsibility to the public and to the actuarial profession. The Annotations provide additional explanatory, educational, and advisory material on how the Precepts are to be interpreted and applied.

In addition to this Code, an Actuary is subject to applicable rules of professional conduct or ethical standards that have been promulgated by a Recognized Actuarial Organization for the jurisdictions in which the Actuary renders Actuarial Services. Actuarial Services are considered to be rendered in the jurisdictions in which the Actuary intends them to be used unless specified otherwise by an agreement between a Recognized Actuarial Organization for any such jurisdiction and the organizations that have adopted the Code.

Laws may also impose obligations upon an Actuary. Where requirements of Law conflict with the Code, the requirements of Law shall take precedence.

An Actuary must be familiar with, and keep current with, not only the Code, but also applicable Law and rules of professional conduct for the jurisdictions in which the Actuary renders Actuarial Services. An Actuary is responsible for securing translations of such Laws or rules of conduct as may be necessary.

### Definitions:

As used throughout the Code, the following terms are capitalized and have the meanings indicated:

Actuarial Communication: A written, electronic, or oral communication issued by an Actuary with respect to Actuarial Services.

Actuarial Services: Professional Services provided to a Principal by an individual acting in the capacity of an actuary. Such services include the rendering of advice, recommendations, findings, or opinions based upon actuarial considerations.

Actuary: An individual who has been admitted to a class of membership to which the Code applies by action of any organization having adopted the Code. When the term “actuary” is used without being capitalized, it refers to any individual practicing as an actuary, regardless of organizational membership or classification.

Confidential Information: Information not in the public domain of which an Actuary becomes aware as a result of providing Actuarial Services to a Principal. It includes information of a proprietary nature and information that is legally restricted from circulation.

Law: Statutes, regulations, judicial decisions, and other statements having legally binding authority.

Principal: A client or employer of the Actuary.

Recognized Actuarial Organization: An organization that has been accepted for full membership in the International Actuarial Association or a standards setting, counseling, or discipline body to which authority has been delegated by such an organization.

## **Professional Integrity**

PRECEPT 1. An Actuary shall act honestly, with integrity and competence, and in a manner to fulfill the profession’s responsibility to the public and to uphold the reputation of the actuarial profession.

ANNOTATION 1-1. An Actuary shall perform Actuarial Services with skill and care.

ANNOTATION 1-2. An Actuary shall not provide Actuarial Services for any Principal if the Actuary has reason to believe that such services may be used to violate or evade the Law or in a manner that would be detrimental to the reputation of the actuarial profession.

ANNOTATION 1-3. An Actuary shall not use a relationship with a third party or with a present or prospective Principal to attempt to obtain illegal or materially improper treatment from one such party on behalf of the other party.

ANNOTATION 1-4. An Actuary shall not engage in any professional conduct involving dishonesty, fraud, deceit, or misrepresentation or commit any act that reflects adversely on the actuarial profession.

## **Qualification Standards**

PRECEPT 2. An Actuary shall perform Actuarial Services only when the Actuary is qualified to do so on the basis of basic and continuing education and experience and only when the Actuary satisfies applicable qualification standards.

ANNOTATION 2-1. It is the professional responsibility of an Actuary to observe applicable qualification standards that have been promulgated by a Recognized Actuarial Organization for the jurisdictions in which the Actuary renders Actuarial Services and to keep current regarding changes in these standards.

ANNOTATION 2-2. The absence of applicable qualification standards for a particular type of assignment or for the jurisdictions in which an Actuary renders Actuarial Services does not relieve the Actuary of the responsibility to perform such Actuarial Services only when qualified to do so in accordance with this Precept.

### **Standards of Practice**

PRECEPT 3. An Actuary shall ensure that Actuarial Services performed by or under the direction of the Actuary satisfy applicable standards of practice.

ANNOTATION 3-1. It is the professional responsibility of an Actuary to observe applicable standards of practice that have been promulgated by a Recognized Actuarial Organization for the jurisdictions in which the Actuary renders Actuarial Services, and to keep current regarding changes in these standards.

ANNOTATION 3-2. Where a question arises with regard to the applicability of a standard of practice, or where no applicable standard exists, an Actuary shall utilize professional judgment, taking into account generally accepted actuarial principles and practices.

ANNOTATION 3-3. When an Actuary uses procedures that depart materially from those set forth in an applicable standard of practice, the Actuary must be prepared to justify the use of such procedures.

### **Communications and Disclosure**

PRECEPT 4. An Actuary who issues an Actuarial Communication shall take appropriate steps to ensure that the Actuarial Communication is clear and appropriate to the circumstances and its intended audience and satisfies applicable standards of practice.

ANNOTATION 4-1. An Actuary who issues an Actuarial Communication shall ensure that the Actuarial Communication clearly identifies the Actuary as being responsible for it.

ANNOTATION 4-2. An Actuary who issues an Actuarial Communication should indicate the extent to which the Actuary or other sources are available to provide supplementary information and explanation.

PRECEPT 5. An Actuary who issues an Actuarial Communication shall, as appropriate, identify the Principal(s) for whom the Actuarial Communication is issued and describe the capacity in which the Actuary serves.

PRECEPT 6. An Actuary shall make appropriate and timely disclosure to a present or prospective Principal of the sources of all direct and indirect material compensation that the Actuary or the Actuary's firm has received, or may receive, from another party in relation to an assignment for which the Actuary has provided, or will provide, Actuarial Services for that Principal. The disclosure of sources of material compensation that the Actuary's firm has received, or may receive, is limited to those sources known to, or reasonably ascertainable by, the Actuary.

ANNOTATION 6-1. An Actuary who is not financially and organizationally independent concerning any matter related to the performance of Actuarial Services should disclose to the Principal any pertinent relationship that is not apparent.

ANNOTATION 6-2. An Actuary employed by a firm that operates in multiple locations is subject to the requirement of disclosure of sources of compensation that the Actuary's firm may receive in relation to Actuarial Services with respect to a specific assignment for that Principal, regardless of the location in which such compensation is received.

### **Conflict of Interest**

PRECEPT 7. An Actuary shall not knowingly perform Actuarial Services involving an actual or potential conflict of interest unless:

- (a) the Actuary's ability to act fairly is unimpaired;
- (b) there has been disclosure of the conflict to all present and known prospective Principals whose interests would be affected by the conflict; and
- (c) all such Principals have expressly agreed to the performance of the Actuarial Services by the Actuary.

### **Control of Work Product**

PRECEPT 8. An Actuary who performs Actuarial Services shall take reasonable steps to ensure that such services are not used to mislead other parties.

ANNOTATION 8-1. An Actuarial Communication prepared by an Actuary maybe used by another party in a way that may influence the actions of a third party. The Actuary should recognize the risks of misquotation, misinterpretation, or other misuse of the Actuarial Communication and should therefore take reasonable steps to present the Actuarial Communication clearly and fairly and to include, as appropriate, limitations on the distribution and utilization of the Actuarial Communication.

## **Confidentiality**

PRECEPT 9. An Actuary shall not disclose to another party any Confidential Information unless authorized to do so by the Principal or required to do so by Law.

## **Courtesy and Cooperation**

PRECEPT 10. An Actuary shall perform Actuarial Services with courtesy and professional respect and shall cooperate with others in the Principal's interest.

ANNOTATION 10-1. Differences of opinion among actuaries may arise, particularly in choices of assumptions and methods. Discussions of such differences between an Actuary and another actuary, or in observations made by an Actuary to a Principal on the work of another actuary, should be conducted objectively and with courtesy and respect.

ANNOTATION 10-2. A Principal has an indisputable right to choose a professional advisor. An Actuary may provide service to any Principal who requests it, even though such Principal is being or has been served by another actuary in the same matter.

ANNOTATION 10-3. An Actuary in the course of an engagement or employment may encounter a situation such that the best interest of the Principal would be served by the Actuary's setting out an alternative opinion to one expressed by another actuary, together with an explanation of the factors that lend support to the alternative opinion. Nothing in the Code should be construed as preventing the Actuary from expressing such an alternative opinion to the Principal.

ANNOTATION 10-4. An Actuary may be requested to advise a Principal for whom the Actuary knows or has reasonable grounds to believe that another actuary has provided, or is providing, Actuarial Services with respect to the same matter. In such event, the Actuary may choose to consult with such other actuary both to prepare adequately for the assignment and to make an informed judgment as to whether there are circumstances involving a potential violation of the Code that might affect acceptance of the assignment. The Actuary should request the Principal's consent prior to such consultation.

ANNOTATION 10-5. When a Principal has given consent for a new or additional actuary to consult with an Actuary with respect to a matter for which the Actuary is providing or has provided Actuarial Services, the Actuary shall cooperate in furnishing relevant information, subject to receiving reasonable compensation for the work required to assemble and transmit pertinent data and documents. The Actuary shall not refuse to consult or cooperate with the prospective new or additional actuary based upon unresolved compensation issues with the Principal unless such refusal is in accordance with a pre-existing agreement with the Principal. The Actuary need not provide any items of a proprietary nature, such as internal communications or computer programs.

## **Advertising**

PRECEPT 11. An Actuary shall not engage in any advertising or business solicitation activities with respect to Actuarial Services that the Actuary knows or should know are false or misleading.

ANNOTATION 11-1. Advertising and business solicitation activities encompass all communications by whatever medium, including oral communications, that may directly or indirectly influence any person or organization in deciding whether there is a need for Actuarial Services or in selecting a specific Actuary or firm to perform Actuarial Services.

## **Titles and Designations**

PRECEPT 12. An Actuary shall make use of membership titles and designations of a Recognized Actuarial Organization only in a manner that conforms to the practices authorized by that organization.

ANNOTATION 12-1. "Title" refers to any title conferred by a Recognized Actuarial Organization related to a specific position within that organization. "Designation" refers to a specific reference to membership status within such organization.

## **Violations of the Code of Professional Conduct**

PRECEPT 13. An Actuary with knowledge of an apparent, unresolved, material violation of the Code by another Actuary should consider discussing the situation with the other Actuary and attempt to resolve the apparent violation. If such discussion is not attempted or is not successful, the Actuary shall disclose such violation to the appropriate counseling and discipline body of the profession, except where the disclosure would be contrary to Law or would divulge Confidential Information.

ANNOTATION 13-1. A violation of the Code is deemed to be material if it is important or affects the outcome of a situation, as opposed to a violation that is trivial, does not affect an outcome, or is one merely of form.

ANNOTATION 13-2. An Actuary is not expected to discuss an apparent, unresolved material violation of the Code with the other Actuary if either Actuary is prohibited by Law from doing so or is acting in an adversarial environment involving the other Actuary.

PRECEPT 14. An Actuary shall respond promptly, truthfully, and fully to any request for information by, and cooperate fully with, an appropriate counseling and disciplinary body of the profession in connection with any disciplinary, counseling or other proceeding of such body relating to the Code. The Actuary's responsibility to respond shall be subject to applicable restrictions on Confidential Information and those imposed by Law.



# CARIBBEAN ACTUARIAL ASSOCIATION

## Code of Professional Conduct

1. A member must know the current requirements of this Code of Conduct and shall perform professional services with integrity, skill and care. He shall fulfill his professional responsibility to his client or employer and shall not act against the public interest.

*[Note: In this Code no distinction is made between the various subsets of actuaries (consultants, actuaries serving companies or pension funds et cetera). The word "client" always refers to the person or institution "consuming" the services of a member or the services of the firm or company for which the member is working. "Employer" refers to the situation where a member is employed by an insurer or other institution.]*

2. A member shall act in a manner to uphold the reputation of the actuarial profession and shall act in a manner to fulfill the profession's responsibility to the public. He shall avoid publicity that might lead to undue or unfair professional advantage, that cannot be substantiated or that is of a misleading nature. Unfair advantage includes both the unfair promotion of one individual and the unfair criticism of another.
3. A member shall perform professional services with courtesy and shall co-operate with others serving his client or employer. He must treat client information with confidentiality and must make no disclosure of the client's affairs unless so authorized by the client, or so required by law, or as required by the disciplinary procedures of the Caribbean Actuarial Association.
4. A member shall perform professional services only if he is competent and appropriately experienced to do so. However he may act in such circumstances if he acts in cooperation with or with the guidance of an actuary who has the requisite knowledge and experience.
5. A member is responsible for maintaining applicable practice standards in his work. He must take into account any relevant Standards of Practice issued or endorsed by the Caribbean Actuarial Association and the status of those Standards of Practice (e.g. mandatory, recommended practice . . .).
6. A member shall, in communicating his professional findings, show clearly that he is the source of the findings and that he is available to provide the client or employer with supplementary information and explanation about scope, methods and data.
7. A member shall, in communicating his professional findings, identify the client for whom these findings are made and in what capacity the member serves.
8. A member shall not perform professional services involving an actual or potential conflict of interest, unless the member's ability to act fairly is unimpaired and there has been full disclosure of the actual or potential conflict.



# CARIBBEAN ACTUARIAL ASSOCIATION

## Code of Professional Conduct

9. When a member is asked to take on a professional appointment previously held by another member, before he accepts the appointment, he shall **consider whether it is appropriate to** consult with the previous member as to whether there are any professional reasons not to accept the appointment or any particular considerations, which should be borne in mind before giving actuarial advice. The other member must provide any required information as soon as possible and may not attempt to obstruct a client who wishes to change advisers.
10. A member shall disclose, in writing and timely, to his client all sources of income related to any service by the member, his employer or firm, on behalf of a client.
11. A member shall be subject to the disciplinary procedures prescribed in the rules of the Caribbean Actuarial Association, and, subject to the right of appeal within those rules, shall accept any judgment passed, or the decision of any appeal procedure.
12. When a member becomes aware of a breach in the codes of conduct by another member and the member decides that the nature of the breach is such that action is called for, the member shall follow the procedure set out below:
  - (a) He/she shall discuss the apparent breach with the other member with the objective of:
    - i. seeking more information about the matter so as to form a view whether there has actually been a material breach: and/or
    - ii. to explore whether the matter is one where the breach can either be mitigated or be rectified entirely by the other member taking remedial action
  - (b) If the other member does not cooperate in a timely manner or if the matter is not resolved as a result of such discussions, the member may refer the matter to the Disciplinary Committee of the Caribbean Actuarial Association.

### Definitions

**Actuary:** A Fellow, by examination, of the Faculty of Actuaries, the Institute of Actuaries, Casualty Actuarial Society, Canadian Institute of Actuaries, the Society of Actuaries, het Actuarieel Genootschap or any other actuarial association approved by Council.

**Member:** All classes of members of the Caribbean Actuarial Association.

Words in the masculine include the feminine and the singular includes the plural and vice versa, unless the context specifically provides otherwise.

## **DISCIPLINARY PROCEDURES**

Pursuant to Article VII, Section 2(d) of the Constitution of the Caribbean Actuarial Association (“the CAA”), the members have promulgated these Rules of Procedure to regulate and govern disciplinary action against members.

### **1 -COMPLAINTS**

- 1.1 Any person (“**the complainant**”) may bring to the attention of the Secretary of the Executive Council in writing, any facts or matters (“**the complaint**”) indicating that a member may have become liable to disciplinary action and the Secretary shall forthwith lay the complaint before the Executive Council.
- 1.2 The Executive Council may of its own motion initiate disciplinary action against a member by referring the complaint thereof to the Investigative Committee (referred to in Section 2 hereof) pursuant to Section 1.5 hereof.
- 1.3. The complaint shall be dealt with, with reasonable dispatch.
- 1.4 Subject to Sections 1.5 and 1.6 hereof, in the case of complaints which took place outside of a Caribbean Country as defined in Article VIII Section 4 of the Constitution, the Executive Council may in its discretion refer the complaint to another actuarial organization;
- 1.5 The Executive Council may dismiss the complaint made under Section 1.1 hereof (whether or not the complaint took place outside of a Caribbean Country as defined in Article VIII Section 4 of the Constitution) on the ground that it is frivolous, vexatious or ill-founded.

1.6 The Executive Council will refer the complaint to the Investigative Committee in the following circumstances:-

- a) where the complaint,
  - i. is made pursuant to Section 1.1 hereof;
  - ii. took place within a Caribbean Country as defined in Article VIII Section 4 of the Constitution; and
  - iii. the Executive Council has not dismissed the complaint pursuant to Section 1.5 hereof;
- b) where the Executive Council initiates a complaint against a member.
- c) where in the opinion of the Executive Council the facts and matters the subject of the complaint took place outside a Caribbean Country as defined in Article VIII Section 4 of the Constitution; and
  - i) the Executive Council has not dismissed the complaint on the ground that it is frivolous, vexatious or ill-founded pursuant to Section 1.5 hereof; or
  - ii) the complaint is not referred to another actuarial organization in accordance with Section 1.4; or
  - iii) the other actuarial organization has refused in writing to handle the complaint.

1.7 The Executive Council shall:-

- a) inform the member against whom a complaint is made, in writing of the complaint;
- b) inform the complainant and the member against whom the complaint is made, of any action taken in relation to the complaint under this section 1 (including the dismissal of the complaint).

**2. INVESTIGATIVE COMMITTEE, DISCIPLINARY COMMITTEE AND APPEALS COMMITTEE**

- 2.1 The Executive Council shall appoint an Investigative Committee, a Disciplinary Committee and an Appeals Committee (collectively, “the Committees”) for a term of office of two (2) years.
- 2.2 The Executive Council shall appoint members to the Committees from time to time to fill vacancies.
- 2.3 No person shall be a member of more than one of the Committees at the same time and neither the President nor the Student Representative of the Executive Council shall be a member of any of the committees.

**3. THE INVESTIGATIVE COMMITTEE**

- 3.1 The Investigative Committee shall consist of three (3) Members in Good Standing as defined in the Constitution with one person being a member of the Executive Council. The members of the Investigative Committee shall appoint a Chairman from among its members.
- 3.2 The Investigative Committee shall act as an advisor to the Executive Council in relation to a complaint which has been referred to it by the Executive Council.
- 3.3 The Investigative Committee shall investigate the complaint within a reasonable time by gathering all relevant information and submit a written report to the Executive Council containing its findings and recommendations. The report shall be submitted to the Executive Council within 30 days of its completion.
- 3.4 In carrying out its functions the Investigative Committee may gather any books, documents, papers or records relevant to the investigation, conduct

interviews of the complainant or any other person who may have information relevant to the complaint.

3.5 The Investigative Committee shall give the member an opportunity to reply within ten (10) business days, to the allegations made against him in any manner which the member considers appropriate provided that nothing herein shall require the member to respond in writing or at all. Any response by the member, written or otherwise, shall be included in the report of the Investigative Committee.

3.6 It shall be the duty of every member to cooperate with the Investigative Committee.

#### **4. CASE DISMISSAL**

The Executive Council shall dismiss the complaint and notify the member and the complainant within ten (10) business days after its review of the report of the Investigative Committee if it is of the opinion that a prima facie case has not been made out against the member.

#### **5 -REFERRAL OF DISCIPLINARY ACTION**

5.1 The Executive Council shall refer the complaint in writing to the Disciplinary Committee within ten (10) business days of its review of the report of the Investigative Committee for the purpose of convening a formal hearing on the complaint (“**the referral**”), if it is of the opinion that the complaint discloses a prima facie case for disciplinary action.

5.2 The Executive Council shall notify the member within five (5) business days of the referral and provide the Disciplinary Committee with the report of the Investigative Committee.

- 5.3 If there is an admission of guilt in writing by the member against whom the complaint is made, the Disciplinary Committee, subject to section 7.2, may make any one or more of the orders against the member set out in Sections 7.3 and 7.4 herein as it considers appropriate having regard to the nature and seriousness of the complaint and any other factors which the Disciplinary Committee considers relevant. The Disciplinary Committee may require that the member comply with an order for disciplinary action within a prescribed time failing which the procedures set out in section 6 for a formal hearing, will apply.

## **6 -DISCIPLINARY COMMITTEE**

- 6.1 The Disciplinary Committee shall consist of five persons with two being members of the Executive Council, and one member being a retired judge or a retired lawyer. One member of the Disciplinary Committee shall be appointed Chairman by majority vote of all Disciplinary Committee members. The quorum for any meeting of (including any hearing convened by) the Disciplinary Committee shall be four (4) members.
- 6.2 The members of the Disciplinary Committee who are present at the start of the hearing of the complaint shall be deemed to comprise the panel for the purpose of the hearing until its conclusion (including the determination of the complaint) (“**the panel**”). In the event that a member ceases to be a member of the panel for any reason, the hearing shall proceed with the remaining members of the panel unless its number is reduced to less than two (2) members and no proceedings or determinations of the Disciplinary Committee shall be or be deemed to be invalidated by reason only that the complaint was heard and determined by the remaining members on the panel. Where the number of members on the panel is less than two (2) members, the hearing shall be deemed to be a nullity and the complaint shall be heard de novo after the appointment of additional members to the panel.

- 6.3 The Disciplinary Committee shall fix the date for a formal hearing of the complaint as soon as practicable, provided that such date shall not be less than sixty (60) days from the date of the referral pursuant to Section 5 hereof.
- 6.4 When the complaint is referred to the Disciplinary Committee under Section 5.1 hereof, the Disciplinary Committee shall give written notice to the member against whom the complaint is made of the following:-
- a) The nature of the complaint, the name of the complainant and particulars of the complaint;
  - b) The time and place fixed for hearing of the complaint;
  - c) That the member has a right to make representation before the Disciplinary Committee on the complaint;
  - d) That the member can appear at the hearing with or without counsel and other representatives (at his own expense);
  - e) The names of the members of the Disciplinary Committee and that the member has a right to object to any member presiding at the hearing on the ground of bias or conflict of interest stating the basis and the ground of the objection.
- 6.5 The member against whom the complaint is made shall be entitled to receive 45 days prior notice of the hearing before the Disciplinary Committee and shall be provided with a copy of the report of the Investigative Committee.
- 6.6 In the event that the member takes an objection under Section 6.4 e) hereof, the Chairman of the Disciplinary Committee (or, in the event that the objection is in relation to the Chairman, the President of the Executive Council) shall hear evidence and determine whether a reasonable apprehension of bias or conflict of interest exists and if such a determination is made, the member against whom the objection is taken shall not preside at

the hearing of the complaint and the remaining members shall proceed with the hearing. In the event that an objection is taken and a determination is made against more than one member of the Disciplinary Committee, the Chairman, or the President as applicable, subject to Section 2.2 hereof, shall forthwith appoint replacement members to replace the members against whom the objection is taken and a determination is made.

6.7 The representative of the Executive Council shall attend before the Disciplinary Committee at the hearing for the purpose of prosecuting the complaint against the member.

6.8 The member shall be entitled to be heard before the Disciplinary Committee and shall be permitted to be represented by such persons as it considers necessary and to cross examine any witnesses called against him.

## **7 -CONSIDERATION OF DISCIPLINARY ACTION**

7.1 If the Disciplinary Committee is of the opinion that the complaint has been proved in whole or in part, it shall make a finding to that effect and subject to Section 7.2 hereof, may make any one or more of the orders against the member set out in Sections 7.3 and 7.4 hereof as it considers appropriate having regard to the nature and seriousness of the complaint and any other factors which the Disciplinary Committee considers relevant.

7.2 Notwithstanding a finding that the complaint has been proved in whole or in part, the Disciplinary Committee may, in its discretion decide that in all of the circumstances of the case, no order shall be made against the member.

7.3 The following disciplinary action may be taken:

- a) a public reprimand by the CAA,

- b) suspension from the CAA,
- c) expulsion from the CAA;
- d) completion of one or more courses of instruction prescribed by the Disciplinary Committee,
- e) payment of all or part of the expenses incurred by the CAA (including legal costs) in relation to the complaint.

7.4 The Disciplinary Committee shall make a decision on the complaint within 30 days of the completion of the hearing. A decision to render an order of reprimand, suspension or expulsion requires the affirmative vote of the majority of members who formed the panel of the Disciplinary Committee. Any member of the Disciplinary Committee who did not form part of the quorum at the start of the hearing shall not vote on the decision on the complaint.

7.5 The Disciplinary Committee shall serve written notice to the member and the Executive Council of its decision made under Section 7.4 hereof together with the division of votes within five (5) business days after the decision is made. In the event of an appeal pursuant to Section 9 hereof, the vote of the Disciplinary Committee shall be made available to the Appeals Committee.

## 8. **APPEALS COMMITTEE**

8.1 The Appeals Committee shall consist of three persons one of whom shall be a retired judge or a retired lawyer. One member of the Appeals Committee shall be appointed Chairman by majority vote of all Appeals Committee members. All members of the Appeals Committee constitute a quorum to consider an appeal.

## **9 – CONSIDERATION OF AN APPEAL**

- 9.1 A member may appeal the decision of the Disciplinary Committee by serving a written notice of appeal (“**the notice of appeal**”) on the Secretary of the Executive Council within 45 days of the service of the decision of the Disciplinary Committee.
- 9.2 The Secretary shall forthwith deliver the notice of appeal to the Chairman of the Appeals Committee and a copy thereof, to the President of the Executive Council.
- 9.3 The notice of appeal must:
- a) set out the decision which is being appealed identifying the findings of fact or law which the member seeks to challenge;
  - b) set out the grounds of appeal; and
  - c) state what order the member is seeking.
- 9.4 An appeal shall be heard by the Appeals Committee.
- 9.5 The Appeals Committee may extend the time limited to appeal under Section 9.1 if good and sufficient cause is shown by the member.
- 9.6 Upon the notice of appeal being delivered, the Appeals Committee must forthwith
- a) appoint a date (being within sixty (60) days after the service of the notice of appeal) time and place for the appeal and give notice to the member and the Executive Council;
  - b) arrange for the Disciplinary Committee to prepare a transcript or other record of the notes of evidence and of the Disciplinary Committee’s reasons and when these are prepared forthwith give notice to the member and the Executive Council that copies of the transcript or other record are available.

- 9.7 Within ten (10) business days from the receipt of the notice under Section 9.6 that the transcript or other record is available, the member shall deliver to the Appeals Committee and the Executive Council the following:
- a) the notice of appeal;
  - b) the decision or order appealed from;
  - c) such parts of the transcript or other record of the Disciplinary Committee's reasons for the decision or order as are relevant to any question at issue on the appeal;
  - d) the investigative report of the Investigative Committee;
  - e) any other document presented to the Disciplinary Committee.
- 9.8 Subject to Section 9.9 hereof, the decision of the Disciplinary Committee shall be stayed pending the determination of the appeal.
- 9.9 In the case of an appeal against expulsion or suspension, the member's rights and privileges shall be suspended pending the determination of the appeal.
- 9.10 The member shall be entitled to be heard before the Appeals Committee and may be represented by counsel and by other representatives (at the member's expense); and
- 9.11 On any appeal, the Appeal Committee shall take into consideration the record of the evidence and the documents produced to the Disciplinary Committee but may, in its absolute discretion re-hear any witness called before the Disciplinary Committee. The Appeals Committee may only receive fresh evidence if such evidence could not have been discovered by reasonable endeavours at the hearing before the Disciplinary Committee.
- 9.12 If neither the member nor the representative of Executive Council attends the appeal, the Appeals Committee may strike out the appeal; if only one party attends, the Appeals Committee may proceed in the absence of the other.

- 9.13 Where any criminal or civil proceedings are pending to which the member is a party, which in the opinion of the Appeals Committee relate to the complaint, the Appeals Committee may, in its discretion, stay the hearing of the appeal for such period as it considers expedient.
- 9.14 On any appeal, the Appeals Committee may affirm, vary or rescind any order of the Disciplinary Committee and may substitute its own order on such terms and conditions, if any, as it thinks appropriate.
- 9.15 The Appeals Committee shall render a decision within thirty (30) days after the end of the hearing.
- 9.16 Notice of the decision of the Appeals Committee shall be served on the member and the Executive Council within five (5) business days after the decision is made.

## **10 -DISPOSITION**

The Executive Council shall do all such acts or things as may be necessary or advisable to give effect to the order of the Disciplinary Committee or the Appeals Committee as appropriate.

## **11 -REINSTATEMENT**

Any member who is expelled pursuant to these Rules may apply to the Executive Council for reinstatement.

## **12 -CONFIDENTIALITY OF PROCESS**

- 12.1 Except as otherwise provided in these Rules:-
- a) all proceedings under these Rules shall be confidential and kept secret;
  - b) the Investigative Committee, the Disciplinary Committee, the Appeals Committee and, the Executive Council shall take reasonable measures to keep the terms of the decision of the Disciplinary Committee and the Appeals Committee confidential.

12.2 The Investigative Committee, the Disciplinary Committee, the Appeals Committee, and the Executive Council may, disclose the terms of the decision of the Disciplinary Committee and the Appeals Committee if such disclosure is required by law, court order, or in the interest of the CAA. This requirement of confidentiality shall not preclude the Executive Council from reviewing previously closed files as they may relate, in any manner, to the consideration of a new relevant matter before it.

### **13 -NOTIFICATION OF FINDINGS AND ORDERS**

13.1. The Executive Council shall notify the members of the CAA in such manner as it thinks fit of any finding or order made by the Disciplinary Committee or the Appeals Committee, as appropriate provided that such notification shall not be given until the time to appeal has expired or, in the event of an appeal, until the Appeals Committee has rendered its decision.

13.2 The Executive Council shall also give notice of the any finding or order made by the Disciplinary Committee or the Appeals Committee to actuarial organizations and governmental entities, which, in the opinion of the Executive Council, have an interest in receiving notice of the action.

13.3 The Executive Council may also give notice of disciplinary action to such newspapers or journals as it may select in its discretion. In the event of subsequent reinstatement of the member, the Executive Council shall give notice of such action to all members and to associations and entities previously advised by the Executive Council of the disciplinary action.

### **14 -REPORTS ON ACTIVITIES**

The Disciplinary Committee shall issue an annual report to the Executive Council that will include a description of its activities, including commentary on the types of cases pending, resolved, and dismissed. This annual report shall be subject to the confidentiality provisions set forth above.

**REPORT TO the IAA COUNCIL ON  
THE PRINCIPLES OF PROFESSIONALISM  
("the PRINCIPLES")**

IAA Professionalism Committee

21 July 2011

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**PREAMBLE**

1. The Council of the International Actuarial Association (“IAA”) requested the IAA Professionalism Committee (“Committee”) to address the strategic action required to *“Achieve a common understanding of the principles of professionalism, including codes of conduct and disciplinary procedures”*.
2. The work done by the Committee and its recommendations to Council are set out in the separate *“Report to Council on Achieving a Common Understanding of Professionalism within the International Actuarial Association (IAA)”*.
3. The key conclusions of the Committee are that:
  - A common understanding of the principles of professionalism within the IAA is possible based on the proposals in this report.
  - Professionalism covers everything actuaries do and encompasses the actuary’s technical competence and skills, ethical behaviour and the actuary’s professional accountability to a professional actuarial association or professional oversight organisation.
  - Aspects of professionalism should preferably be introduced throughout the training and development of an actuary and not only at the end of the examination process.
4. These proposed Principles are not a *de facto* code of conduct for the members of the IAA and the Committee’s principal recommendation to Council is that the IAA formally adopts these principles of professionalism as the basis for all future development on matters of professionalism within the IAA.
5. The Principles as set out in this report are widely supported within the profession, but the IAA could consider consulting formally with its FMAs to obtain agreement on these principles and decide on the actions necessary to entrench them with the IAA and the actuarial profession.

**Respectfully submitted**

**IAA Professionalism Committee**

## PRINCIPLES OF PROFESSIONALISM

1. Professionalism, for the actuarial profession, means

- The application of specialist actuarial knowledge and expertise,
- The demonstration of ethical behaviour, especially in doing actuarial work, and
- The actuary's accountability to a professional actuarial association or similar professional oversight organisation.

2. This definition of professionalism is derived from the following high-level principles of professionalism, which are discussed in more detail further on in this report:

A. **Knowledge & expertise:** *"An actuary shall perform professional services only if the actuary is competent and appropriately experienced to do so."*

B. **Values & behaviour:** *"An actuary shall act honestly, with integrity and competence, and in a manner that fulfils the profession's responsibility to the public and upholds the reputation of the actuarial profession."*

C. **Professional accountability:** *"An actuary shall be accountable to a professional actuarial association or a similar professional oversight organisation."*

**PRINCIPLE A: KNOWLEDGE & EXPERTISE**

3. ***An actuary shall perform professional services only if competent and appropriately experienced to do so.*** This principle is supported by the following elements:

- a. Specialist knowledge
- b. Professional communication
- c. Required education
- d. Continuing professional development

**Specialist knowledge**

4. The existence of a distinct actuarial profession globally is a result of actuaries' specialist knowledge and expertise.

5. Actuaries are equipped to help their clients make informed choices and develop efficient solutions to safeguard their future in an ever-changing world. These clients include governments, community organizations, funds, industries, businesses and individuals.

6. Actuaries work primarily in fields such as in life insurance, general insurance, enterprise risk management, health care financing, investments, corporate finance, banking, financial services and the provision of pensions and social security.

7. Actuaries provide realistic, innovative and numerate solutions to complex financial and other measurable problems; especially over long time horizons and for uncertain events; using a control process to monitor and refine solutions over time.

8. Actuaries are the acknowledged experts in modelling complex future events, often developing models from first principles, and the analysis of data. These models include sensitivity analysis and scenario testing in order to communicate to clients the model dynamics and the implications of the model results as a tool for understanding.

9. Actuaries apply this skill set within a professional environment which ensures the delivery of competent work, professional ethics, life-long learning, professional standards and discipline and contribution to the public debate in matters affecting the public interest.

**Professional communication**

10. Effective and appropriate communication is an essential part of all actuarial work.

11. Moreover, appropriate communication skills, in the context of the delivery of actuarial services, form a part of the intellectual techniques that actuaries need to learn and develop, rather than being regarded as an element of behaviour.

12. Appropriate communication includes the ability of the actuary to:

- Document the work done.

- Communicate the basis and the outcome of work to other actuaries.
- Communicate with junior actuarial staff who will continue the work.
- Communicate the assumptions, outcome and implications of actuarial work to the actuary's superior or client.
- Prepare presentation material for presentation to boards of directors or trustees.

13. The communication skills required by a professional actuary are also based on the need to prevent misunderstanding of advice and services by clients who may not have relevant skills or knowledge. The actuary therefore needs to ensure that the advice given is communicated properly.

14. Much actuarial work requires an awareness of the business context, both to do good work and effectively communicate the results.

15. One of the most important issues regarding communication is that of education, with professionalism courses and continuing professional development being only some of the methods of developing these skills. Some FMAs have already introduced both communication skills and business awareness into their education syllabus.

### **Required education**

16. The IAA, in its regulations for membership requirements for Full Member Associations (FMAs), sets out guidelines and a syllabus for the educational requirements of a fully qualified actuary. Each FMA will, in addition, have in its own jurisdiction further detailed requirements for the admission of actuaries to their membership.

17. Actuaries have a large skill set which is unique in its breadth of knowledge and training. The IAA's 2007 IAA Education Syllabus defines the following minimum list of subjects for fully qualified actuaries:

- Financial Mathematics
- Probability and Mathematical Statistics
- Economics
- Accounting
- Modelling
- Statistical methods
- Actuarial mathematics
- Investments and asset analysis
- Actuarial risk management
- Professionalism

## Continuing professional development

18. Actuaries need to maintain their knowledge, expertise and skills in order to be competent and appropriately experienced to complete actuarial work in a particular area. This continuing professional development is required in the light of changes in techniques, regulations and professional standards and codes of professional conduct.
19. Continuing professional development could include analysis of case studies, general topics on ethics and analysis of current problems, so as to enhance the qualified members' understanding of current technical and professional issues.
20. Lessons can also be learned from the interaction with other professions, knowing their codes of conduct, exchanging points of view, as well as having joint sessions analyzing current business or society issues. This issue is important because the professional actuary will often operate in multi-disciplinary teams.
21. Continuing professional development may be supported by a compliance program administered by the actuary's association.

## PRINCIPLE B: VALUES & BEHAVIOUR

22. ***An actuary shall act honestly, with integrity and competence, and in a manner that fulfils the profession's responsibility to the public and upholds the reputation of the actuarial profession.*** This principle is supported by the following elements:

- a. Ethical behaviour
- b. Integrity
- c. Independent advice
- d. Trust and reputation
- e. Public interest

### Ethical Behaviour

23. The consensus view is that ethical behaviour must be explicitly incorporated in any definition of professionalism. Many associations have words in their Codes of Conduct which cover ethical behaviour. As a good example, the Canadian Institute's first rule captures this sentiment very clearly and concisely:

*"A member shall act honestly, with integrity and competence, and in a manner to fulfill the profession's responsibility to the public and to uphold the reputation of the actuarial profession."*

24. There do not appear to be material or cultural differences in views on what is ethical. No such differences have emerged during discussions in the Professionalism Committee, nor has anyone challenged this assertion, which was included in a presentation at ICA 2010 by the chairperson of the Professionalism Committee.

25. There are, however, some cultural differences of emphasis. One such example, supplied by a member of the Professionalism Committee, relates to the subject of “whistle-blowing”. He observed that in some cultures it is not the practice to directly criticise another person, so problems are sorted out by indirect approaches.

## Integrity

26. Within the topic of ethical behaviour, there is a strong consensus that the foundation of good behaviour is integrity. It is surely no accident that the list of IAA requirements in regulation 2.1.4 begins:

*“An actuary shall perform professional services with integrity, skill and care.....”*

Many associations follow this lead and give prominence in their codes of conduct to integrity. One such example is the code of conduct in Mexico, which lists a set of General Principles, starting with:

*“Act honestly, with integrity, impartiality, high sense of probity and good faith, .....”*

We, in the actuarial profession, are not alone in describing integrity as the cornerstone of professional ethical behaviour. In 2009, the Federation of European Accountants (FEE) published a Discussion Paper entitled “Integrity in Professional Ethics”. The following extracts give a flavour of the views expressed by the FEE.

*“FEE believes there is a case to argue that Integrity is the core [ethical] principle, as without integrity, no professional activity can be relied upon”*

*“Integrity and ethics must be at the heart of professional life in order to achieve full public trust.”*

*“Integrity often refers to the quality of a person’s character but is always about “doing the right thing”. Integrity, therefore, is the cornerstone of professional behaviour. Amongst other things, it is essential that the profession as a whole retains its reputation for honesty, straightforwardness, fair dealing and truthfulness: without this, the profession will lose credibility.”*

The IAA responded to this Discussion paper expressing our support for these views, as also did the Groupe Consultatif.

Helpfully, the FEE paper set out a list of the components of integrity: *“It seems to FEE that the behavioural characteristics expected of someone behaving with integrity in a professional context should be as follows:*

- a. Be straightforward, honest, and truthful (including to oneself). This is an important ingredient of being seen to be credible and reliable;*
- b. Deal fairly. This means behaving in accordance with the norms expected by the profession, or personal values if higher. It includes treating people on the same basis, without bias;*
- c. Comply with the spirit as well as the letter of laws and regulations;*
- d. Take into consideration the public interest;*

- e. *Show consistency;*
- f. *Be open-minded and open to consider new information and ideas;*
- g. *Take corrective action.”*

*“It follows from the above that a professional accountant’s advice and work should be uncorrupted by self-interest or other financial or behavioural motives and should not be influenced by the interests of other parties.”*

### **Independent advice**

27. An important aspect of professionalism and ethical behaviour is the ability of the actuary, whether employed or not, to express an independent opinion or provide unbiased independent advice, where the circumstances require this. The Groupe Consultatif produced a discussion paper on the topic of operational independence in the context of the actuarial function under Solvency II. This made a number of important points about independence.

*“..... independence ..... might be described as the ability to analyse and to make relevant decisions .....without being unduly or inappropriately controlled, constrained or influenced .....”*

*“ ..... independence is compromised if there is any form of pressure on the persons carrying out the actuarial function to make a particular decision on the data, methods, assumptions or results of their work.”*

*“.....independence is a question of thought and process and does not necessarily prejudge location of the role, employment status or reporting structures.”*

*“Independence is strengthened by the governance structures, including the facility to report directly to the Board (or Boards) and an obligation to ‘blow the whistle’ or ‘report’ to the regulator in circumstances in which ..... independence is threatened.”*

*“..... independence is also enhanced through transparency and disclosure of summarised data and results, including reporting on the methodologies adopted, the assumptions used and the thought processes by which they were arrived at.”*

*“..... independence involves the person in question taking personal responsibility and should be demonstrated by personally signing a report which certifies what has been done....”*

### **Trust and Reputation**

28. The codes of conduct which underpin the professionalism of member associations are primarily designed to create and maintain trust in the work of actuaries among the users of actuarial advice.

29. To this end, many codes require the actuary not to do anything that might harm the reputation of the actuarial profession or their association. Indeed, some codes also encourage the actuary to strive to enhance those reputations at all times.

30. Trust and reputation are qualities that may take many years to build up but can be destroyed very quickly, even by the actions of a single (high-profile) individual. These aspects of a code appeal to the actuary's sense of collective responsibility to the profession to which he or she belongs and which provides his or her livelihood.

### **Public Interest**

31. The essential element that sets a profession apart from a trade, craft or guild is the overriding interest of the professional in the public well-being, whether or not that comes into conflict with the immediate objective of earning his or her living. Professions owe their status and recognition in society to the extent that they serve the public interest, or social good.

32. Serving the public interest is primarily an issue for the profession, and usually is a lesser day-to-day concern for the individual actuary whose primary responsibility is to serve the client through the contractual relationship.

33. Individual actuaries serve the public interest by being responsible and effective members of the profession, upholding the values and standards of the profession, fulfilling statutory roles, avoiding conduct which could bring the profession into disrepute and supporting the professional organization that provides public interface with the profession in the actuary's jurisdiction.

34. The current IAA membership regulations require that *"An actuary shall act in a manner that fulfils the profession's responsibility to the public"*, without explaining what this means in practice.

35. The IAA could state that, provided an actuary meets the requirements of the law and constitution in their respective jurisdictions, his or her actuarial associations' code of professional conduct and professional standards, then he or she will have met the expectations of the profession with respect to the public interest.

36. The current IAA membership regulations say that *"The Full Member may provide more specific guidance if it wishes to do so (for example, it may indicate that an actuary could consider advising a client or employer where a proposed course of action would, in the opinion of the actuary, be contrary to the public interest)."*

37. When developing standards of actuarial practice, both the IAA and the FMAs could consider how such standards could address any specific matters of public interest based on the principles set out above.

## **PRINCIPLE C: PROFESSIONAL ACCOUNTABILITY**

38. ***An actuary shall be accountable to a professional actuarial association or similar professional oversight organisation.*** This principle is supported by the following elements:

- a. Entry and qualification standards
- b. Code of conduct
- c. Disciplinary process

### **Entry and qualification standards**

39. Each Full Member Association has its own requirements to admit members as fully qualified actuaries and, although the detailed requirements vary from country to country, they must comply at a minimum with the IAA regulations for accreditation of FMAs.

40. The admission of fully qualified members will in all cases be subject to the members' education in actuarial science and other required subjects. This education could range from being university-based, academy-based, education delivered by a professional association, or any combination of these approaches. The IAA's Education Guidelines state that it does not prescribe either the education process or the assessment methods.

41. In some countries the acceptance of qualified members is also subject to the passing of examinations established by the Profession, as well as being subject to professional standards established by the FMA or another regulatory body.

42. Some FMAs will also require completion of work based skills as well as the compulsory attendance of professionalism courses or seminars.

43. As part of the admission requirements for a fully qualified actuary, the member must know and acknowledge the FMA's applicable code of professional conduct and its disciplinary process.

### **Code of Conduct**

44. Any professional organization must have adopted rules that govern the conduct of its members as they undertake the specialized work for which they have been, and continue to be, trained. To that end, the IAA requires of its Full Member organizations that their codes of conduct encompass, and are consistent with, a number of professional principles as set out in IAA Internal Regulation 2.1.4 (see Appendix A). These principles currently deal with the matters of

- a. integrity
- b. qualification and competence
- c. conformity with professional standards
- d. courtesy and cooperation
- e. confidentiality

- f. disclosure
- g. conflict of interest
- h. control of work product
- i. subjection to disciplinary procedures.

45. IAA member organizations may incorporate additional requirements in their codes of conduct as long as these are not in conflict with the required elements.

46. All members of the professional organization must be required to adhere to the elements of the code of conduct and failure to do so must be considered a matter for disciplinary consideration. To aid members in their adherence to the code of conduct, such rules must be made readily available to all members of the organization and the members are to be encouraged to review them from time to time.

47. The code of conduct will also require the actuary to comply with the applicable standards of practice set by actuarial bodies and other stakeholders, including the regulatory roles of actuaries and any applicable legislation. It is the responsibility of the actuary to establish what standards of practice apply to any given work, taking into account the actuary's membership of any FMAs, the physical and legal jurisdiction of the work or the client and the disclosures made by the actuary with regard to the applicable standards of practice.

### **Disciplinary Process**

48. In order to ensure that the organization is serious about its code of conduct and that adherence to its tenets are mandatory, a professional organization must have a formal process of professional discipline to which transgressors of the code are subjected. Such discipline process must be applied equably and must be seen so to be.

49. The IAA has adopted a short list of criteria to which the discipline processes of member organizations must conform. These are,

- a. There must be a process for receipt of complaints about a member that is accessible by anyone affected by the member's work and the member's professional peers;
- b. There must be a due process by which the member complained against may defend him/herself and the member's rights must be fully respected;
- c. There must be a formal appeal process that is independent of the body that has ruled at the prior level;
- d. There must be a variety of sanctions available that are appropriate to the seriousness of the offenses committed, including termination of membership; and
- e. When a penalty has been imposed, the process must enable the organization to give appropriate and consistent publicity to the results of a complaint, including the right to provide pertinent information to other actuarial organizations.

50. The operation of a discipline process can be a very expensive undertaking. Consequently, within the constraints of these requirements, the nature of the discipline process will vary considerably between organizations. For smaller organizations, the issue of conflicts of interest and the need for

independence of the appeal process can be problematic. Nevertheless, with some effort and with the assistance of other actuarial organizations or recruitment of senior actuaries from other associations, these difficulties can be and have been surmounted.

## **CONCLUSION**

51. The Principles as set out in this report are widely supported within the profession, but the IAA should consider consulting formally with its FMAs to obtain agreement and decide on the actions necessary to entrench them within the IAA and the actuarial profession.

**Project Team:**

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**REPORT TO COUNCIL ON ACHIEVING A COMMON UNDERSTANDING  
OF THE PRINCIPLES OF PROFESSIONALISM WITHIN THE  
INTERNATIONAL ACTUARIAL ASSOCIATION (IAA)**

IAA Professionalism Committee

20 June 2011

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### **Appendix:**

Comparison of the proposed Principles of Professionalism with the IAA Membership Requirements

**EXECUTIVE SUMMARY**

1. The IAA Council requested the Professionalism Committee (the “Committee”) to address the strategic action required to “Achieve a common understanding of the principles of professionalism (the “Principles”), including codes of conduct and disciplinary procedures”.
2. The IAA’s Strategic Plan states that *“The mission of the IAA, as the worldwide organization of actuarial associations, is to promote professionalism, develop education standards and encourage research, with the active involvement of its Member Associations and Sections, in order to address changing needs. “*
3. Strategic Objective 3 of the IAA’s Strategic Plan is to: *“Establish, maintain and promote common standards of actuarial education and common principles of professional conduct. Promote the development and issuance of actuarial standards in the jurisdictions of all Full Member Associations and the global convergence of actuarial standards. “*
4. No current IAA governance document provides a sufficient and comprehensive definition of, or principles for, a common understanding of professionalism. As a result, some issues tend to be discussed repetitively within committees which sometimes lead to approaches to professionalism that are not always consistent throughout the IAA and its FMAs.
5. The overall conclusion of the Committee is that a common understanding of the Principles of professionalism as proposed in the accompanying report to Council entitled “Principles of Professionalism” should be adopted by the IAA as an expression of the current IAA understanding of professionalism.
6. The Committee recommend to Council that the IAA review its documentation and membership requirements over time to reflect these adopted principles of professionalism.
7. The Committee also recommend to Council a range of actions to entrench these principles of professionalism within the IAA and its member associations.

**Respectfully submitted**

**IAA Professionalism Committee**

## INTRODUCTION

8. The IAA's Strategic Plan states that *"The mission of the IAA, as the worldwide organization of actuarial associations, is to promote professionalism, develop education standards and encourage research, with the active involvement of its Member Associations and Sections, in order to address changing needs."*

9. Strategic Objective 3 of the IAA's Strategic Plan is to: *"Establish, maintain and promote common standards of actuarial education and common principles of professional conduct. Promote the development and issuance of actuarial standards in the jurisdictions of all Full Member Associations and the global convergence of actuarial standards."*

10. Furthermore the IAA's Strategic Plan lists as one of its Priorities/Action Plans to: *"Achieve a common understanding of the principles of professionalism, including code of conduct and disciplinary procedures"*. The purpose of this paper is to address this priority action of the IAA.

11. Initial discussions of the Professionalism Committee and input from a wide spectrum of members of the Professionalism, Accreditation and Education Committees, made it clear that although it was unanimously agreed that professionalism was important, there was not a unanimous or common understanding of the principles of professionalism within the IAA.

12. The Professionalism Committee established a project team comprising members of the Professionalism and Accreditation Committees who developed these reports after taking the following approach to deal with this strategic issue:

- a. Obtained input from a number of actuaries who are members of Full Member Associations (FMAs), primarily members of the Professionalism, Accreditation and Education Committees, as well as input from actuaries who have themselves presented professionalism courses in many different countries.
- b. Reviewed the IAA's internal regulations on accreditation which set out the principles of professionalism required to be contained in codes of conduct for all FMAs.
- c. Reviewed aspects of the IAA's Education Guidelines and Syllabus with regard to professionalism.
- d. Reviewed the principles of professionalism set out in literature and other sources, including from other professional bodies.
- e. Presented and discussed first drafts of these reports at meetings of the Professionalism, Accreditation and Education committees in Sydney in April 2011.
- f. Revised both this report and the accompanying report on the "Principles of Professionalism" in the light of the comments made at the meetings in Sydney as well as subsequent written comments received.

## PROFESSIONALISM COMMITTEE DISCUSSIONS

13. During the IAA meetings in Tallinn in May 2009, the Committee discussed a paper based on examples of the meaning of 'professionalism' supplied by Committee members representing associations from a variety of countries. The paper put forward the following ideas:

- a. Professionalism is first and foremost about ethical behaviour.
- b. A key part of professionalism is a commitment to act in the public interest.
- c. There was a suggestion that professionalism extends beyond ethical behaviour to encompass "soft skills", such as communication and business awareness.

14. In discussion, there was an extensive debate about the concept of the 'public interest' and the implications for professional bodies and individual actuaries. There was also a discussion about whether business awareness, communication and management skills were a part of professionalism, i.e. the way that the actuary relates to the outside world in ways that are not purely technical.

15. The Committee concluded at that time that it might not be possible to come up with a single common view of professionalism. The Chairperson agreed to produce a further paper drawing on the points made in discussion.

16. Two papers on the topic of professionalism were presented at ICA 2010 in Cape Town in March 2010, in particular Michael Pomery's paper "*Towards a Common Understanding of Professionalism*". The abstract of the paper says:

*"The IAA Professionalism Committee is grappling with the challenge, set by the IAA Strategic Plan approved by IAA Council, of finding a common understanding of the meaning of professionalism. Internationally, different countries may have different understandings because of cultural, historical, social or regulatory issues. There might be a minimum set of elements to professionalism that all nations could accept, along with the understanding that others might require more.*

*The Chairman of the Committee gives a personal view of some of the issues which have emerged, focusing on three areas:*

- *Ethics and integrity; these are the cornerstones of professionalism and the area with the greatest consensus.*
- *Serving the Public Interest; another key aspect of being a professional and for professional bodies, but marked differences of approach exists around the world.*
- *Non- technical Skills; a wider view post-Morris is that professionalism should cover all the normative capabilities that actuaries need to deliver their technical skills. The UK Professional Oversight Board is moving in this direction with its Actuarial Quality Framework. This is particularly important for determining the content of subject 10 of the IAA Associate syllabus."*

*The full paper can be accessed here: [http://www.ica2010.com/docs/226\\_final\\_paper\\_Pomery.pdf](http://www.ica2010.com/docs/226_final_paper_Pomery.pdf)*

17. The topic of professionalism was again discussed at the IAA meetings in Vienna in October 2010 where the Committee decided to form a project team to draft a report on professionalism. The first draft report of the project team was extensively discussed at meetings of the IAA Professionalism,

Education and Accreditation committees in Sydney in April 2011. The cross-committee discussions and involvement have proved to be a major benefit in doing this work.

18. The Committee was aware that there may be different views and interpretations of professionalism, that of individual actuaries, the various FMAs and that of the IAA itself. In addition, some FMAs are very small, functioning more as a trade association in structure, while others FMAs are very large and attempt to influence public policy objectives. Furthermore, different legislative and regulatory frameworks and requirements affect many aspects of actuarial work.

19. However, the Committee found that, once the principles of professionalism were examined in some detail, a consensus view of professionalism started to emerge which the Committee have tried to capture in the report on the "Principles of Professionalism".

## EDUCATION GUIDELINES AND SYLLABUS

20. An IAA Education Syllabus and Guidelines were approved by the IAA Council at its meeting in 1998. The current Guidelines and an updated Syllabus were approved in 2007. The syllabus and guidelines can be accessed here:

[http://www.actuaries.org/ABOUT/Documents/Education\\_Guidelines\\_EN.pdf](http://www.actuaries.org/ABOUT/Documents/Education_Guidelines_EN.pdf) and  
[http://www.actuaries.org/ABOUT/Documents/Education\\_Syllabus\\_EN.pdf](http://www.actuaries.org/ABOUT/Documents/Education_Syllabus_EN.pdf).

21. As part of the full membership requirements of the IAA, associations must have education requirements which are at least equivalent to the Syllabus (taken in conjunction with the Education Guidelines). The objective is that students beginning their studies after 2005 and subsequent years will have completed a compliant education syllabus on becoming full members.

22. The IAA Education Committee has done a significant amount of work on professionalism education. Included in the IAA Education Syllabus is Subject 10: *Professionalism*. The stated aim of this subject is "To develop awareness of the meaning of professionalism, the importance of professionalism in the work of an actuary and the professionalism issues that may arise in the course of that work."

23. The topics for the Professionalism subject are listed as:

- Characteristics and standards of a profession including the need for:
  - Specialised skill and education
  - Ongoing training and development
  - High quality of advice
  - Exercise of independent judgement
  - Objectivity, integrity and accountability
- Code of conduct
- Discipline process

- Practice standards set by actuarial bodies and other stakeholders
- Regulatory roles of actuaries
- The professional role of the actuary
  - Analysis and resolution of ethical issues
  - Identifying and managing conflicts, misuse of or undue influence on advice
  - Nature of advice
  - The public interest

24. Professionalism education topics for actuaries are sometimes described as the “soft skills”, which is unfortunate, because the Committee believe that professionalism encompasses all the technical skills, expertise and ethical behaviour required for the competent delivery of actuarial work, done within a structure of professional accountability and oversight.

25. The paper which Paul Grace presented at ICA 2010 in Cape Town sets out in detail the question of the professionalism education being done by FMAs. The paper was based on the IAA Education Committee’s survey of Professionalism Education amongst member associations, in particular how associations have complied with the requirements of Subject 10 of the IAA Education Syllabus. In addition the survey was designed to ascertain the extent, if at all, that associations went beyond those requirements as regards Professionalism Education and if there were any additional requirements imposed by associations on their prospective members. Some of the comments made in this paper included:

- *“Not surprisingly associations have adopted a variety of approaches to ensuring that their newly qualified actuaries have met the requirements of Subject 10. These approaches have regard to a number of factors, including*
  - *the association’s approach to the educational system used for the other subjects in the IAA Syllabus*
  - *the resources available to the association*
  - *the geographical spread of the association’s members within the country.”*
- *“Clearly the extent of professionalism education varies widely across the IAA membership. Whilst all associations meet the requirements of Subject 10, some associations go no further. On the other hand the older established associations are extending the scope at both ends of the spectrum by introducing students to the concepts at an early stage and at the same time requiring experienced actuaries to be involved in furthering their knowledge in the area. In this respect a number of associations are introducing a professionalism requirement into their CPD schemes.”*
- *“Work is already in hand within the IAA to facilitate the expansion of professionalism education. Progress needs to be made on a “model” course. The IAA could respond to the difficulties experienced by some associations by creating a library of generic case studies that could be easily adapted to local conditions. If and when the IAA adopts a CPD strategy, it should include a requirement for professionalism issues.”*

## IAA MEMBERSHIP REQUIREMENTS

### History and general compliance issues

26. The IAA was established in its current form in 1998. At that time, Code of Conduct requirements were based on those of the Groupe Consultatif Actuariel Européen. Disciplinary process requirements were based on principles followed by a number of associations at that time. Education Requirements were identified as requiring further work; Guidelines and a related Syllabus were published, with the intention that minimum requirements apply from some years later.

27. In 2006/7 membership requirements for Full Member Associations were reviewed, arising from experience of assessing applications. Changes were made to simplify language, clarify some issues that caused problems in interpretation, and in a few cases to add provisions that were already met by most associations and were considered necessary for effective operation of an actuarial association. Procedures for when a member fails to meet requirements were also reviewed. Changes to Education Requirements followed later.

28. The IAA regulations set out requirements for a Full Member Association (FMA) and lesser requirements for Associate membership. The regulations can be accessed here:

[http://www.actuaries.org/ABOUT/Documents/Regulations\\_EN.pdf](http://www.actuaries.org/ABOUT/Documents/Regulations_EN.pdf).

29. Eligibility for membership as a FMA require association documents to cover minimum requirements regarding:

- Aims of the Association;
- Expectations from a Member – e.g. Code of Conduct;
- Restrictions on a Member, and requirements of them;
- A disciplinary process to manage complaints including investigation, judgement, appeal and sanctions;
- If the organization promulgates standards of practice, it must have in place a process for their adoption that meets certain criteria;
- Information to be provided to members; and
- Education Requirements for qualification as a “Fully Qualified Actuary”

30. The IAA requires copies of appropriate documentation, and seeks a self-assessment from each association of compliance with IAA Requirements. Overall, most applications are reasonably straightforward.

31. Differences between the wording and practices of associations are valuable in providing the opportunity for development and diversity of the profession, such differences are recognized through the principle of ‘subsidiarity’ (Statute Article 8), and in Regulations (2.1) which allows for alternative wording and for additional rules, guidance notes or standards provided these are not inconsistent with IAA requirements.

32. Documentation supplied by member associations effectively forms a library of Code of Conduct, Disciplinary process, and Education systems. These are available to new associations or associations

reviewing their own rules, and samples are often sent on request or through the Advice and Assistance Committee. The availability of these documents is however not generally known.

## **IAA MODEL CODE OF CONDUCT?**

33. The consensus view of the Committee is that the IAA should NOT develop a model code of professional conduct and the reasons for this recommendation are that:

- a. FMAs or prospective FMAs will benefit significantly from their own discussions and thought processes required to develop codes of professional conduct applicable to their own jurisdictions.
- b. This view is consistent with the principle based approach taken by the IAA in both its accreditation and education regulations which do not require FMAs to adopt specific wording.
- c. The IAA has very diverse FMAs from diverse jurisdictions, cultures and languages and this diversity may be lost by enforcing a single code.
- d. The IAA principle of 'subsidiarity' would prohibit the enforcement of a single code.
- e. Establishing a model code may immediately lead to some existing FMA codes being apparently deficient.

34. Clearly the most helpful solution will be for the IAA to adopt a set of principles of professionalism on which member associations can base their own codes of conduct.

## **RECOMMENDATIONS**

### **Principles**

35. The Committee recommends that:

- a. Council adopt the "Principles of Professionalism" as set out in the accompanying report ("the Principles").
- b. Council recognise that professionalism encompasses all of an actuary's education, training, qualification and ongoing professional development
- c. The proposed Principles be used within the IAA to establish a common terminology and framework for professionalism.

**Accreditation**

36. The Committee recommends that Council mandate the Accreditation Committee to:
- a. Ensure alignment between the Principles and the membership regulations.
  - b. Review the current membership regulations for codes of conduct and refer to the Principles in areas where it is stated that FMAs may decide to expand their Codes beyond the minimum membership requirements.
  - c. Make codes of conduct, disciplinary process and education system information of the FMAs available through the IAA website, either directly or through a link to the member association website and where appropriate offer sample codes of existing FMAs to prospective new member associations to assist them in the development of their own codes of conduct.

**Education**

37. The Committee recommends that Council mandate the Education Committee to:
- a. Ensure alignment between the Principles and the education guidelines and syllabus.
  - b. Encourage FMAs to introduce elements of the Principles as early as possible in the education process, as a framework or road-map to be developed throughout the course of the actuary's education and training, rather than an additional subject to be completed after the technical content subjects.
  - c. Encourage the development of a common understanding of the methods of teaching and assessment of professionalism based on the proposed Principles.
  - d. Investigate and recommend to Council any lifelong learning practices that can be adopted or encouraged within the FMAs to assist actuaries in their own continuing professional development effort.
  - e. Give priority to the current Education Committee project to develop the appropriate methodologies for the education, teaching and assessment of professional communication for actuaries.

**Advice and assistance**

38. The Committee recommends that:
- a. Subject to confidentiality and legal requirements, the IAA facilitate a voluntary exchange of information from FMAs about real cases that come before a disciplinary tribunal or investigating authority and the description of events that are found unacceptable and the penalty imposed.

- b. Council could facilitate the development of case studies based on disciplinary outcomes experienced by FMAs.
- c. Council could consider establishing a panel of experienced actuaries from FMAs to provide a service to other FMAs on request to review disciplinary cases; alternatively where regulations permit, provide an independent reviewer who could work with and assist a local investigating committee.
- d. The IAA could assist the relatively newer and smaller full member actuarial organizations and their members develop their own understanding and framework of professionalism, according to their needs.

### **Professionalism**

39. The Committee recommends that Council mandate the Professionalism Committee to:
- a. Draft a suitable policy statement for the IAA on the matter of the public interest, or the public good, based on the principles set out in the report on the “Principles of Professionalism”.
  - b. Review typical problems experienced by FMAs in the area of professionalism and how they have been dealt with in order to facilitate the sharing of expert knowledge and experience among FMAs and within the IAA.
  - c. Identify specific elements of the Principles where it would be helpful for the IAA to develop guidance for FMAs. Current examples of these would include whistle-blowing and the regulation of international work.
  - d. Review the Principles as new matters of professionalism are addressed within the IAA.

**CONCLUSIONS**

40. No current IAA governance document provides a sufficient and comprehensive definition of, or principles for, a common understanding of professionalism. As a result, some issues tend to be discussed repetitively within committees which sometimes lead to approaches to professionalism that are not always consistent throughout the IAA and its FMAs.

41. It is, however the view of the Committee that a common understanding of professionalism can be agreed as set out in the accompanying report to Council entitled “Principles of Professionalism”.

42. It is furthermore the Committee’s opinion that the IAA can take specific actions to establish this common understanding of professionalism within the IAA and these suggested actions are set out in sections 35 – 39 above.



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## ISAP 1 General Actuarial Practice – Exposure Draft

ISAP 1 General Actuarial Practice

**July 2011**

This document contains the exposure draft of proposed *ISAP 1 General Actuarial Practice*. Please distribute this draft to members of your association and your local standard setter(s). Comments (from your organization or your members) should be addressed to [ISAP.comments@actuaries.org](mailto:ISAP.comments@actuaries.org) with “ISAP 1” in the e-mail header.

The preferred format for submitting comments is e-mail or an MS Word (or equivalent) attachment. Please do not send comments as a PDF file. If you submit a mark-up of the actual document please use track changes in MS Word and be sure to include comments explaining why you think each proposed change is necessary.

This exposure draft has been prepared largely in conformance with the template originally developed by the IAA Professionalism Committee, but with some modifications. Comments are welcome on both the content of this exposure draft as well as its revised format.

All comments will normally be posted to the International Actuarial Association website identifying the commenter(s). However, in exceptional cases, in response to a request which the IAA Secretariat is satisfied is for a valid reason, comments may be either posted to the website anonymously or withheld from the website.

The deadline for comments is 1 December 2011.

This document was approved for exposure by the Interim Actuarial Standards Subcommittee of the Executive Committee of the IAA in July 2011.

**ISAP 1 General Actuarial Practice – Exposure Draft**

**International Standard of Actuarial Practice 1  
(ISAP 1)  
General Actuarial Practice**

**International Actuarial Association  
Developed by the General Task Force  
of the  
Interim Actuarial Standards Subcommittee  
Adopted by IAA Council  
[Month Year]**

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## **Introduction 1**

*[Introduction 1 should be deleted when a standard setting organization adopts this standard.]*

**This INTERNATIONAL STANDARD OF ACTUARIAL PRACTICE (ISAP) is a model for member organizations and other standard setting bodies to consider adopting. This ISAP is not binding upon an actuary unless the actuary states that some or all of the work has been performed in compliance with this ISAP.**

The INTERNATIONAL ACTUARIAL ASSOCIATION (IAA) encourages member organizations and other relevant standard setting bodies to consider adopting this ISAP as a standard with or without modification, or to endorse this ISAP as a standard. Such an adopted standard (rather than this ISAP) is binding on those actuaries who are subject to such body's standards, except as otherwise directed by such body (for example with respect to cross-border work).

When the standard is translated, the adopting body should select three verbs that embody the concepts of “must”, “should”, and “may”, even if such verbs are not the literal translation of “must”, “should”, and “may”.

## **Introduction 2**

### **Background**

This International Standard of Actuarial Practice (ISAP) is a general standard. It applies to all professional actuarial work performed by an actuary unless an element of guidance is explicitly superseded by another standard such as a practice-specific standard.

Usually, the intent of the practice-specific standards is to narrow the range of practice considered acceptable under the general standards.

In exceptional cases, however, the intent of practice-specific standards is to define as acceptable a practice which would not be acceptable under the general standards, in which case that intent is specifically noted by words in a practice-specific recommendation like: “Notwithstanding the general standards, the actuary should...”, followed by a description of the exception.

### **Language**

Some of the language used in this ISAP is intended to be interpreted in a very specific way in the context of a decision of the actuary. In particular, the following verbs are to be understood to convey the actions or reactions indicated:

- The verb “must” means that the indicated course of action is mandatory and failure to follow the indicated action will constitute a departure from this ISAP.
- The verb “should” means that, under normal circumstances, the actuary is expected to follow the indicated course of action, unless to do so would (in the actuary's professional opinion) produce a result that would be inappropriate or would potentially mislead the users of the resulting information. If the indicated action is not followed, the actuary should disclose that fact and provide justification for it. If a conflict exists between this standard and applicable law or regulation, compliance with applicable law or regulation is not considered to be a deviation from this ISAP.

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- The verb “may” means that the indicated course of action is not required, nor even necessarily expected, but in some circumstances is an appropriate activity, possibly among other alternatives.

This document uses various expressions whose precise meaning is defined in section 2. These expressions are highlighted in the text in blue with a dashed underscore, which is also a hyperlink to the definition (e.g. [actuary](#))

This ISAP was adopted by the IAA Council on [month year].

**Section 1. Purpose, Scope, and Cross References**

**1.1 Purpose** - This ISAP provides guidance to [actuaries](#) when performing [professional services](#).

**1.2 Scope** - This ISAP applies to [actuaries](#) when performing [professional services](#). An [actuary](#) who provides these [professional services](#) may be acting in one of several capacities such as an employee, officer, director, external adviser, auditor, or supervisory authority of the [principal](#).

Laws or regulations may also impose obligations upon an [actuary](#). Compliance with binding requirements of law or regulation that conflict with this standard shall not be considered to be a deviation from the standard.

**1.3 Cross References** - When this standard refers to the provisions of other documents, the reference includes the referenced documents as they exist on the [adoption date](#) as shown on the cover page. The referenced documents may be amended, restated or replaced after the [adoption date](#). If any amended, restated or replacement document differs materially from the originally referenced document, the [actuary](#) should consider the extent it is applicable and appropriate to the guidance in this standard.

**1.4 Effective Date** - This standard is effective for {professional services performed/professional services commenced/professional services performed relevant to an event}<sup>1</sup> on or after [Date]

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<sup>1</sup> [Phrase to be selected and date to be inserted by standard setter adopting or endorsing this ISAP.].

## Section 2. Definitions

The terms below are defined for use in this ISAP.

- 2.1. **Actuary** - An individual member of one of the member associations of the [IAA](#).
- 2.2. **Adoption date** - The date on which this ISAP was adopted as a final document by the [IAA](#).
- 2.3. **Communication** - An oral or [written statement](#) issued by an [actuary](#) with respect to [professional services](#).
- 2.4. **Effective date** - The date from which a standard setter who has adopted or endorsed this ISAP determines it applies to those actuaries within its jurisdiction.
- 2.5. **Employed actuary** - An [actuary](#) employed by the [principal](#) or an enterprise affiliated with the [principal](#).
- 2.6. **Entity** - The enterprise that is, in whole or part, the subject of the [professional service](#).
- 2.7. **IAA** - The International Actuarial Association.
- 2.8. **Intended user** - Any legal or natural person (usually including the [principal](#)) that the [actuary](#) intends to use the [work product](#) at the time the [actuary](#) provides [professional services](#) to the [principal](#).
- 2.9. **Opinion** - An opinion expressed by an [actuary](#) and intended by that [actuary](#) to be relied upon by the [intended users](#).
- 2.10. **Principal** - The party who has the right to provide direction to the provider of [professional services](#). The [principal](#) will usually be the client or the employer of the [responsible actuary](#).
- 2.11. **Professional judgment** – The judgment of the [actuary](#) based on specialized training and experience.
- 2.12. **Professional services** - Services provided to a [principal](#) that may include the rendering of advice, recommendations, findings, or [opinions](#) based upon actuarial considerations.
- 2.13. **Recognized actuarial practice** - A practice or practices that are generally recognized within the actuarial profession as appropriate to complete [professional services](#) under an ISAP or the applicable professional standards of practice adopted by the [IAA](#) member association in the applicable reporting jurisdiction.
- 2.14. **Report** - An [actuary](#)'s [communication](#) presenting the results of [professional services](#).
- 2.15. **Responsible actuary** - The [actuary](#) who is responsible for the [work product](#).
- 2.16. **Sponsor** - The party who has commissioned the [professional services](#). The [sponsor](#) will often, but not always, be the [principal](#).
- 2.17. **Work product** - The totality of the [professional services](#) provided by an [actuary](#) to [intended users](#) including any [opinion](#) or [report](#), as well as any supporting calculations and documentation.
- 2.18. **Written statement** - A document in any recorded form including but not limited to paper, word processing or spreadsheet files, e-mail, web site, slide presentations, audio or video recordings.

### **Section 3. Appropriate Practices**

#### **3.1. Acceptance of Assignment**

- 3.1.1. In accepting an engagement for professional services (whether a single freestanding assignment or an ongoing contract), the responsible actuary should:
- a. agree on its terms with the principal;
  - b. be qualified to perform the services, or able to become qualified before the services are delivered;
  - c. be satisfied that the assignment can be performed under the responsible actuary's code of professional conduct; and
  - d. have reasonable assurance of time, resources, information, access to relevant employees, access to documentation, and the right of the responsible actuary to communicate information, as may be necessary for the work product.
- 3.1.2. When providing professional services, the responsible actuary should confirm with the principal the nature and scope of professional services to be provided, including:
- a. any limitations or additional requirements that the actuary is required to satisfy;
  - b. identification of the schedule and expected cost or resources needed (especially if they are substantial); and
  - c. the information needed to be communicated to and by the actuary, especially if it is sensitive or confidential.

Responsible actuaries who are not employed actuaries typically document the confirmation in a letter of engagement, a memorandum of understanding, the report, or other appropriate communication to the principal.

- 3.2. **Knowledge of Relevant Circumstances** - The actuary should have or obtain sufficient knowledge of the relevant history, processes, procedures, nature of the business operations, and business environment of the entity, to be comfortable performing the professional services required by the engagement.
- 3.3. **Employed Actuaries** – Employed actuaries should interpret paragraphs 3.4 - 4.2 in the context of normal corporate or partnership practices, but following the same general principles. An employed actuary should consider the expectations of the principal. These expectations might suggest that it may be appropriate to omit some of the otherwise required content in the report. However, limiting the content of a report may not be appropriate if that report or the findings in that report may receive broad distribution.

If the responsible actuary believes circumstances are such that including certain content is not necessary or appropriate, the responsible actuary should be prepared to identify such circumstances and provide the rationale for limiting the content of the report.

- 3.4. **Reliance on Others** - The actuary may use information prepared by another party such as data, relevant contracts, insurance policy or pension plan provisions, projections, and

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supporting analyses. The actuary may take responsibility for such information, or the actuary may state reliance on such information and disclaim responsibility.

- 3.4.1. If the actuary states reliance on the information prepared by another party and disclaims responsibility for it, the actuary should:
  - a. disclose that fact in any report or other appropriate communication to the principal;
  - b. disclose the extent of such reliance;
  - c. examine the information for evident shortcomings;
  - d. when practicable, review the information for reasonableness and consistency; and
  - e. report details of the steps, if any, that the actuary took to determine whether it was appropriate to rely on the information.
- 3.4.2. If the actuary uses information prepared by another party under any other circumstances:
  - a. the actuary should determine that the use of that information conforms to relevant actuarial standards of practice and appropriate requirements in the jurisdiction(s) of the actuary's services; and
  - b. the actuary should establish appropriate procedures for the supervision or review of the information prepared by others which the actuary intends to use.
- 3.4.3. When deciding whether to use information prepared by another party, the actuary should consider the following:
  - a. the other party's qualifications;
  - b. the other party's competence, integrity, and objectivity;
  - c. the other party's awareness of how the information is expected to be used;
  - d. communications between the actuary and the other party regarding any known facts that are likely to have a material effect upon the information used;
  - e. the actuary's review of the other party's report or available working papers; and
  - f. satisfaction that the information used has been completed in accordance with relevant requirements.
- 3.4.4. If the information prepared by another party involves multiple reporting jurisdictions, the actuary should consider any differences in the law or recognized actuarial practice in the reporting jurisdictions compared to the requirements of the jurisdiction in which the party who prepared the information used is conducting its work.
- 3.5. **Materiality**- If materiality is determined by the responsible actuary (rather than someone else such as an auditor), "material" should be assessed from the point of view of an intended user, having regard to the purpose of the work product. Thus, an omission, understatement, or overstatement is material if the responsible actuary expects it to affect significantly either the intended user's decision-making or the intended

user's reasonable expectations. The responsible actuary should select the threshold of materiality considering the work product and the entity which is the subject of that work product.

### 3.6. Data Quality

- 3.6.1. Sources of data - To the extent possible and appropriate, the actuary should consider using data specific to the entity for which the assumptions are being made. Where such data are not available, relevant, and credible, the actuary should consider industry data or data from other similarly situated organizations, modified as appropriate.
- 3.6.2. Sufficient and reliable data - The actuary should consider whether sufficient and reliable data are available to complete the assignment. Data are sufficient if they include the needed information for the work product. Data are reliable if that information is accurate.
- 3.6.3. Testing and validation - The actuary should take reasonable steps to verify the consistency, completeness, and accuracy of the data used. This might include:
- undertaking reconciliations against financial statements, trial balances and/or other relevant records, if these are available;
  - testing the data for reasonableness against external data;
  - testing the data for internal consistency; and
  - comparing the data to that for a prior period or periods.
- 3.6.4. Data Deficiencies - The actuary should consider the possible effect of any data deficiencies (such as inadequacy, inconsistency, incompleteness, inaccuracy, unreasonableness, etc.) on the results of the work product. If the deficiencies in the data are not likely (in the actuary's professional judgment) to materially affect the results, then such deficiencies need not be considered. If the actuary cannot find a satisfactory way to resolve material deficiencies in the data, then the actuary should consider whether to:
- decline to undertake the assignment;
  - work with the principal to modify the assignment; or
  - perform the assignment as well as possible and disclose the data deficiencies in the report.

### 3.7. Assumptions and Methodology

- 3.7.1. Selection of assumptions and methodology - The actuary should select the assumptions and a methodology (including models) that are, in the actuary's professional judgment, appropriate for the work product. The actuary should consider the needs of the intended users and the purpose of the professional services. In selecting assumptions and methodology, the actuary should consider the circumstances of the entity and the assignment, as well as relevant industry practices. The actuary should consider to what extent it is appropriate to use assumptions that adjust for known deficiencies in the available data.
- 3.7.2. Reasonableness of Assumptions - The actuary should consider the reasonableness of the assumptions underlying each component of the methodology used. Assumptions generally involve significant professional judgment as to the appropriateness of the methodology used and the parameters underlying the application of such methodology. Assumptions may (if permitted in the circumstances) be implicit or explicit and may involve interpreting past data or projecting future trends. The actuary should consider

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to what extent it is appropriate to use assumptions that (in the actuary's professional judgment) have a known significant bias to underestimation or overestimation of the result.

- 3.7.3. Internal Changes - The actuary should consider to what extent available experience used to set assumptions about how the entity's experience will emerge in the future should be adjusted as a result of internal changes in the entity (for example in claims processing).
- 3.7.4. External circumstances - The actuary should consider the external circumstances (including the legal, economic, legislative, regulatory, supervisory, demographic, technological, and social environments) on which the methodology and assumptions depend.

### 3.8. Assumption Setting

- 3.8.1. Individual assumptions and aggregate assumptions - The actuary should assess whether an assumption set, including assumptions supplied by the entity or mandated requirements, is reasonable in the aggregate. While assumptions might be justifiable individually, it is possible that prudence or optimism in multiple assumptions will result in an aggregate assumption set that is no longer valid. If not, the actuary should make appropriate adjustments to achieve a reasonable assumption set.
- 3.8.2. Internal consistency of assumptions - The actuary should determine that the assumptions used for different components of the work product are materially consistent, and that any significant interdependencies are modeled appropriately. If not, the actuary should disclose any material inconsistency in actuary's report.
- 3.8.3. Alternative assumptions and sensitivity testing - The actuary should consider and appropriately address the sensitivity of the methodology to the effect of variations in key assumptions, unless constrained by the assignment. In determining whether sensitivity has been appropriately addressed, the actuary should consider the intended purpose and use of the analysis and whether the results reflect a reasonable range of variation in the key assumptions, consistent with that intended purpose and use.
- 3.8.4. Assumptions requested by the principal - When the principal requests results under a particular set of assumptions different from the actuary's assumptions, the actuary may provide the principal with the results based on such assumptions, subject to appropriate disclosure in the report of those results.

### 3.9. Process Management

- 3.9.1. Process Controls - The actuary should consider to what extent, if any, the procedures needed to carry out the work product should be controlled, and if so how.
- 3.9.2. Reasonableness Checks - The actuary should review the results produced by the selected assumptions and methodology for overall reasonableness.
- 3.9.3. Sensitivity of results - When the responsible actuary determines that the use of reasonable alternative assumptions or of a different reasonable methodology would have a material effect on the results, the responsible actuary should notify the principal and attempt to discuss the anticipated effect of this sensitivity on the analysis with the principal.

**3.10. Responsibility for Assumptions and Methodology**

- 3.10.1. The actuary's report should identify the party responsible for each assumption. Where the report is silent about any assumption, the actuary who authored the report will be assumed to have endorsed that assumption.
- 3.10.2. If a material assumption or methodology is selected by another party, the actuary has three choices:
- a. if the assumption or methodology does not conflict significantly with what would be reasonable (in the actuary's professional judgment), the actuary has no disclosure obligation;
  - b. if the assumption or methodology significantly conflicts with what (in the actuary's professional judgment) would be reasonable for the purpose of the assignment, the actuary should disclose in the report that fact, the party who set the assumption or methodology, and the reason why this party, rather than the actuary, has set the assumption or methodology;
  - c. if the actuary has been unable to judge the reasonableness of the assumption or methodology without performing a substantial amount of additional work beyond the scope of the assignment, or if the actuary was not qualified to judge the reasonableness of the assumption, the actuary should disclose in the report that fact, the party who set the assumption or methodology, and the reason that this party, rather than the actuary, has set the assumption or methodology.
- 3.11. **Peer Review** – The responsible actuary should consider to what extent it is appropriate for the work product to be reviewed by a knowledgeable, experienced actuary who has not performed any component of the work product before the final work product is delivered to the principal or distributed to the intended users. In the case of an employed actuary this requirement may not apply where the delivery is made to other actuaries within the organisation, or where the organisation's normal operations will lead to appropriate review in the normal course of events.
- 3.12. **Documentation** – The actuary should retain sufficient documentation for a reasonable period of time so that another suitably qualified actuary could assume a resulting assignment. The actuary should determine the meanings of “sufficient”, “reasonable”, “suitably qualified”, and “resulting assignment” based on the actuary's professional judgment and the specific circumstances of the engagement.

## **Section 4. Communications and Disclosures**

### **4.1. Communication**

- 4.1.1. **Form and Content**—The responsible actuary should select the form and content of each communication to be appropriate to the particular circumstances, taking into account the intended users.
- 4.1.2. **Clarity**—The responsible actuary should word each communication to be clear and use language appropriate to the particular circumstances, taking into account the intended users.
- 4.1.3. **Timing of Communication**—The responsible actuary should issue each communication within a reasonable time period, unless other arrangements as to timing have been made. In setting the timing of the communication, the needs of the intended users should be considered.
- 4.1.4. **Identification of Responsible Actuary** - Any communication should clearly identify the responsible actuary . When two or more individuals jointly issue a communication, at least some of which is actuarial in nature, the communication should identify all responsible actuaries, unless the actuaries judge it inappropriate to do so. The name of an organization with which each actuary is affiliated also may be included in the communication, but the actuary's responsibilities are not affected by such identification. Unless the actuary judges it inappropriate (which may particularly apply to an employed actuary), any communication should also indicate the extent to which the actuary is available to provide supplementary information and explanation.

4.2. **Report** - The actuary should complete a report if the actuary intends the results of professional services to be relied upon by any intended user. The actuary should consider the needs of the intended user in communicating the results in the report.

- 4.2.1. **Content** - A report may comprise one or several documents. The report may be in several different formats. Where a report for a specific intended user comprises multiple documents, the actuary should communicate which documents comprise the report. The actuary should ensure that report components in electronic media are such that they can be reliably reproduced at future dates. In the report, the actuary should:
  - a. state the intended use of the report.
  - b. state the results of professional services, and identify the methods, procedures, assumptions, and data used. The actuary should present this information with sufficient clarity that another actuary qualified in the same practice area could make an objective appraisal of the reasonableness of the actuary's work product.
  - c. include in the report sufficient information and discussion such that the principal, or any intended user, will be able to form a view on the implications of the actuary's recommendations.
- 4.2.2. **Legal, legislative, regulatory, or supervisory constraints** – The content of a report may be constrained by circumstances such as legal, legislative, regulatory, or supervisory proceedings. The actuary should follow the

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guidance of this standard to the extent reasonably possible within such constraints.

- 4.2.3. Specific disclosures – The actuary should include the following information in a report:
- a. executive summary
  - b. introduction or background
  - c. sections on data, methodology and assumptions
  - d. results and findings
  - e. analysis of results
  - f. subsequent events
  - g. actuary's name, signature, position held and date (employed actuaries should follow the normal internal protocol).
- 4.2.4. Actuaries other than employed actuaries - Actuaries, other than employed actuaries submitting internal reports, should also disclose:
- a. statement of qualifications
  - b. code of conduct and actuarial standards of practice under which this assignment was performed, if there is any possible ambiguity
  - c. any restriction on distribution to third parties
  - d. attestations and reliances.
- 4.2.5. Shorter reports - The guidance in this ISAP applies to any full report produced, but there are occasions when the actuary is asked to produce shorter reports or statements covering the work. Such reports do not have to, and cannot, contain all the details of the full report, but the full report should be available to any intended user identified by the principal or the sponsor, or anyone who has to take over the task of any further work or subsequent reports.
- 4.3. **Deviation from Guidance in this Standard** - The actuary should be prepared to provide the rationale for the use of any procedures that depart materially from those set forth in this ISAP and should include, in any report, an appropriate statement with respect to the nature, rationale, and effect of such departures. If a conflict exists between this standard and applicable law or regulation, compliance with applicable law or regulation is not considered to be a deviation from this ISAP.