

Southeastern Actuaries Conference  
Fall Meeting – Atlanta, November 2013

## Professionalism in a Changing World – International Practice

Jeffrey C. Harper  
Contingent Quantities  
Consulting, Inc.



SEAC Meeting – Fall 2013: Professionalism – International Practice

### Today's Agenda

- ◆ Introduction: Disclaimers; The Code; The Players; and The Stage
- ◆ International, Part 1: The United States Perspective
- ◆ International, Part 2: The Canadian Perspective
- ◆ International, Part 3: The International Perspective
- ◆ Practical Implications
- ◆ Hypothetical Case Studies (strategically placed)

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## Disclaimer

- ◆ The statements and opinions expressed herein are solely those of the presenter and do not constitute official statements of position of the:
  - American Academy of Actuaries;
  - Society of Actuaries;
  - Canadian Institute of Actuaries;
  - International Actuarial Association;
  - Boards or Committees of the above-listed organizations;
 or of any other organization to which the presenter is a member.
- ◆ Hypothetical case studies within this presentation are for discussion purposes only and are not intended to provide specific guidance for any particular situation.

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### Further Disclaimer

- ◆ The presenter is a member in good standing of a number the organizations named previously, and means well. However, on occasion he has been described as “opinionated”.
- ◆ The hypothetical case studies are for discussion purposes only, after all, and input from audience members is not being recorded. *Ergo*, rest assured that any comments will be welcomed, not argued, and furthermore do not constitute official statements of position of any of the national / international organizations or of The Southeastern Actuarial Conference.

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### Observations Related to Disclaimer

[From the website of the American Academy of Actuaries, page headed “Committee on Professional Responsibility”:](#)

This committee promotes knowledge of standards of conduct, qualification, and practice within the profession, and suggests ways and means for enforcement, compliance, and monitoring of the effectiveness of those standards.

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### Further Observations Related to Disclaimer

From the website of the American Academy of Actuaries, page headed “Discussion Papers”:

Discussion papers are primarily written and developed through the Academy’s Committee on Professional Responsibility to promote actuarial professionalism, including knowledge of standards of conduct, qualification, and practice within the profession. These Discussion Papers suggest ways to assist actuaries in improving their daily practice and increasing their awareness of professionalism. Discussion papers are not promulgated by any standard-setting body and are not binding upon any actuary.

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### Counter Disclaimer

- ◆ The Committee on Professional Responsibility is charged with promoting \_\_\_ aspects of professionalism
- ◆ The Council on Professionalism encourages actuaries to achieve and maintain a high level of professionalism in their practice
- ◆ The Paper Queue
  - The Application of Precept 13 of the Code of Professional Conduct
  - Application of Professional Standards in International Practice
  - Disclosure under the Code of Professional Conduct
  - Peer Review
  - Materiality
  - Six (6) others

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### Further Counter Disclaimer

- ◆ Continuing cross-border growth
- ◆ Continuing international “outreach”
  - Regulatory
  - Professional
    - Accounting
    - Investment
    - Actuarial (including the International Actuarial Association)
- ◆ Continuing cross-border fertilization
- ◆ Current publics outside the United States

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### Credit Where Credit Due

- ◆ Presentations have been produced by members of the numerous professional groups
- ◆ Research and thought support has been provided by numerous subgroups
- ◆ A number of individuals have contributed specific portions, including:
  - Steve Eadie
  - James Miles
  - Lloyd Spencer
  - Jeffrey Harper
  - Merideth Randles, Karin Wohlgemuth, and others on the CoPR

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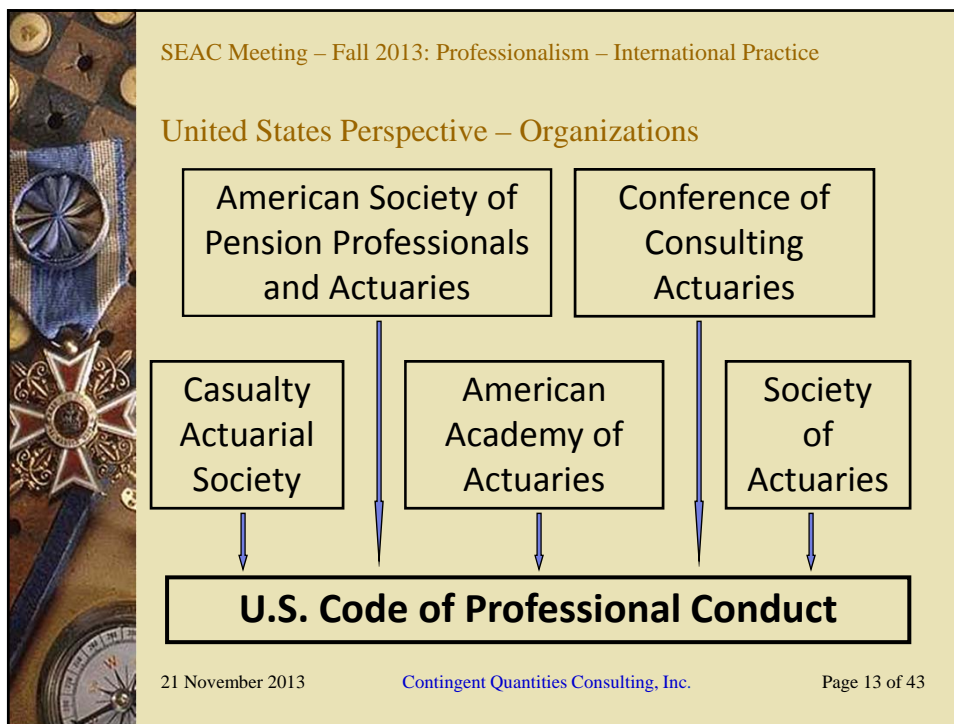



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## Professionalism Framework

- ◆ Why have a Code of Professional Conduct in the United States
  - Establishes what it means for an actuary to act as a professional
  - Identifies responsibilities actuaries have to:
    - The public;
    - Their clients and employers; and
    - The actuarial profession

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United States perspective – selected relevant wording

Precept 2 (Qualification Standards).

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.*

Precept 2, 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.*

*(emphasis added)*

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United States perspective – relevant wording (cont'd)


Precept 2, 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 [Precept 2].

*(emphasis added)*

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United States perspective – relevant wording (cont'd)

Precept 3 (Standards of Practice).


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

Precept 3, 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.*

*(emphasis added)*

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United States perspective – relevant wording (cont'd)

Precept 3, 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.

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## United States perspective – relevant wording (cont'd)


### Introductory Paragraphs of the Code

In addition to this Code, an Actuary is *subject to applicable rules of professional conduct or ethical standards* the 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...*

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.

*(emphasis added)*

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## Hypothetical Case Study: Peter


### Background

- ◆ Peter, an FSA employed by a multi-national consulting firm located in the United States, was recently appointed Director of the firm's Eastern European actuarial consulting practice. As his first order of business, he requests that his new staff provide copies of the actuarial standards of practice (ASoPs) operative in each country within his region. In addition, Peter requests that written summaries of the content and effect of each set of ASoPs be submitted in English.

### Scenario

- ◆ After reviewing each response, Peter discovers that some countries have a well-developed set of ASoPs, that other countries have a few basic ASoPs, and that the remaining countries have no ASoPs at all.
- ◆ In order to bring needed consistency, Peter requires his staff to apply the U.S. ASoPs uniformly across all countries within his region.

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## Hypothetical Case Study: Peter

Questions for Consideration

1. Do you agree with Peter’s decision to apply the U.S. ASoPs to govern the Actuarial Services to be delivered by his staff?
2. Is it sufficient for Peter’s knowledge of each country’s ASoPs to be based on summaries prepared by other persons?
3. How could Peter better address the challenge of providing Actuarial Services to countries with a range of applicable ASoPs and insurance regulations?

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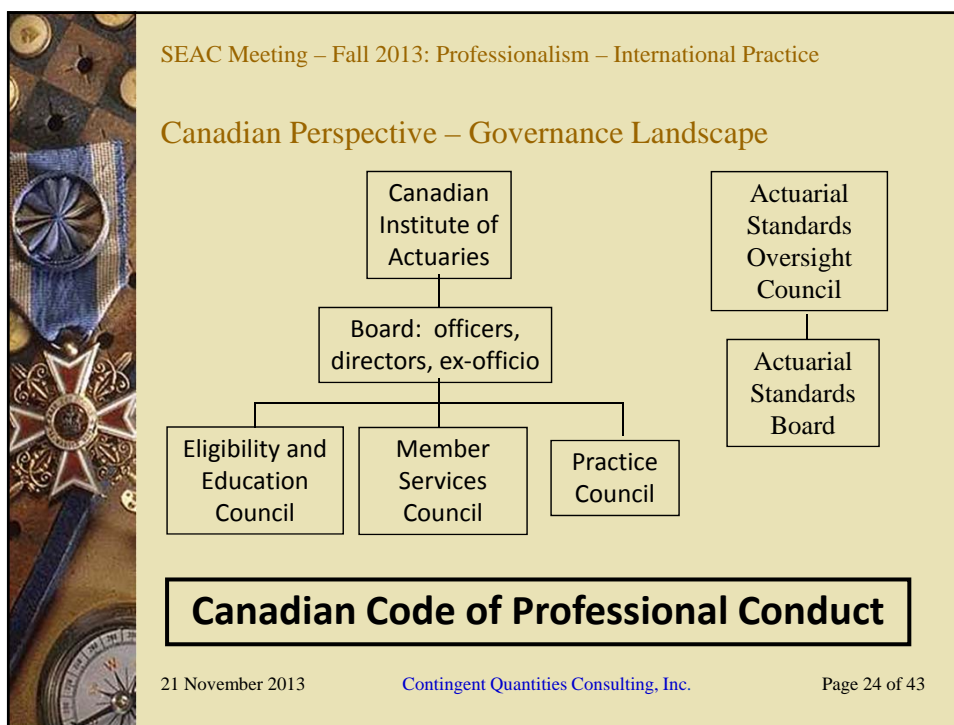
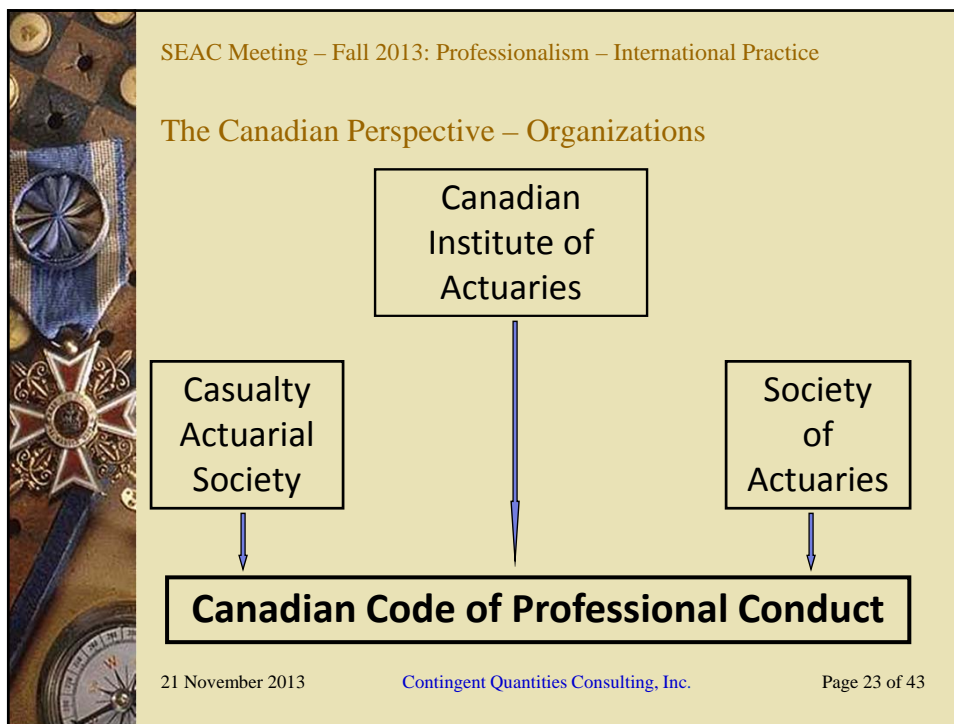


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## Canadian Perspective – Professionalism Landscape

CIA Councils	Actuarial Standards Board	Committee on Professional Conduct
<ul style="list-style-type: none"> <li>Seeks the achievement and maintenance of a high level of professionalism in actuarial practice</li> <li>Coordinates its efforts with the CPC</li> </ul>	<ul style="list-style-type: none"> <li>Establishes and improves standards of actuarial practice</li> <li>Identifies the actuarial considerations, documentation, and disclosure requirements when performing an actuarial assignment</li> </ul>	<ul style="list-style-type: none"> <li>Strengthens member adherence to standards of ethical and professional conduct</li> <li>Responds to requests for professional guidance</li> <li>Considers complaints regarding possible code violations</li> </ul>

### Canadian Code of Professional Conduct

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## Canadian perspective – selected relevant wording

- Rule 2** – A member shall perform *professional services* only when the member is qualified to do so and meets applicable qualification standards.
- Annotation 2-1.** It is the professional responsibility of the member to observe applicable qualification standards that have been promulgated by a *recognized actuarial organization* for the jurisdiction in which the member renders *professional services* and to keep current regarding changes in those standards.

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### Canadian perspective – relevant wording (cont'd)

- ♦ **Rule 3** – A member shall ensure that *professional services* performed by or under the direction of the member meet applicable standards of practice.  
  
[Standard includes education notes and other guidance.]
- ♦ **Annotation 3-1.** It is the professional responsibility of the member to observe applicable standards of practice that have been promulgated by a *recognized actuarial organization* for the jurisdiction in which the member renders *professional services* and to keep current regarding accepted principles and standards of practice in the jurisdiction in which the member renders *professional services*.

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### Hypothetical Case Study: Paul


Background

- ♦ Paul, an FSA and FCIA, is the lead product development actuary for a Canadian insurer. When Paul's counterpart in the U.S. subsidiary abruptly quit, Paul agreed to assume the additional responsibilities of U.S. lead product development actuary on a strictly temporary basis.

Scenario

- ♦ Based on his impression that the U.S. subsidiary is well run and due to the temporary nature of his assignment, Paul initially spends minimal time reviewing the actuarial standards applicable to his work in the U.S.
- ♦ After two years, Paul continues to split time between the roles. Through work experience, Paul has gained familiarity with relevant U.S. actuarial standards (but still not to the degree he knows the applicable Canadian actuarial standards for work as a product development actuary).

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## Hypothetical Case Study: Paul

Questions for Consideration

1. What are Paul’s professional obligations when providing actuarial services in more than one country?
2. Should Paul’s expectation that the nature of his work in the U.S. work would be temporary have any impact on how Paul viewed his professional responsibilities?
3. How would Paul’s professional obligations have changed if the situation were reversed (*i.e.*, if Paul were a U.S.-based FSA and MAAA, providing actuarial services to a Canadian subsidiary)?

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International perspective – International Actuarial Association (IAA)

- ◆ Local actuarial associations must apply for Membership
- ◆ Full Members
  - Code of Conduct
  - Discipline
  - Actuarial Standards Setting System
- ◆ Associate Members

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International perspective – International Actuarial Association (IAA)

An actuary shall perform professional services only if the actuary is competent and appropriately experienced to do so. The Full Member may permit its actuaries to operate otherwise in defined and specific circumstances (for example, where an actuary is working with another actuary who is fully competent and with the appropriate experience, or where the client would be disadvantaged if available advice was denied).

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### International perspective – International Actuarial Association (IAA)

An actuary is responsible for ensuring that the actuary’s work conforms to applicable practice standards in the actuary’s area of work. An actuary must take into account relevant mandatory practice-related guidance issued or endorsed by the actuary’s association, and may take into account any non-mandatory practice-related information that is so issued or endorsed. An actuary must be familiar with the current requirements of the applicable code(s) of professional conduct.

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### Other International Perspectives – Organizations

- ◆ Argentina
- ◆ Australia
- ◆ Be Ne Lux
- ◆ Brazil
- ◆ China
- ◆ France
- ◆ Germany
- ◆ Japan
- ◆ Mexico
- ◆ Switzerland
- ◆ United Kingdom
- ◆ Caribbean

[The IAA currently lists 60 (or 64) Full Members and 27 Associate Members]

**Country Code of Professional Conduct**

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### Practical Implications of International Practice (Intentional or otherwise)

- ◆ Use of International Work Product
  - Anticipating Intended Use
  - Disclosure – Scope, Intent, Jurisdiction
  - Disclaimers
  - Potential for Conflict Across Jurisdictions

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## Practical Implications of International Practice (Intentional or otherwise)

- ◆ Compliance with Local Law
  - Research and Review – Language Barrier
  - Nature of Local Law (Federal vs. State)
  - Ability to Render Professional Services
    - *Work Eligibility, Immigration, and Residence*
    - *Professional Licensing, Local Presence / Partner*
    - *Restrictions on Specific Actuarial Work Product*
    - *Local Practices and Customs*
    - *Local Business and Legal Environment*

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## Practical Implications of International Practice (Intentional or otherwise)

- ◆ Compliance with Codes of Conduct
  - Review – Language Barrier
  - Nature of Local Law (Federal vs. State)
  - Ability to Render Professional Services
    - *Work Eligibility, Immigration, and Residence*
    - *Professional Licensing, Local Presence / Partner*
    - *Restrictions on Specific Actuarial Work Product*
    - *Local Practices and Customs*
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### Practical Implications of International Practice (Intentional or otherwise)

- ◆ Compliance with Qualification Standards
  - Basic Education and Experience
  - Continuing Education
  - Mutual Professional Recognition
  - Membership in Local Actuarial Organizations

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### Practical Implications of International Practice (Intentional or otherwise)

- ◆ Compliance with Actuarial Standards of Practice (ASoPs)
  - Research and Review Local ASoPs
  - Ancestry of Local ASoPs
  - Absence of Local ASoPs
  - Conflict between Local and Domestic ASoPs
  - Disclosure

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## Hypothetical Case Study: Mary


Background

- ◆ Mary is an FSA working for a U.S. insurer with an insurance subsidiary licensed to operate in the country of Freedonia. She has been charged with designing a new insurance product for the Freedonian insurance market. Mary retains a Freedonian consulting actuary to prepare an assessment of the market and popular insurance product designs.
- ◆ Mary recommends the sale of a novel product design to subsidiary management, one that combines product features that are popular in both the U.S. and Freedonian markets. Her report to management includes a clear statement of reliance upon the consultant's assessment.

Scenario

- ◆ After months of investment in product development, the subsidiary's President learns that the product will not be approved for sale because aspects of its design violate provisions of the Freedonian insurance code.

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## Hypothetical Case Study: Mary

Questions for Consideration

1. What are Mary's professional obligations when providing actuarial services in the U.S.? In Freedonia?
2. Did Mary appropriately rely upon the assessment prepared by the Freedonian consulting actuary?
3. Subsequently, Mary investigates the work underlying the consultant's assessment and discovers material errors and misstatements. What are Mary's professional obligations with respect to the Freedonian actuary?

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Questions, part 1:

With respect to how I might consider application in a project that has just arisen ...

[ask me now]

Questions, part 2:

With respect to this project that was just completed without considering ...

[meet me in the hall afterwards; bring your checkbook and passport]