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CONSIDERATIONS OF PROFESSIONAL STANDARDS IN INTERNATIONAL PRACTICE

American Academy of Actuaries
Committee on Professional Responsibility
of the Council on Professionalism



AMERICAN ACADEMY of ACTUARIES

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Committee on Professional Responsibility of the Council on Professionalism

The Committee on Professional Responsibility presents these ideas with the expectation that they will be useful and thought-provoking, and enhance the actuary's understanding of the use and application of the Code of Professional Conduct (Code). The ideas and suggestions offered in this paper are intended to assist actuaries in considering how to apply the Code to their daily work. The committee believes that further discussion of the concepts and suggestions offered in this paper will benefit the profession.

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The American Academy of Actuaries is an 18,500+ member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues.

The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

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Preface

This discussion paper is an update and expansion of an earlier discussion paper, *Application of Professional Standards in International Practice*, developed by the Committee on International Issues in 2002. The Committee on Professional Responsibility of the Council on Professionalism of the American Academy of Actuaries developed this update of the discussion paper for use by actuaries¹ at their discretion.

This discussion paper was not promulgated by the Actuarial Standards Board (ASB) and is not binding upon any actuary. The committee does not intend this paper to impose any obligation on any actuary, nor should such an obligation be inferred from any of the ideas expressed or suggestions made in the paper.

This paper is for discussion only. Nothing in it amends or alters any provision of the Code of Professional Conduct (Code) adopted by the five U.S.-based actuarial organizations² or any actuarial standard of practice (ASOP) of the ASB or other applicable standard of practice. Should any statement in this paper conflict with any provision of the Code, the Code governs. Likewise should any statement in this paper conflict with any ASOP, the ASOP governs. Finally, to the extent that any statement in this paper may conflict with any provision of Law, the Law governs.

Actuaries are encouraged to share their comments on this paper with the Committee on Professional Responsibility to facilitate improvement in any future releases on this topic. Comments can be submitted to COPRInternationalPaper@actuary.org.

¹ Under the Code of Professional Conduct (Code), an Actuary is "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." The term "actuary" in this discussion paper means "Actuary" as defined in the Code. Capitalized terms used in this paper and not otherwise defined shall have the meanings set forth in the Code.

² The American Academy of Actuaries (Academy), the American Society of Pension Professionals and Actuaries (ASPPA), the Casualty Actuarial Society (CAS), the Conference of Consulting Actuaries (CCA), and the Society of Actuaries (SOA).

Executive Summary

The entities to which actuaries provide professional services are becoming increasingly global. U.S. companies and firms are venturing more frequently into foreign markets, and foreign companies are participating in U.S. markets. U.S. actuaries may find themselves working for multinational companies with offices in numerous sovereign jurisdictions or engaging internationally outside their regular employment, for example, as volunteers. These developments have led to more opportunities for U.S.-based actuaries to work on international assignments, often without even leaving their office in the United States.

As actuarial work crosses national borders, actuaries are becoming exposed to a variety of Laws and professional standards from different jurisdictions. Consequently, questions frequently arise about the professional requirements that apply in international situations. The purpose of this discussion paper is to identify and explore some of these issues, not to impose any further requirements.

This paper suggests that actuaries involved in international practice may want to consider the following:

- **Know the Code.** The Code of Professional Conduct in the United States applies to any member of the five U.S.-based organizations, all of which have adopted it, and to all of such actuary's conduct, regardless of the jurisdiction in which the conduct occurs.
- **Do not assume; get educated.** Actuaries must adhere to applicable Laws and standards. International assignments that may have a “look and feel” very similar to U.S. work may actually be subject to different standards. Precepts 2 and 3 of the Code require the actuary to observe applicable local qualification requirements and standards of practice. The actuary may need to check those requirements, most of which are readily available online, rather than assume that the familiar U.S. requirements and standards cover their work.
- **When in doubt, get advice.** It is the actuary's responsibility to be informed about the requirements applicable to his or her work. If those requirements are not immediately apparent or require translation, the actuary should seek advice, which might range from a discussion with an experienced local colleague to retaining legal counsel.

- **Disclose, disclose, disclose.** Precept 8 requires actuaries to take reasonable steps to address the risk of misuse or misinterpretation. Disclosures not only protect the actuary against unintended consequences but also help the intended audience understand the work product in its proper context. In some cases, the Actuarial Communication may require extensive disclosures that explain the complex international structure underlying the work product.

The Academy encourages all actuaries to stay apprised of requirements relevant to their work. Ultimately, it is up to each actuary subject to the Code of Professional Conduct to know what standards of practice, conduct, and qualifications apply to fulfill his or her professional responsibilities when practicing internationally.

Defining ‘International Practice’

The Code states, “Actuarial Services are considered to be rendered in the jurisdictions in which the Actuary *intends* them to be used” [emphasis added], unless specified otherwise. At first glance, the intended use of a work product appears to be a simple factual matter, but the globalization of financial services has made the matter more complicated.

For example, consider a multinational company or insurance group headquartered in a European Union country, with its U.S.-qualified and U.S.-based actuaries performing valuation work on insurance products sold in several Latin American markets. Their work may even include multiple valuations using various sets of actuarial or accounting rules to satisfy different financial reporting requirements. Likewise, the results may be available to a variety of users in different areas of the company. Clearly, the work is international and several jurisdictions are involved.

“Jurisdiction” in this case may refer to a country, state, or other sovereign territory, and the discussion that follows may use some of these terms interchangeably. In the context of international actuarial practice, however, the key question for any actuary is whether a jurisdiction-specific set of Laws or standards (or other requirements) exists that may apply to the actuarial work at hand.

Whether work is deemed to be “international” in this sense may turn on a multiplicity of factors, such as:

- The domicile of the actuary’s Principal (i.e., client or employer);
- The domicile(s) of the intended user(s) of the work product, which is likely to be the actuary’s Principal, but could also include others in the Principal’s organization and regulators;
- The location where the work is intended to be used, which is not necessarily the same as the domicile(s) of the intended user;
- The jurisdiction whose Laws and standards the actuary referred to in completing the work product;
- The subject matter of the work product; and
- The purpose of the work product.

This list of factors is not exhaustive. The totality of the facts and circumstances will affect any conclusion about where Actuarial Services are “rendered” within the meaning of the Code.

Intent

As noted above, under the Code, Actuarial Services are considered to be rendered in the jurisdictions in which the Actuary intends them to be used. For example, the intended use of an actuarial report may be for a clearly defined, specific, and localized matter, despite the fact that its subject matter, or the Principal's corporate structure, may point to a broader scope. In such cases, explicit disclosure of the work product's intended purpose and of the jurisdiction where it is intended to be used could be helpful. Such a disclosure could help users select which valuation, among multiple valuations that might be available, is appropriate. It might also be helpful in identifying the professional standards with which the actuary should comply.

Disclosure

In the current communication environment, disclosures surrounding intended use and destination are particularly relevant, as information is distributed quickly and often without caveats or disclaimers.

It is common today for actuaries to provide electronic versions of reports, which are easily forwarded to other recipients, intended or not. The best one can do may be to lock the document so that it is more difficult to change it or transmit it only in part, but there is little to prevent a recipient from forwarding a report. Hence, an actuarial work product may reach a jurisdiction in which its author never intended it to be used. In such cases, disclaimers on the use and distribution of the work product help protect the actuary against potential misinterpretation that the actuary is intending to practice in an unintended locale. Given the ease with which documents can be forwarded, placing the appropriate disclosures in the work product *itself*—rather than, for example, in a separate cover letter—may be useful.

These disclosures deserve the same attention as the rest of the work product. An actuary producing a report may want to consider more than a stock disclaimer, such as “all work is prepared exclusively for use in the United States,” when the report's subject matter suggests a broader scope. For example, an actuary's report on the company's foreign operations may be genuinely intended solely for the U.S. management, but the report could be shared with others in the relevant foreign jurisdictions. While actuaries may not be able to prevent deliberate misinterpretation or misuse of their work, under Precept 8, an actuary has the obligation to “recognize the risks of misquotation, misinterpretation, or other misuse of the Actuarial Communication and should therefore take reasonable steps ...

to include, as appropriate, limitations on the distribution and utilization of the Actuarial Communication.” Actuaries can attempt to identify foreseeable questions surrounding scope, intent, or jurisdiction and try to clarify those in the disclosures. Such disclosures are best developed on a case-by-case basis and may require more explanation than a stock phrase.

In situations involving multiple jurisdictions, work product may be subject to differing, possibly inconsistent, requirements. In such cases, the actuary could expand the disclosures by explicitly identifying the jurisdiction(s) whose Laws and professional standards the actuary followed in completing the work, whether and to what extent the work product may be used in other jurisdictions, or even the extent to which the work product may *not* be relied upon.

Compliance With the Code of Professional Conduct

The Code of Professional Conduct expressly states: “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.” The Code defines “Recognized Actuarial Organization” as an “organization that has been accepted for full membership in the International Actuarial Association [IAA] or a standards-setting, counseling, or discipline body to which authority has been delegated by such an organization.”

The Code of Professional Conduct sets forth what it means for an actuary to act as a professional. It identifies the responsibilities that actuaries have to the public, to their clients and employers, and to the actuarial profession. Members of the five U.S.-based actuarial organizations must comply with the Code and may be referred to the profession’s counseling and discipline body, the Actuarial Board for Counseling and Discipline (ABCD), if they appear to not comply with it.

A code of conduct applies to the members of the actuarial organization that has adopted it. Stated another way, members of an actuarial organization are required to comply with the organization’s code of conduct or may be subject to the organization’s discipline process. Conversely, actuaries are typically not required to comply with codes of conduct of actuarial organizations of which they are not members, unless applicable Law or the code of the organization of which they are a member requires it. Each of the five U.S.-based organizations has adopted the Code of Professional Conduct and therefore all members of all of those organizations must comply with the Code. Under the Code of Professional Conduct, an actuary has a responsibility to observe applicable local qualification standards and standards of practice in any jurisdiction in which that member actuary provides Actuarial Services.

The Code’s reach is not limited to U.S. practice. Rather, the Code applies wherever an actuary who is a member of one of the five U.S.-based organizations practices—whether exclusively in the United States or elsewhere in the world. In other words, the Code follows the actuary.

The Code requires that actuaries be familiar with rules of professional conduct not just in the United States, but in any jurisdiction in which they intend to provide Actuarial Services. In addition, it specifically notes that the actuary is responsible for securing translations of local Laws or rules of conduct as necessary. Not understanding the language of the country in which the actuary renders Actuarial Services is not an excuse for failure to comply with local requirements.

Many of the Code's requirements, such as professional integrity, are universal in applicability regardless of any jurisdiction in which the actuary provides Actuarial Services. Several of the precepts, however, are explicitly applicable in the context of international practice.

Requirements of the Code

Precept 2 of the Code requires actuaries to perform professional services only when they are qualified to do so on the basis of basic and continuing education and experience. Precept 2 also requires actuaries to satisfy applicable qualification standards for the jurisdiction in which they provide Actuarial Services. Similarly, Precept 3 requires actuaries to observe the standards of practice applicable to the jurisdictions in which they provide services. In other words, any qualification and practice requirements of a jurisdiction where the services are being rendered apply to the actuary practicing there.

Precept 8 requires actuaries to take reasonable steps to ensure that their services are not used to mislead other parties, which includes an obligation to recognize the risk of misinterpretation of Actuarial Communications. Annotation 8-1 of Precept 8 requires the actuary to take "reasonable steps" to include, as appropriate, limitations on the distribution and use of Actuarial Communications. This is particularly relevant in international practice, as actuarial work product may be distributed to those unfamiliar with the methodologies or terminology, or less comfortable with the language of the communication. In that sense, Precept 8 is closely related to Precept 4, which requires all communications to be clear and appropriate to the circumstances and the intended audience, in addition to satisfying applicable standards of practice.

Further, Precept 13 requires actuaries to disclose apparent, material, unresolved violations of the Code. This precept has no exception for international work. The fact that an actuary worked abroad, that a work product was intended for a destination other than the United States, or that a foreign standard was applied does not change an actuary's responsibility under Precept 13.

Lack of membership in a local actuarial organization does not excuse a U.S. actuary practicing in that jurisdiction from becoming familiar with the local code of conduct if the local code of conduct has been promulgated by an organization that is a full member of the IAA (or a standards-setting, counseling, or discipline body to which authority has been delegated by such an organization; in other words, by a “Recognized Actuarial Organization” as defined in the Code). Familiarity with the local code may also provide insights into the nature of actuarial practice within the jurisdiction and may facilitate more in-depth discussions with local actuaries that ultimately serve to improve the quality of one’s work product.

Conflicts Between Local Rules of Professional Conduct and the Code

Because a U.S. actuary must follow the requirements of local rules of professional conduct in a foreign jurisdiction, a careful analysis of the local rules and the Code of Professional Conduct will be necessary. There may be no genuine differences in conduct required by either code. That said, there may be many editorial and organizational differences between the Code and the local rules of professional conduct, and it may take some time to discover, for instance, that concepts that are separate precepts in the Code are combined in the local rules, or vice versa, or that one concept is subsumed within another.

When a member of one of the five U.S.-based actuarial organizations is faced with an apparent, material conflict between the requirements of the local professional rules in a foreign jurisdiction and the Code, the ABCD can be a source of confidential guidance that may prove helpful in resolving the conflict. In addition to the ABCD, members of the local actuarial organization may be a useful source of information on the local professional conduct rules, their interpretation, and typical application to local work. Regardless of how the conflict is resolved, the actuary may want to disclose, in the work product itself, the rules of professional conduct the actuary followed, as well as the rationale behind the decision.

Examples of Differences

Reviewing the rules of professional conduct applicable in other countries can be helpful in understanding local actuarial practice. Even when there are many similarities between the Code and the applicable rules of professional conduct in another country, the differences can signal areas in which the international practitioner may need to be particularly careful.

The following paragraphs provide examples of reported differences between the Code of Professional Conduct and certain local codes. These examples are based on available information and discussed solely for illustrative purposes. They are not intended to be definitive statements of the existing codes of any foreign jurisdiction on which the reader should rely or to be relied upon by any reader.

Some of the differences may concern applicability. As mentioned previously, the Code explicitly requires members of the five U.S.-based actuarial associations to comply with the applicable standards of other jurisdictions with respect to Actuarial Services rendered in those jurisdictions. Not all local professional codes of conduct, however, impose that requirement, and at least one (Germany³) specifically addresses practice in its own country. Some professional conduct rules apply only when the actuary performs professional services of an actuarial nature (e.g., Japan⁴), while others state that they apply to all professional activities, whether actuarial or not (e.g., Mexico⁵).

Many sets of rules of professional conduct require actuaries to act with integrity in all of their actions, not just in rendering actuarial services, because dishonesty, deceit, and other inappropriate acts reflect poorly on the profession (e.g., the United States, Canada, and the U.K.⁶). Some rules of professional conduct may provide that an actuary who is not otherwise qualified to provide services may do so in collaboration with or under the supervision of a locally qualified actuary (e.g., Switzerland⁷). In such a case, the actuary may need to be aware of how to document this arrangement and each party's responsibilities to clients or employers.

Finally, some professional standards refer explicitly to a requirement for continuing education, even if further or more specific information on required actuarial education is set forth in other documents. For example, in the United States, the U.S. Qualification Standards⁸ dictate the continuing education required to issue a statement of actuarial opinion. Membership requirements—which may or may not be tied to qualification standards—for actuarial organizations in other jurisdictions may specify mandatory continuing education requirements. The actuary seeking to understand the local rules of professional conduct on continuing education may need to look beyond the professional conduct rules.

3 Deutsche Aktuarvereinigung e.V., *Standesregeln für Aktuarvereine in der Deutschen Aktuarvereinigung e.V.*, April 2008.

4 Institute of Actuaries of Japan, *Code of Professional Conduct of the Institute of Actuaries of Japan*, January 2013, Article 2.

5 Colegio Nacional de Actuarios A. C., *Código de Ética y Conducta*, November 2010, Article 1.1.

6 Institute and Faculty of Actuaries, *The Actuaries' Code*, August 2013, Scope; Canadian Institute of Actuaries, *Rules of Professional Conduct*, July 2014, Rule 1; American Academy of Actuaries, *Code of Professional Conduct*, January 2001, Precept 1.

7 Schweizerische Aktuarvereinigung, *Standesregeln für die Mitglieder der Sektion Aktuarvereine SAV*, September 2014, Article 3.2; and *Actuarial Practice Guideline*, August 2009, Article 3.1.

8 *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States*, American Academy of Actuaries, January 2008.

Compliance With Local Law

One reason why it is important to know what the Principal intends before accepting an international assignment, regardless of jurisdiction, is that the intended use of the work product will affect the scope of the actuary's obligation to comply with local Law in various jurisdictions implicated by the assignment. Under the Code, actuaries must comply with all Law⁹ applicable in the jurisdictions in which they render Actuarial Services. The Code places an obligation on actuaries to "be familiar with, and keep current with ... applicable Law and rules of professional conduct" for such jurisdictions. To do so, they need to educate themselves on that Law, which may require obtaining translations or legal counsel.

Although an international assignment may seem to be "business as usual," actuaries cannot assume that applicable local Laws are similar to those in their home jurisdiction. For example, the actuary cannot assume that local Laws are similar to U.S. Laws just because a jurisdiction, such as Canada, has a common language and familiar customs.

If an actuary's work is to be physically performed abroad (which is an inquiry separate and distinct from whether the actuary intends his or her Actuarial Services ultimately to be used in a foreign jurisdiction), some of the first laws an actuary might encounter are those governing immigration, entry, and eligibility to work in a foreign country. Many countries (including the United States) have laws that limit the right of foreign nationals to provide professional services within their borders. Obtaining a travel visa allows someone to enter or leave certain countries for a specific reason but does not necessarily convey any permission to do professional work, such as to "render Actuarial Services" (as defined in the Code) within that jurisdiction.

To properly render "Actuarial Services" pursuant to the Code in a foreign jurisdiction, the actuary is subject to applicable rules and local Laws governing professional practice, specific work products, and businesses. The actuary needs to be aware of local business customs and practices.

⁹ The term "Law" as used in this paper is defined in the Code of Professional Conduct as "Statutes, regulations, judicial decisions, and other statements having legally binding authority."

Laws Governing Professional Practice

Most jurisdictions have licensing requirements or other restrictions on the right of any professional to perform professional services. For example, some countries require any foreign professional practicing within their borders to have a local partner. In other countries, professionals must be licensed by the government or admitted to a local organization simply to practice or to perform certain professional functions. In the United States, for example, some pension-related Actuarial Services can be performed only by an Enrolled Actuary who has been licensed by the federal government. If there are applicable local actuarial accreditation or licensing requirements, meeting those requirements is key to an actuary's ability to provide Actuarial Services in that jurisdiction.

Laws Governing Specific Work Product

Actuaries must comply with local Laws governing the substance of their work. Even if actuarial *practice* is not strictly regulated, certain work product may be. For example, Laws and professional requirements governing particular statements of actuarial opinion may be more specific than those governing actuarial practice in general. In the United States, for example, membership in the Academy is required by federal or state law or regulations when an actuary is signing certain statements of actuarial opinion. Likewise, some types of valuations may have required (or prohibited) specific methodologies associated with them.

Actuaries practicing internationally require information about local Laws and regulations governing the specifics of their work product, which may necessitate gathering input from the local actuarial organization as well as other resources or, when warranted, obtaining an opinion from counsel. If the actuary has concerns regarding legal requirements, such concerns could be identified as part of the disclosures surrounding the work product.

Laws Governing Businesses

Every jurisdiction has Laws and regulations governing the operation of businesses, for instance, specific Laws regarding insurance products. For example, typical contract or policy provisions (and their interpretations) in a foreign jurisdiction may differ from their U.S. counterparts, affecting the substance of the actuary's work. Actuaries may find it useful to obtain guidance from local practitioners or legal counsel when practicing in foreign jurisdictions and to disclose any such reliance in their communications.

Local Business Practices and Customs

Although local business practices and customs may not be codified in Law, lack of familiarity with them may put an actuary practicing in another jurisdiction at a significant disadvantage. Actuaries practicing in jurisdictions with such practices and customs will likely wish to become familiar with them.

One way to gain this type of information may be to contact the local actuarial organization, possibly even seeking membership in it, if the actuary is eligible to do so. Doing so could provide not only access to information on local regulations, but also access to a network of professional contacts and insights into local business practice.

Compliance With Qualification Standards

Precept 2 of the Code requires actuaries to perform professional services only when they are qualified to do so on the basis of basic and continuing education and experience.

Annotation 2-1 states: “It is the professional responsibility of an Actuary to observe applicable *qualification standards* [emphasis added] 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.” In other words, the Code incorporates by reference “qualification” standards set forth in a different document, the U.S. Qualification Standards or qualification standards that may be applicable only in a foreign jurisdiction. Some other jurisdictions follow this model, at least for certain types of work akin to statements of actuarial opinion. Others, as of the date of publication of this paper, are in the process of developing such standards. However, some jurisdictions do not have any published qualification requirements comparable to those of the United States.

The Code clearly states that the absence of such published standards does not relieve the actuary of the broad responsibility imposed by Precept 2 to practice only when qualified to do so. This responsibility applies equally to an actuary as a sole practitioner or as an employee. A large international firm may have a regular exchange of actuarial talent across borders, but the actuary cannot simply assume that he or she is qualified to perform Actuarial Services in another jurisdiction. The actuary will need to find out about the local qualification standards, whether formally codified by an actuarial organization or not, and the actions needed to meet those requirements.

Appendix A contains an illustrative decision tree that highlights the thought processes that actuaries may find useful to follow in determining whether they are qualified to accept an international assignment.

Experience Requirement

Some countries' qualification requirements include a certain amount of practice experience specific to that jurisdiction, which can be a problem for a new arrival. One way to address this requirement may be by working under the guidance of a locally qualified actuary, which is explicitly allowed under some codes of conduct. However, it is important to note that permission or authority to practice locally may not be synonymous with fulfilling the qualifications to practice the full scope of actuarial work, such as signing the local equivalent of statements of actuarial opinion.

Continuing Education

The U.S. Qualification Standards require actuaries to earn relevant continuing education credits each year in order to be qualified to issue statements of actuarial opinion. This is an integral part of the standard, and the minimum hours to satisfy the requirement are precisely defined.

The requirement of Precept 2 that actuaries comply with local qualification standards encompasses local continuing education requirements. Hence, according to Precept 2, to be qualified to perform Actuarial Services in a foreign jurisdiction, the actuary must meet any local continuing education requirements that apply to qualification.

Actuaries should be aware that continuing education requirements may differ significantly from jurisdiction to jurisdiction. For example, Mexican¹⁰ and Canadian¹¹ actuarial organizations require 80 and 100 hours of continuing education over a two-year period, respectively, while in the U.K.¹² continuing education requirements depend on the actuary's category and appear to be updated annually. Australia¹³ has a point system in which different types of continuing education earn different numbers of points per hour.

In addition to the required total number of hours of continuing education, there may be specific requirements regarding certain types of continuing education. For example, the U.S. Qualification Standards require a minimum number of professionalism hours each year and allow, but limit, time spent on general business skills for other continuing education hours. Other jurisdictions may not recognize the time spent on these or other, more technical,

10 Colegio Nacional de Actuarios A.C., *Reglamento de Educación Continua*, April 2013.

11 Canadian Institute of Actuaries, *Qualification Standard Requirements for Continuing Professional Development*, June 2008.

12 U.K. Institute and Faculty of Actuaries, *Continuing Professional Development (CPD) and Professional Skills Training* [webpage](#).

13 Actuaries Institute (Australia), *Professional Standard 1*, September 2013.

topics. The U.S. Qualification Standards define continuing education as “relevant” if “(1) it broadens or deepens an actuary’s understanding of one or more aspects of the work an actuary does; (2) the material expands an actuary’s knowledge of practice in related disciplines that bear directly on an actuary’s work; or (3) it facilitates an actuary’s entry into a new area of practice.” Other jurisdictions, however, may require continuing education to be relevant to *local* actuarial practice.

Hence, if local qualification standards require continuing education, the actuary needs to understand how much and what types of education will satisfy those requirements.

Local Membership

In some cases, the actuary may consider seeking membership in the local actuarial organization, if eligible, which may require additional education or experience to comply fully with the local organization’s membership requirements. Those membership requirements may be distinct from qualification standards, which may be set by a different authority.

Even if the actuary does not pursue membership in the local actuarial organization, reviewing the membership requirements may provide a valuable overview of the local actuarial education. The topics covered by required examinations, for instance, may provide an overview of the knowledge typically expected of an actuary in that jurisdiction, especially if such topics include jurisdiction-specific regulation or Law.

Mutual Recognition

The Casualty Actuarial Society (CAS) and the Society of Actuaries (SOA) have mutual recognition agreements with the actuarial organizations in the U.K. and Australia. Similarly, there is a mutual recognition agreement among the member organizations of the Actuarial Association of Europe.

Mutual recognition agreements focus on membership, but that does not necessarily address the question of qualification, which may be governed by more specific educational or regulatory requirements. For example, in the United States, being a member of the CAS or SOA does not qualify someone to issue statements of actuarial opinion in the United States. In order to be qualified to do so, one must meet the U.S. Qualification Standards promulgated by the Academy, which require an actuary to be familiar with U.S. Laws and practice. If an actuary acquires membership by mutual recognition, the actuary may be subject to all of his or her new organization’s codes and standards.

Compliance With Actuarial Standards of Practice

Precept 3 of the Code requires the actuary's work to satisfy applicable standards of practice. Annotation 3-1 explains the requirement by specifying that the actuary must observe applicable standards of practice that have been promulgated by a Recognized Actuarial Organization¹⁴ for the jurisdictions in which the actuary renders services and must keep current regarding changes in these standards.

Local Standards

Where local standards of practice exist, it is clearly the actuary's responsibility to comply with them. U.S. actuarial standards of practice (ASOPs) do not supersede local standards. Information on standards of practice is usually available on the local actuarial organization's website,¹⁵ but local actuarial organizations or their members may be able to supply some practical context.

Local standards of practice, similar to codes of conduct and other guidelines such as qualification standards, may be structured and organized very differently than in the United States. For instance, a concept contained in a particular U.S. standard of practice may not be in what appears to be another jurisdiction's version of that standard, or it may be in another relevant document. Thus, an actuary will need to look at all relevant documents to understand and reconcile perceived differences.

In addition, standards can vary in how specific they are; some are general while others are fine-tuned to specific types of work. In many cases, the actuary may need to get a broad overview of the whole set of standards before narrowing down what may apply to the work at hand.

¹⁴ Defined in the Code as a full member of the IAA or a standards-setting, counseling, or discipline body to which authority has been delegated by such an organization.

¹⁵ Many of these websites include English versions of their key documents, such as codes and standards. (The IAA's website has a list of its "full members" and links to their respective websites, which may contain or reference applicable standards of practice.)

No Applicable Standards

In some cases, no applicable local actuarial standards of practice exist or there is a question with regard to the applicability of a standard of practice. In that case, Annotation 3-2 to the Code requires the actuary to use professional judgment, taking into account “generally accepted actuarial principles and practices.”

Using professional judgment, the actuary may choose to use the U.S. standard or a foreign standard, based on a case-by-case study of local practice regarding the assignment at hand. While the U.S. standard may be more familiar, a foreign standard may be better suited to the local practice. Although actuarial standards are typically jurisdiction-specific (i.e., written with reference to the Laws and professional practices of the jurisdiction in which they were developed), they can often be adapted to support practice elsewhere. Such assessment and adaptation require professional judgment.

Regardless of the source of a standard used, an actuary might be able to adapt the standard to accommodate the Laws and business practices of the jurisdiction. However, the actuary may want to disclose and justify his or her adaptations.

Other Approaches

While the Code provides for an actuary to use professional judgment when there are no applicable standards of practice, not all jurisdictions do. The actuarial organization in the United Kingdom, for example, has issued guidance¹⁶ that makes it clear that U.K. actuaries should use U.K. standards, unless there is a compelling requirement to do otherwise.

Appendix B contains an illustrative decision tree that highlights the thought processes that actuaries may find useful to follow in determining what standards of practice may be appropriate.

¹⁶ U.K. Institute and Faculty of Actuaries, *Standards Decision Tree*, April 2011.

Conflicts

In some instances, the actuarial standards of practice from more than one jurisdiction may be appropriate references. When such standards conflict, the actuary will need to exercise professional judgment in deciding on the applicability of different standards, taking into account the appropriate practices in the local jurisdiction. This could result in various scenarios, such as the following:

- An actuary complies with the local standards of practice. Because the Code imposes the obligation to comply with local standards,¹⁷ this is widely seen as the preferable choice for U.S. actuaries.
- An actuary complies with whichever standard has the more rigorous requirements, if they can be ordered in that manner. This may even result in the actuary declining an assignment that cannot be fulfilled under the stricter rule.
- An actuary complies with the U.S. standard, based on his or her membership in a U.S.-based actuarial organization. Although the U.S. standard may be the one the actuary is most experienced in applying, complete disregard of the local standard is inappropriate and will leave the actuary open to criticism and even potential discipline.
- Finally, an actuary makes a case-by-case determination of which standard of practice appears to make the most sense under the circumstances, based on the particulars of the assignment at hand and the actuary's use of professional judgment. Considerations could include the purpose of the work product and the entity for which the work is produced, or how the work was done previously. The potential disadvantage of this approach is that individual choices, albeit perfectly reasonable in each case, may be inconsistent.

Here, too, in attempting to navigate the conflicting paths, the actuary may wish to consult with members of the Actuarial Board for Counseling and Discipline or members of the local actuarial organization, who may be able to provide guidance or precedents.

¹⁷ Annotation 3-1

Disclosure

In any case, conflict or none, it is useful for an actuary to disclose explicitly in the actuarial work product which actuarial standard(s) of practice was used and how it was applied. Especially in more complex cases, when more than one standard is considered, disclosing the rationale behind the choice and the reasons for any necessary adjustments can serve to highlight the importance of this decision.

IAA Model Standards

The IAA, with the support of its member actuarial associations around the world, began a few years ago to develop model International Standards of Actuarial Practice (ISAPs). ISAPs are model standards and are not binding on any actuary in any jurisdiction. Binding standards of actuarial practice may be promulgated only by a recognized standard-setting body having authority to promulgate standards for actuaries practicing in a particular jurisdiction. Model ISAPs may be adapted by other standard-setting bodies or IAA member associations. Because they are models, the ISAPs' *nonbinding* guidance does not supersede any local or U.S. standards of practice.

In any case in which an actuarial organization formally adapts an ISAP, the standard becomes its own local standard. The adapted local standard, *not the model standard*, is binding on actuaries subject to that organization's standards. Model ISAPs may influence the development and establishment of standards in other jurisdictions. Only a national association or a governmental authority can mandate actuarial standards of practice for its members.

Clearly, awareness of authoritative standard-setting activity locally and internationally is essential for actuaries practicing in multiple jurisdictions.

Discipline in International Practice

Just as members of an organization are subject to its code of conduct, members of an organization are also subject to its discipline process. For the five U.S.-based organizations, the Actuarial Board for Counseling and Discipline (ABCD) is the one body that provides counseling and investigates possible misconduct.

It is important to note that the ABCD's jurisdiction covers the U.S. actuary's practice not only in the United States but also in every country in which that U.S. actuary practices. That is, the ABCD has the authority to investigate complaints or information about material violations of the Code by any member of these U.S.-based organizations regardless of the jurisdiction where those purported violations occurred.

If an actuary practicing internationally is also a member of a local actuarial organization, that organization will likely have the right to investigate complaints or other information about possible violations of its codes of conduct or practice by its members. In fact, the local organization may have a much better understanding of the relevant standards alleged to have been violated and easier access to information. In the absence of a prior mutual discipline agreement, investigation of an alleged breach for an actuary engaged in international practice and a member of multiple organizations can be complicated, with multiple investigations and hearings, and possibly different outcomes.

Cross-Border Discipline Agreement with Canada

The five U.S.-based organizations are parties to a cross-border discipline agreement with the Canadian Institute of Actuaries (CIA).¹⁸ The agreement aims to reduce the burden that members of organizations party to the agreement will be subjected to multiple disciplinary investigations arising from a single complaint, inquiry, or incident involving an alleged breach of the professional standards of the CIA and/or the U.S.-based organizations.

¹⁸ The current version took effect November 1, 2006.

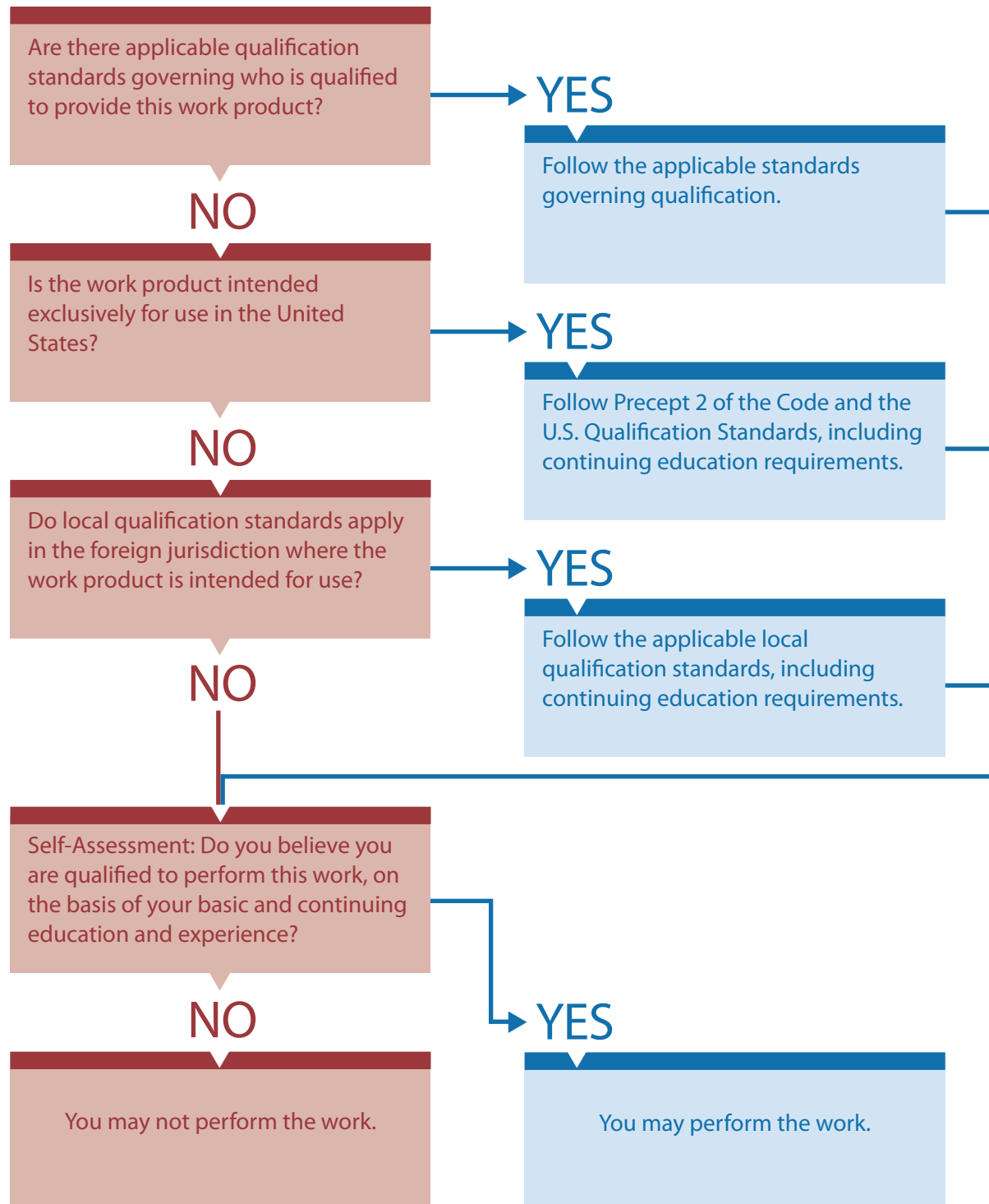
The agreement provides that, for any member of the U.S.-based organizations practicing in Canada, the CIA performs investigations regarding a potential breach of Canadian standards or requirements. Likewise, for any CIA member practicing in the United States, the ABCD investigates a potential breach of U.S. standards or requirements. The final determination about whether a U.S. actuary practicing in Canada has violated the Canadian Rules of Professional Conduct will be made solely by the CIA and will be deemed final by all of the parties to the Cross-Border Discipline Agreement. The CIA's decision will be communicated to the organization(s) of which the U.S. actuary is a member. Each U.S.-based organization of which the actuary is a member will then decide the appropriate discipline, if any, to impose, using its own rules and procedures.

Reciprocal provisions apply to Canadian actuaries practicing in the United States. The Cross-Border Discipline Agreement defines the body with the responsibility for the investigation part of the discipline process. After investigation, whatever process is in place in Canada or the United States to consider, recommend, and impose discipline is carried out by the organization(s) to which an actuary belongs. A recent set of Frequently Asked Questions (FAQs) on the Academy's website that were jointly developed by the CIA and the Academy may answer further questions about the terms and the processes followed.

Members found to be in violation of the applicable standards of conduct or practice are disciplined by the organization(s) to which they belong. The ABCD itself does not impose discipline.

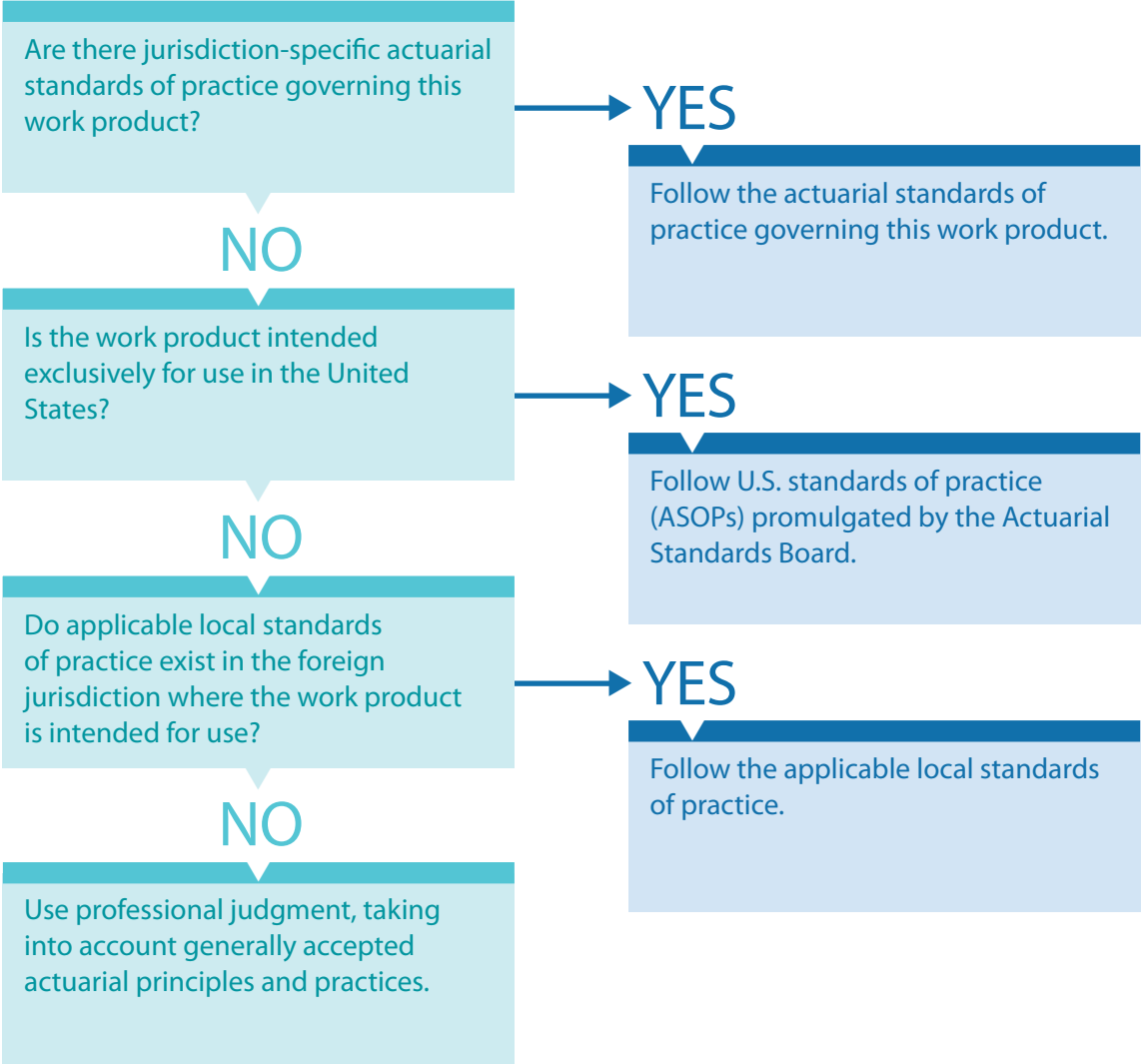
Appendix A:

Actuarial Qualification Standards Flowchart for U.S. Actuaries Practicing Internationally



Appendix B:

Actuarial Standards of Practice Flowchart for U.S. Actuaries Practicing Internationally





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