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Code of Professional Conduct

~~for Actuaries who are members of European Associations~~
Common Principles of Ethical and Professional Behaviour accepted by the
Actuarial Associations affiliated to the Actuarial Association of Europe

Adopted by the General Assembly of the Actuarial Association of Europe on [date]

Effective from: ~~1 January 2014~~[date]

PREFACE

The Code of Professional Conduct (“CoPC”) overleaf was developed by the Actuarial Association of Europe (AAE) in the context of its goal to enhance the quality of actuarial work and promote professionalism, to the benefit of the public and the users of actuarial advice.

- The Full Member associations¹ of the AAE have collectively approved the CoPC as the basis for their own Codes of Conduct.
- Individual actuaries who are members of those associations contribute to the well-being of society or public interest and to maintaining the standing of the actuarial profession by complying with relevant professional requirements, including any applicable Code of Conduct.

The CoPC is a model code and as such, it is not binding on any actuary. The Statutes of the AAE require Full Member associations to have a Code of Conduct that reflects at least the requirements of the AAE’s CoPC (though it is not obligatory to use the exact words of the CoPC).

Codes of Conduct of the Full Member associations of the AAE apply at a minimum to those members of the associations who are fully qualified actuaries². Full Member associations may also require other members to comply with their Code of Conduct and are encouraged to do so if any members are in the process of completing the education required to become a fully qualified actuary (e.g. “Student” members) or are likely to be routinely engaged in actuarial work (e.g. actuarial analysts). Each Full Member association should ensure that its Code of Conduct clearly states to which members the Code applies.

The CoPC was adopted by the AAE General Assembly on [date].

This Preface is not part of the CoPC. If a Full Member association adopts the CoPC as written³, this Preface, and the “explanatory” footnotes to the CoPC, should not be included (an association may, however, include a Preface and “explanatory footnotes” that are appropriate to its own Code).

¹ National actuarial associations, situated in Member States of the EU and other European countries, whose applications for full membership have been accepted by the AAE.

² A fully qualified actuary has completed, at a minimum, all aspects of the AAE core education syllabus.

³ Or subject to suitable modification if the association elects to apply the Code to members who are not fully qualified actuaries.

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***Common Principles of Ethical and Professional Behaviour accepted by the
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Application

Each full member association of actuaries affiliated to the Groupe Consultatif Actuariel Européen ("the Groupe Consultatif") has agreed that this Code of Professional Conduct ("the Code"), or a Code of Conduct that includes, but is not necessarily limited to, the substance of the ethical and professional principles set down in the Code, shall apply to all their members in the context of the performance of work as members of the actuarial profession, wherever in the world the members are working.

Member associations may decide how the Code is taken into consideration where a member's conduct is called into question in a context other than working as a member of the actuarial profession, if this could be considered to reflect on the reputation of the actuarial profession.

For the purposes of this Code, the following interpretations shall apply:

The term "actuary" refers to a full member (in particular a fully qualified actuary) of any full member association that is affiliated to the Groupe Consultatif. The exact definition of "full member" is for each association to determine, but must be the same as that notified by each Association for the purposes of the Agreement of April 1991 between the Associations concerning the recognition by each EC Association of members of the other EC Associations.

The term "principal" means the intended recipient(s) of advice and/or services provided by an actuary. An actuary's principal may be that actuary's employer, as the circumstances and context dictate.

Purpose

The Code consists of ethical and professional principles which actuaries are expected to observe in the public interest and in order to build and promote confidence in the work of actuaries and in the actuarial profession.

Status

Actuaries are expected to carry out their professional activities in accordance with the Code. However, the Code is not an all-encompassing description of behaviours that should be adopted or avoided. Actuaries should observe the spirit as well as the letter of the Code. Actuaries must be prepared to justify any departure from the Code and explain why an act or omission was appropriate and reasonable in the circumstances involved.

It is recognised that actuaries may act in a support role in which another actuary carries ultimate responsibility for the work performed. For the avoidance of doubt, the Code applies to actuaries in support roles, though any assessment of their conduct by reference to the Code may have regard to such factors as their level of responsibility in relation to the matter and the extent of their relevant work experience.

Code of Professional Conduct⁴

Note: Words or terms in *italics* are defined in Section 2, Definitions.

Section 1. General

1.1 Purpose

1.1.1 This Code of Professional Conduct (“Code”) provides guidance on the behaviours expected of *actuaries*⁵ when performing *professional services*, to give *intended users* of those services confidence that they are carried out professionally and with due care.

1.1.2 The Code also provides guidance on the behaviours expected of *actuaries* in wider contexts, as described in Section 1.2, Application.

1.2 Application

1.2.1 Regarding the Principles set out in Section 3:

(a) All *actuaries* are expected to comply with Principle A (Integrity) in the performance of their work and in other contexts where their conduct could reasonably be considered to reflect on the actuarial profession.

Professional services

(b) All *actuaries* are expected to comply with Principles B – E (Competence and Care; Compliance; Impartiality; Communication) in relation to *professional services* that they perform (whether on a paid or unpaid basis).

Other work

(c) In relation to work performed other than *professional services* (if any, and whether on a paid or unpaid basis), *actuaries* should exercise *professional judgement* to determine whether and, if so, to what extent it is appropriate to comply with the spirit and intent of Principles B – E (Competence and Care; Compliance; Impartiality; Communication), taking into account the reasonable expectations of the *intended user(s)* of the work, the nature of the work, any other Code or standards that apply to the work and any other relevant factors.

⁴ (Explanatory note) The “Explanatory notes” to this Code of Professional Conduct (“Code”) are addressed to AAE Full Member associations and do not form part of the Code. If a Full Member association adopts the Code as written, these “Explanatory notes” should not be included (though “Explanatory notes” that are relevant and appropriate to the association’s Code may be included).

⁵ (Explanatory note) Full Member associations may require members other than qualified actuaries to comply with their Code of Conduct and are encouraged to do so if any members are in the process of completing the education required to become a fully qualified actuary (e.g. “Student” members) or are likely to be routinely engaged in actuarial work (e.g. actuarial analysts). If an association does so but otherwise wishes to adopt this Code of Professional Conduct, it will need to edit the text accordingly.

Support roles

(d) It is recognised that *actuaries* might act in a support role in which another person carries ultimate responsibility for the work performed. For the avoidance of doubt, *actuaries* in support roles are expected to comply with the Code (as per paragraph 1.2.1 (a), (b) and (c)), though it is reasonable to expect that any assessment of their conduct by reference to the Code would have regard to such factors as their level of responsibility in relation to the matter and the extent of their relevant work experience.

Observing the spirit and intent of the Code

(e) The Code is not an all-encompassing description of behaviours that should be adopted or avoided. *Actuaries* are expected to observe the spirit and intent of the Code, rather than interpret it only in a purely literal way.

1.2.2 For the purposes of this Code:

- (a) “must” means that the indicated action is mandatory and failure to follow the indicated action will constitute a departure from this Code; and
- (b) “should” means that, under normal circumstances, the *actuary* is expected to follow the indicated action, unless to do so would produce a result or outcome that would be inappropriate or potentially misleading. If, in the performance of *professional services*, the indicated action is not followed, the *actuary* should disclose that fact to the *intended user(s)* of the *professional services* and provide the reason for not following the indicated action.

1.2.3 Nothing in this Code is intended to require an *actuary* to act in breach of legal or regulatory requirements. If there is an inconsistency between this Code and legal and/or regulatory requirements, the legal and/or regulatory requirements shall prevail. “Legal requirements” here does not extend to the provisions of agreed contracts.

Section 2. Definitions

The terms below are defined for use in this Code.

- 2.1 **Actuary** – A full member (being a fully qualified actuary)⁶ of any Full Member association of the Actuarial Association of Europe.
- 2.2 **Intended User** – Any legal or natural person (usually including the *principal*) for whose use the *actuary* provides the results of *professional services*.
- 2.3 **Principal** – The party who engages the provider of *professional services*. The principal will usually be the client or the employer of the *actuary*.

⁶ (Explanatory note) (a) See footnote 5 to Section 1.1.1. (b) A Full Member association that wishes to adopt this Code as its Code of Conduct should change this definition - for example (*if applicable* – see footnote 5 to Section 1.1.1): “A full member (being a fully qualified actuary) of [name of association]”.

2.4 Professional judgement – The judgement of the *actuary*, based on actuarial (or other relevant) training and experience.

2.5 Professional services –

- All services provided by an *actuary* that relate to a pension scheme/fund, insurance/reinsurance/financial services entity or financial transaction; and
- All other services provided by an *actuary* that are based upon actuarial considerations.

Section 3. Principles

A. Integrity

An *actuary* ~~shall~~must act honestly and with the highest standards of integrity.

B. Competence and Care

An *actuary* ~~shall~~must perform *professional* ~~duties~~services competently and with care.

C. Compliance

An *actuary* ~~shall~~must comply with all relevant legal, regulatory and professional requirements.

D. Impartiality

An *actuary* ~~shall~~must not allow bias, conflict of interest or the undue influence of others to override *professional judgement*.

E. ~~Effective~~ Communication

An *actuary* ~~shall~~must communicate ~~effectively~~in an appropriate manner and meet all applicable reporting standards.

Section 4. Amplification of Principles

The following information, which forms part of the Code, is included in order to elaborate on how (subject to paragraph 1.2.1) *actuaries* are expected to interpret and apply the Principles.

This information is not exhaustive. *Actuaries* are expected to apply *professional judgement* as and when necessary to ensure that they observe the spirit ~~as well as the letter of the Code~~ and intent of the Code, rather than interpret it only in a purely literal way.

A. Integrity

A1 An *actuary* ~~shall~~must perform ~~professional services~~work with integrity, skill and care and (subject always to any relevant legal, regulatory and professional requirements) ; ~~shall~~should fulfil the *actuary's* ~~professional~~ responsibility to the *principal* ~~and shall not act against the public interest.~~

A2 An *actuary* ~~shall act in a manner that will uphold~~should not act in a manner that is likely to damage the reputation of the actuarial profession, whether in the

performance of work or in other contexts in which conduct could reasonably be considered to reflect on the profession, and shall not provide information that the actuary knows or ought to know is false or misleading.

A3 An actuary must not provide, or knowingly be associated with the provision of, information, nor engage in advertising or business solicitation, that the actuary knows or ought to know is materially false or misleading, contains statements or information furnished recklessly or omits or obscures information required to be included and as a result is materially misleading. If an actuary becomes aware that the actuary has been associated with such information, the actuary should take steps to be disassociated from the information. This provision does not preclude an actuary from performing work based on:

- assumptions or methodology prescribed by the principal or another party, provided that, if the actuary does not support the assumptions or methodology, the actuary discloses that fact to the intended user, or
- assumptions or methodology prescribed under legal, regulatory or professional requirements.

A4 An actuary shall perform professional services with courtesy and shall co-operate should show respect and should cooperate with others serving the actuary's principal.

A5 Subject to any legal, regulatory or professional reporting obligations, an ~~An~~ actuary ~~shall~~must respect the confidentiality of confidential information received.

A6 When an actuary is asked to ~~take on professional services~~perform work previously ~~provided by another actuary~~performed by another person, the actuary ~~shall~~must consider whether it is appropriate to consult with the previous provider to establish whether there might be any professional reason not to take on the new responsibility.

B. Competence and Care

B1 An actuary should perform professional services carefully, thoroughly and in a timely manner.

B2 An actuary ~~shall~~must perform specific professional services only if:

- the actuary is competent and appropriately experienced to do so, or
- the actuary is acting on the advice of an individual who has the appropriate level of relevant knowledge and skill and the principal is aware that this is the case, or
- the actuary is acting under the direct supervision of another ~~actuary~~person who is taking professional responsibility for the work.

B3 Before communicating the results of professional services performed, the actuary should ensure that, to the best of the actuary's knowledge and reasonably held belief, the results are free from material error.

B4 An actuary should agree with the principal the nature and scope of the actuary's responsibilities before commencing the delivery of professional services.

C. Compliance

- C1 ~~An *actuary* is responsible for observing applicable technical and professional standards and shall must act in a manner that fulfils the actuarial profession's responsibility to the public by observing applicable technical and professional standards. An *actuary* must~~ take into account any relevant codes, standards, guidance notes and similar documents formally issued or endorsed by the association(s) of which the *actuary* is a member, having regard to their scope and status (for example mandatory, recommended practice, etc).
- C2 An *actuary* is subject to the disciplinary procedures prescribed in the rules of the association(s) of which the *actuary* is a member, and, subject to the right of appeal within those rules, will must accept any judgement passed, or the decision of any appeal procedure.

D. Impartiality

- D1 An *actuary* ~~shall must~~ not perform *professional services* involving an actual or potential conflict of interest or involving bias or perceived bias on the part of the *actuary*, unless the *actuary's* ability to act in an impartial manner is unimpaired and there has been full disclosure to the *principal* of the actual or potential conflict or bias.
- D2 An *actuary* ~~shall should~~ disclose to the *principal*, in writing and in a timely manner, all sources of income related to any assignment carried out for the *principal*, ~~other than income paid by that *principal* (except that, where the *principal* is the *actuary's* employer, there is no requirement to disclose remuneration paid by the employer).~~

E. ~~Effective~~ Communication

- E1 ~~An *actuary* must communicate the results of *professional services* in a timely manner and in a style and format that is appropriate to the particular circumstances, having regard to the need to convey the implications of any analysis and advice included in the communication in a manner that is comprehensible to the *intended user(s)*.~~
- E2 ~~Unless the *actuary* judges it disproportionate (in which event, departure from these requirements does not create a requirement for disclosure under paragraph 1.2.2 (b)), an *actuary* should, in communicating the results of *professional services* An *actuary* shall, in communicating professional analysis and advice:~~
- identify that the *actuary* is the source of ~~the analysis and advice~~ and takes responsibility for the communication;
 - identify that the *actuary* takes responsibility for the results, subject (if applicable) to any stated caveats;
 - state the capacity in which the *actuary* is acting;
 - identify the ~~principal for whom the~~ *intended user(s)* of any analysis and advice ~~is intended~~ included in the communication;
 - state the scope and purpose of the work; and
 - ~~state that the *actuary* is available to provide the *principal* with~~ indicate to what extent and how supplementary information and explanation ~~about scope, methods, data, professional judgements and conclusions can be obtained from the *actuary* or another party.~~

~~Approved by the General Assembly on 3 December 2012~~