



# ACTUARIAL ASSOCIATION OF EUROPE

## AAE Code of Professional Conduct

Webinar, 9th October 2018

# Welcome to our webinar on the **AAE Code of Professional Conduct**

*Links:* [Code](#) [Sample Q&A](#)

# AAE Code of Professional Conduct

- Principles
  - **Integrity** An *actuary* must act honestly and with the highest standards of integrity
  - **Competence and Care** An *actuary* must perform professional services competently and with care
  - **Compliance** An *actuary* must comply with all relevant legal, regulatory and professional requirements
  - **Impartiality** An *actuary* must not allow bias, conflict of interest or the undue influence of others to override *professional judgement*
  - **Communication** An *actuary* must communicate in an appropriate manner and meet all applicable reporting standards
- Amplifications

# AAE Code of Professional Conduct

- Does not apply directly to individual actuaries
- AAE Full Member Associations must have a Code of Conduct that reflects at least the requirements of the AAE's Code of Professional Conduct (CoPC)
- New CoPC will come into effect from **1<sup>st</sup> January 2021**
- Webinar aims:
  - Help Associations to understand what they have to do
  - Help actuaries to understand principles of professionalism addressed in Codes of Conduct

# Webinar

## Part I

- **A New Model Code** *Yvonne Lynch*
- **What has changed?** *Emma Gilpin*
- **Q&A on Part I** *Yvonne, Emma & Florin Gingham*

## Part II

- **Case Studies:**
  - **Slovakia** *Maria Kamenarova*
  - **Germany** *Birgit Kaiser*
- **Q&A on Part II**

## *Part I: A New Model Code*

# Do Associations have to do anything?

**YES!**

- Check whether Association's Code reflects at least the requirements of the CoPC
  - There are some changes . . .
- Consider whether to apply the Association's Code to members who are not fully qualified actuaries
- Update Association's Code, if required
  - Process for bringing new Code into effect
- Communication / education

## ***Part I: A New Model Code***

# **Using the CoPC as a Model**

- Association can adopt the CoPC with little change
  - Preface and Explanatory footnotes - remove(/replace)
  - 2.1, definition of “Actuary” – replace “any Full Member association of the Actuarial Association of Europe” with name of Association
  - Decide whether to apply the Association’s Code to members who are not fully qualified actuaries

*If so, replace “actuary” and “actuaries” throughout (e.g. “actuary” -> “member”) and change the definition at 2.1*

## *Part I: A New Model Code*

# Using the CoPC and Sample Q&A

- Association can use a different structure and style and/or can add content
  - Must reflect at least the requirements of the CoPC (and not conflict with those requirements)
  - Association might find the [Sample Q&A](#) useful in suggesting additional requirements for its own Code



## *Part I: A New Model Code*

# Sample Q&A

### Purposes:

- Help Associations to understand the CoPC
- Help Associations to respond to members' questions  
*(might need to adapt sample answers for local laws etc)*
- Provide ideas about possible additional content in the Association's Code

*If used by individual actuaries – need to have regard to particular circumstances, incl. local laws and practices*

## *Part I: A New Model Code*

# Sample Q&A

### **Topics covered:**

- Duty to employer v. duty to persons affected by your work (2.1)
- Upholding the reputation of the profession (2.2)
- What to do if information provided was wrong or misleading (2.3)
- Confidentiality (2.4, 2.5(iii))
- Taking on work previously performed by someone else (2.5)
- Taking on work while still building up skills and experience (2.6)
- Maintaining competence (2.7)

## *Part I: A New Model Code*

# Sample Q&A

### **Topics covered (cont'd):**

- Reporting improper conduct (2.8)
- Disclosing conflicts of interest (2.9)
- Disclosing income receivable for an assignment (2.10)
- Communicating in an appropriate manner (2.11)
- Staying alert to and dealing with threats to compliance (2.12)
- What if the law conflicts with common sense or professional judgement? (2.13)

## *Part I: A New Model Code*

# **AAE's approach to developing the CoPC**

- Decide on purposes
  - Code articulates values, defines desired behaviours, guides decision-making, supports members of the profession in exercising judgement on ethical dilemmas
  - Fit for purpose in modern world, for the benefit of
    - ✓ *Users* - confidence in actuaries
    - ✓ *Actuaries* – guidance and support
    - ✓ *Actuarial profession* – reputation
  - Address the key ethical challenges that actuaries face, in a way that will stand the test of time

## *Part I: A New Model Code*

# **AAE's approach to developing the CoPC**

- Comparisons with other Codes
- Strike a balance
  - Long enough to be comprehensive and credible, short enough to be read and remembered
  - Set high but not disproportionate bar
- Application
  - To whom should Code apply?
  - In what contexts should it apply?

## *Part I: A New Model Code* **Outcomes**

- Concise, principles-based CoPC
- Structure similar to ESAP 1, General Actuarial Practice
- Preface – context (not part of the Code)
- Model – can be adopted with little change
- Supplemented by Sample Q&A - includes ideas for additional content





## *Part I: What has changed?*

# **The changes - summary**

- Retained the same broad structure and principles
  - Added some clarity around the structure
- Application provisions broadened
  - Who: which individuals covered
  - What: actuarial work v other situations
- Key principles remain substantially the same BUT some of the detail of the provisions amended
- Added definitions of certain key terms



## *Part I: What has changed?*

# **The changes – clarity around application**

- Introduced explanation of ‘must’ and ‘should’
- Uses ‘must’ for mandatory requirements
- Uses ‘should’ for provisions that, under normal circumstances, are expected to be followed
- For ‘should’ requirements, if indicated action is not followed, actuary should disclose that fact
- Expectation that actuaries will observe the spirit and intent of the Code – not about literal interpretation

## *Part I: What has changed?*

### **The changes – application (i)**

- New wording in section 1 – greater clarity on application

*“to provide guidance on the behaviours expected of **actuaries** when performing **professional services**, to give **intended users** of those services confidence that they are carried out professionally and with due care”* Section 1.1.1

- BUT it also provides that certain provisions will apply in other circumstances

## *Part I: What has changed?*

### **The changes – application (ii)**

- Provisions on Integrity (Principle 1) apply:
  - (i) when an actuary is carrying out work; and
  - (ii) in other contexts *‘where their conduct could reasonably be considered to reflect on the actuarial profession’*
- Could potentially apply in non-work situations
- Degree of judgement required

## *Part I: What has changed?*

### **The changes – application (ii)**

- When might this apply?
  - An actuary is involved in fraud in their personal life
  - An actuary is found guilty of murder
  - An actuary is found to have lied repeatedly about their qualifications and work experience in order to secure employment

## *Part I: What has changed?*

### **The changes – application (iii)**

- All other Principles apply to an actuary carrying out ‘professional services’
- New definition of 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 2.5

## *Part I: What has changed?*

### **The changes – application (iii)**

- Might also apply to other work (not professional services)
- Where deemed, using ‘professional judgement’, to be *‘appropriate to comply with the spirit and intent of the provisions’*
- ‘Professional judgement’ defined  
*“the judgement of the **actuary**, based on actuarial (or other relevant) training and experience”*

## *Part I: What has changed?*

### **The changes – application (iii)**

- Example of when this might apply?
  - An actuary is a Non-Executive member of the Board of an Insurance Company but is not on that Board in their capacity as an actuary
  - Might still be deemed to be appropriate to comply with the CoPC's Compliance Principle
  - Might be deemed a breach of the requirements of the Code to fail to follow applicable corporate governance rules

## *Part I: What has changed?*

# The changes – Integrity Principle

*“An **actuary** must act honestly and with the highest standards of integrity” Section 3A*



## *Part I: What has changed?*

# **The changes – Integrity Principle**

- Largely unchanged
- Removed the specific reference to the ‘public interest’ reflecting the new Preface
- Specific Amplification on an actuary providing false or misleading information
- Qualification added to the confidentiality provision in terms of legal, regulatory or professional reporting obligations

## *Part I: What has changed?*

# The changes – Competence and Care Principle

*“An **actuary** must perform **professional services** competently and with care”* Section 3B

## *Part I: What has changed?*

# The changes – Competence and Care Principle

- Added Amplifications to this Principle
- Requiring professional services to be performed *‘carefully, thoroughly and in a timely manner’*
- Actuary should ensure that, to the best of his/her knowledge and reasonably held belief, *‘results are free from material error’*
- Actuary should agree nature and scope of responsibilities in advance

## *Part I: What has changed?*

# The changes – Compliance Principle

*“An **actuary** must comply with all relevant legal, regulatory and professional requirements” Section 3C*

## *Part I: What has changed?*

# **The changes – Compliance Principle**

- Minimal changes to this Principle
- Some slight re-wording to clarify that the context for this requirement is the actuarial profession's responsibility to the public
- Specifically adds 'Codes' to the description of types of technical and professional standards that may be issued by actuarial associations, which the actuary must take into account

## *Part I: What has changed?*

# The changes – Impartiality Principle

*“An **actuary** must not allow bias, conflict of interest or the undue influence of others to override **professional judgement**”* Section 3D

## *Part I: What has changed?*

# **The changes – Impartiality Principle**

- Minimal changes to this Principle
- No additional or removed Amplifications
- Some wording added to specifically include reference to bias in the amplifications – previously only in the Principle itself
- The requirement to disclose sources of income to the principle has been amended to be a ‘should’ requirement rather than a ‘shall’ requirement

## *Part I: What has changed?*

# The changes – Communication Principle

*“An **actuary** must communicate in an appropriate manner and meet all applicable reporting standards”*

Section 3E



## *Part I: What has changed?*

# **The changes – Communication Principle**

- Is now a requirement to communicate ‘in an appropriate manner’ rather than ‘effectively’
- Requirement to communicate results in timely manner and appropriate style and format
- Amended Amplification around how actuary communicates professional analysis and advice
  - Qualification where actuary judges it disproportionate
  - Taking responsibility for communication and results
  - Identification of intended users
  - Clarification of purpose of work as well as scope







## ***Part II: Case Study - Implementation in Slovakia***

New CoPC of Slovak Society of Actuaries approved 11.12.2017  
and it is compliant with AAE CoPC.

Slovak market has 36 insurance companies:

- 15 insurance companies with residence in Slovakia
  - 21 companies are branches of companies with residence abroad
  - 625 active insurance companies in local market (EU passport)
- Many foreign actuaries, or their work, are present in Slovak market and do not have to comply with local actuarial association requirements
- **European CoPC plays important role to unify the requirements on all actuaries.**



# Areas of consideration

- Who has to comply with local CoPC?
  - Local market circumstances
- New definitions used in CoPC
  - Definitions in CoPC differ from those used in ESAPs and ISAPs
- Careful translation of duties: should, must
  - Improper adoption might lead to different meaning
- Local add-ons

# Who has to comply with local CoCP?

The decision “who has to comply” is determined by:

- **Different membership types**

- 1) Membership in SSA is voluntary

- 2) Membership types:

- fully qualified actuary (SSA certification, SSA conditions)
    - member of SSA (meeting more than 50% of Syllabus requirements; experience)
    - student
    - sympathizer

- **Loosened regulatory requirements to perform actuarial function**

- anyone can perform actuarial function if (s)he meets the local company criteria and the regulator does not object to those criteria or the person
  - before: Responsible Actuary – local criteria controlled by local regulator and SSA

**Conclusion: every member of SSA who performs professional services as defined here has to comply with the SSA CoPC, not only fully qualified actuaries.**

# New definitions in CoPC

Actuary – A full member (being a fully qualified actuary) of any Full Member association of the AAE.

Intended User – Any legal or natural person (usually including the *principal*) for whose use the *actuary* provides the results of *professional services*.

Principal – The party who engages the provider of *professional services*. The principal will usually be the client or the employer of the *actuary*.

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

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.

Member - any SSA member (all types of membership, based on SSA Articles of Association).

Intended user - a natural or legal person (usually a *principal*) who uses the results of *professional services* provided by a *member*.

Principal - one who requires professional services. *Principal* is usually a client or a *member's* employer.

Professional judgement - judgement of a *member* based on his/her actuarial (or other relevant) education and experience.

Professional services - all services provided by a *member*, related to pension scheme/fund, insurance / reinsurance / financial institution or financial transaction; and all other services provided by a *member* based on actuarial assessments and considerations.

In previous version of local CoPC, there were no definitions.

Words:

- principal
- professional judgement

- Services of actuary and risk manager

# Careful translation of CoPC duties

## **“Should be done” action**

By simple translation to Slovak language, this might mean conditional verb mode, e.g. the action to be done only if some conditions are defined and fulfilled

but the intention of the AAE CoPC is that it is expected that the action will be done under standard circumstances, unless to do so would produce a result or outcome that would be inappropriate or potentially misleading, in which case non-compliance will be disclosed.

## **“Must be done” action**

Action must be done regardless of obstacles or reasons unless not in compliance with the regulation.



# Local add-on

Only one change in duties in Compliance part

If member works abroad more than 10% of his or her working time, it is required to

- notify SSA
- apply for membership in local actuarial association





## *Part II: Case Study - Implementation in Germany*

- Deutsche Aktuarvereinigung (DAV, German Association of Actuaries) is the professional representation of all actuaries in Germany
- Founded in 1994 DAV has today about 5.200 members, all fully qualified actuaries
- About 1.600 candidates for membership are actively engaged in education and examination
- The DAV guarantees a high level of technical and professional qualification of its members, e.g. by issuing standards of actuarial practice
- **All** members of DAV are obliged to comply with the code of professional conduct and the disciplinary rules

# Revision of DAV Code of Conduct

## Structure of current DAV CoPC

Preamble

Art. 1 Professional Practice

Art. 2 Personal Responsibility

Art. 3 Communication

Art. 4 Conflicts of Interest

Art. 5 Remuneration

Art. 6 Independence

Art. 7 Collegiality

Art. 8 Liability

Art. 9 Concluding Provisions

## Structure of proposed new DAV CoPC

Art. 1 Purpose

Art. 2 Principles of Professional Practice

Art. 3 Personal Responsibility

Art. 4 Communication

Art. 5 Independence & Conflicts of Interest

Art. 6 Collegiality

Art. 7 Discretion & Confidentiality

Art. 8 Liability

Art. 9 Compliance & Disciplinary Rules

Careful comparison of current DAV CoPC with AAE CoPC, identification of differences, translating additional content into German, additional changes due to ISAP 1/ESAP 1 and input from local discussions

# Revision of DAV Code of Conduct:

## *Proposed changes*

### **Art. 1: Purpose**

Current Preamble has been re-written and summarizes general introduction of AAE CoPC

### **Art. 2: Principles of Professional Practice**

Now summarizes main principles, which will be explained in more detail in subsequent articles, analogous to AAE CoPC

### **Art. 3: Personal Responsibility**

- Add B3 AAE CoPC:

*“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.”*

- Add 3.1 ESAP 1, General Actuarial Practice:

*“In accepting an assignment for actuarial services, the actuary shall: [...] have reasonable assurance of time, resources, access to relevant employees and other relevant parties, access to documentation and information, and the right of the actuary to communicate information, as may be necessary for the work.”*

- Add direct reference to DAV CPD regulations

# Revision of DAV Code of Conduct:

## *Proposed changes*

### **Art. 4:           Communication**

- Add E1 AAE CoPC on format, style and timing of communication

*“An actuary should communicate professional analysis and advice 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 the actuary’s analysis and advice in a manner that is comprehensible to the intended user(s).”*

- Add 4.1.1 - 4.1.3 ESAP 1, General Actuarial Practice, on form, content, clarity and timing of communication

**Art. 5 (old):   deleted**

**Art. 5 & 6:   identical to former Art. 4, 6, 7**

**Art. 7:       identical to part 5 of former Art. 1**

**Art. 8:       slightly shortened**

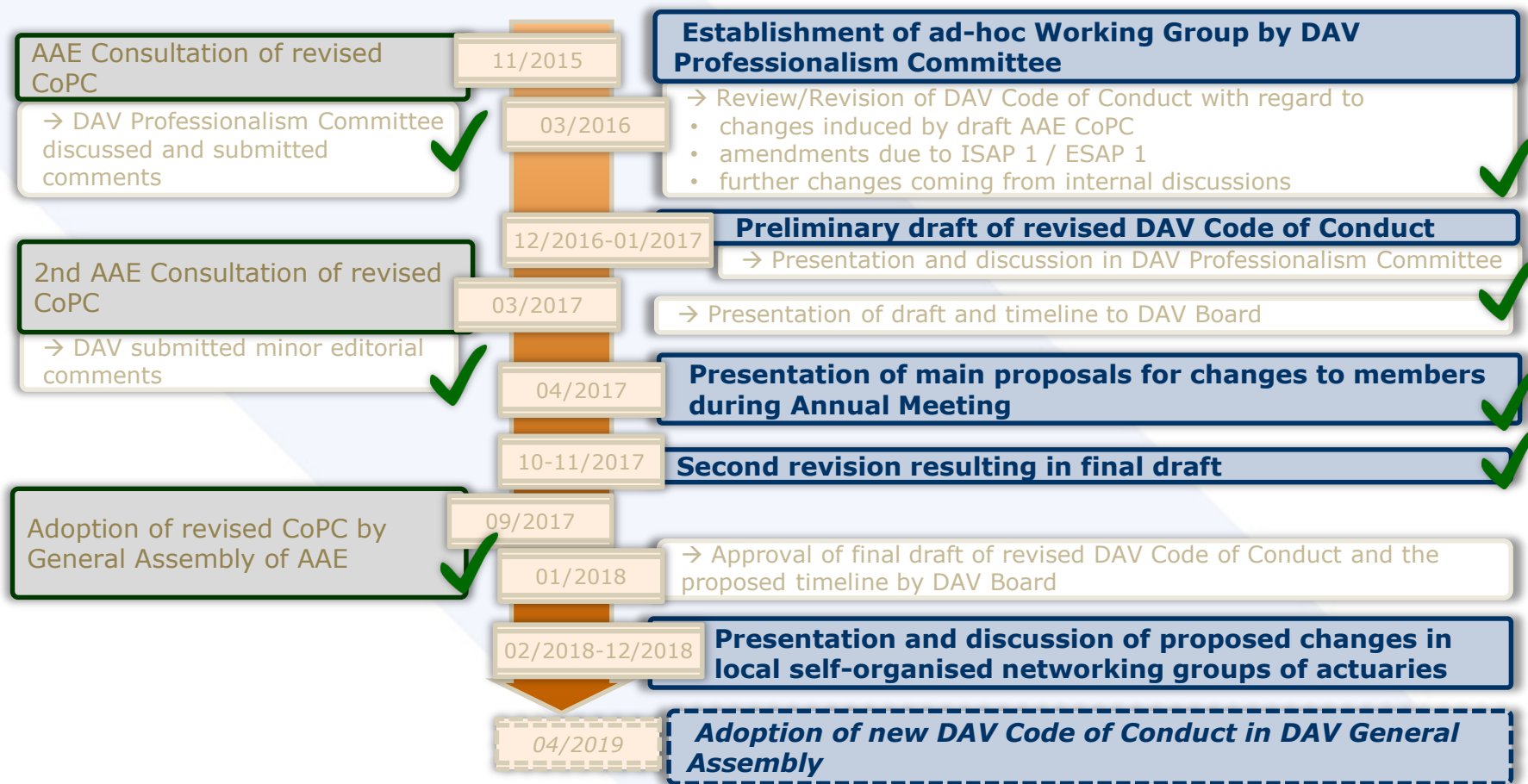
### **Art. 9:           Compliance & Disciplinary Rules**

- Add Principle C explicitly:

*“An actuary must comply with all relevant legal, regulatory and professional requirements.”*

# Revision of DAV Code of Conduct:

## *Process underway*



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**THANK  
YOU!**

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