GROUPE CONSULTATIF ACTUARIEL EUROPEEN
EUROPEAN ACTUARIAL CONSULTATIVE GROUP

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Review of Code of Conduct

To: Standards, Freedoms and Professionalism Committee

Background

Last year, the Standards, Freedoms and Professionalism Committee (SFPC) agreed to undertake a two-stage review of the Groupe's Code of Conduct.

- The first stage involved reformatting the Code under five principles of professionalism, to make it more accessible and gender-neutral. The revised Code was approved by the General Assembly by electronic vote after its October 2012 meeting and will come into effect at 1st January 2014. We refer to this below as the "2014 Code".
- This note relates to the second stage, which is a more fundamental review of the content of the Code. The content has not changed in any substantive way since the current version of the Code was introduced in 1992. It is therefore important to consider whether the Code needs to be updated to ensure that it is fit for purpose and provides effective guidance for actuaries regarding the behaviours and standards expected from them in the performance of their work.

The members of the working party carrying out this review are:

Thomas Béhar (SFPC member)
Florin Ginghina (SFPC member)
Luis Sáez de Jáuregui (SFPC member)
Yvonne Lynch (Convenor) (SFPC member)
Peter Melchior (SFPC member)
Alan Watson (member of the Institute & Faculty of Actuaries).

Update

We have reviewed the Codes of Conduct of a number of actuarial associations around the world, as well as other national and international professional bodies, including accountants and lawyers.

In our view, the 2014 Code is much improved, and compares favourably with the other Codes reviewed. It is considerably shorter than some – e.g. IESBA's[1] Code of Ethics for Professional Accountants runs to approximately 150 pages. However, the fact that the 2014 Code is short is not necessarily a significant weakness – in fact, we feel that it is important not to make the Code very long, as that would make it more difficult to remember the core requirements and put them into practice in daily work.

[1] International Ethics Standards Board for Accountants

That said, there are some aspects of the Code that we feel could usefully be expanded, having regard to norms in other Codes, developments in work practices and working environments, and professional issues experienced by actuaries in their work - especially conflicts of interest, communicating effectively, and taking appropriate action when aware of unlawful, unethical or improper conduct by another actuary or by a principal.

We enclose for your consideration a proposed new Code, with changes marked up. We have included a number of comments to explain the thinking behind particular changes, where it might not be evident. Also enclosed is a "clean" copy with all proposed changes incorporated and comments removed.

For discussion

We invite your views on the proposed changes.

We also invite your views on the following discussion points:

1) Paragraph 1.6 of the proposed Code: The current Code says that "*When an actuary is asked to take on professional services previously provided by another actuary, the actuary shall 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*". The majority (though not unanimous) view among the working party was that this should be strengthened such that the actuary taking on the work "*should normally*" consult with the previous provider (rather than simply consider whether it is appropriate to do so). Mindful that confidentiality issues might arise, we have also included a requirement that "*Any actuary who is consulted in this regard shall respond promptly, even if such response is limited to a statement that he or she cannot discuss the matter on grounds of confidentiality*".

    a. These changes;

    and

    b. Whether the requirement to consult with a previous provider of actuarial services should be limited to the situation where work is performed further to statutory or regulatory requirements (e.g. valuation of insurance company or pension scheme liabilities)? Or are we also concerned about situations such as pricing/marketing actuaries coming under undue influence to price/present products in a manner that they do not consider to be appropriate?

2) Should we include provisions along the lines of the following elements of the Canadian Bar Association Code of Conduct?

    (A) <u>RESPONSIBILITY TO THE PROFESSION GENERALLY</u>

    "RULE

    The lawyer should assist in maintaining the integrity of the profession and should participate in its activities."

COMMENTARIES

Guiding Principles

This section of the Canadian Bar Association Code of Conduct includes a requirement to report misconduct and other situations that might have severe adverse consequences for clients, e.g. a lawyer's mental instability. It also includes the following:

"Participation in Professional Activities

4. In order that the profession may discharge its public responsibility of providing independent and competent legal services, the individual lawyer should do everything possible to assist the profession to function properly and effectively. In this regard, participation in such activities as law reform, continuing legal education, tutorials, legal aid programs, community legal services, professional conduct and discipline, liaison with other professions and other activities of the governing body or local, provincial or national associations, although often time-consuming and without tangible reward, is essential to the maintenance of a strong, independent and useful profession."

(B) NON-DISCRIMINATION

"RULE

The lawyer shall respect the requirements of human rights and constitutional laws in force in Canada, and in its provinces and territories. Except where differential treatment is permitted by law, the lawyer shall not discriminate with respect to partnership or professional employment of other lawyers, articled students or any other person, or in professional dealings with other members of the profession or any other person on grounds including, but not limited to, an individual's ancestry, colour, perceived race, nationality, national origin, ethnic background or origin, language, religion, creed or religious belief, religious association or activities, age, sex, gender, physical characteristics, pregnancy, sexual orientation, marital or family status, source of income, political belief, association or activity, or physical or mental disability."

COMMENTARIES

This section of the Canadian Bar Association Code of Conduct covers:

Duty of Non-Discrimination – lawyers must respect the dignity and worth of all persons equally and must not, for example, deny services or provide inferior services on the basis of the grounds noted in the Rule;

Discrimination in employment and working conditions – incl. failing to accommodate religious holidays or practices or requiring billable hour targets or workload expectations which effectively exclude or adversely affect those who have child care responsibilities;

Duty to accommodate the diverse needs of lawyers – incl. duty to provide flexible hours to accommodate family responsibilities and duty to modify the physical workplace to include wheelchair access, modified furniture and assistive devices;

Sexual harassment and harassment.

Next steps

Following the SFPC meeting in Dublin this month, we plan to:

- Check to what extent the draft Code is aligned with the IAA's Code of Conduct requirements;
- Finalise the proposed Code, with due regard to the discussion at the SFPC meeting;
- Before the end of 2013, invite the SFPC to approve the proposed Code for member consultation (this approval will be by email; members of the SFPC who do not respond will be assumed to be in favour of proceeding to consultation);
- Carry out the consultation in early 2014;
- At the SFPC meeting in spring 2014, discuss the outcome of the consultation and propose a final version of the Code (depending on the outcome of the consultation, this may include further changes);
- As soon as possible after the SFPC meeting in spring 2014, publish a response to the consultation;
- Ask the SFPC to submit the Code to the General Assembly for approval at its autumn 2014 meeting (with an implementation date in 2015).

Yvonne Lynch
Convenor, Code of Conduct Working Party
16th September 2013

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Code of Professional Conduct

for Actuaries who are members of European Associations

Effective from: ~~1 January 2014~~ *to be decided*

~~Code of Professional Conduct for Actuaries who are members of European Associations~~

Comment [YL1]: The opening paragraphs have been re-cast to distinguish between introductory preamble and the Code itself. The new "Introduction" emphasises that member associations commit to the Code as a minimum set of principles.

~~*Common Principles of Ethical and Professional Behaviour accepted by the Actuarial Associations affiliated to the Groupe Consultatif Actuariel Européen*~~

~~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.~~

Introduction

1. The attached Code of Professional Conduct ("Code") sets out common principles of ethical and professional behaviour to which all actuarial associations that are Full Members[1] of the Groupe Consultatif Actuariel Européen ("Groupe Consultatif") subscribe.

2. Each Full Member association has committed to implementing a Code of Conduct that reflects, at a minimum, the requirements of the Code.

   a. Each Full Member association has agreed that the Code, or a Code of Conduct that includes, but may extend beyond, the substance of the ethical and professional principles set down in the Code[2], shall apply to all of its members who are fully qualified actuaries - and may at the association's discretion apply to other members - in the performance of their work, if this could be considered to reflect adversely on the reputation of the actuarial profession[3].

   b. 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 the performance of work, if this could be considered to reflect adversely on the reputation of the actuarial profession.

3. The Groupe Consultatif will review the Code periodically. These reviews will include monitoring of alignment with the Code of Conduct requirements of the International Actuarial Association, the Groupe Consultatif's aim being to maintain alignment in all substantive respects.

Comment [YL2]: Article 5 of the Groupe Statutes: "Actuarial associations applying for Full membership must have a Code of Conduct that reflects at least the requirements of the Groupe's Code of Professional Conduct, and comply with minimum education standards as set out in the Groupe's Core Syllabus for Actuarial Training in Europe of December 1998, as may be amended from time to time."

Comment [YL3]: It may be useful, for marketing purposes, to show commitment to the IAA's professionalism goals. The wording suggested here allows leeway to have discussions (within the Groupe and with the IAA, as appropriate) as to whether, and if so how, one or both of the Groupe and IAA Codes should change if they are not aligned. (The proposed draft Code has yet to be reviewed for alignment with the IAA requirements).

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[1] Full Member associations are situated in a Member State of the European Union or another European country and meet certain professionalism criteria specified in the Groupe Consultatif's Statutes.

[2] Member associations are not obliged to use the exact wording of this Code in their Codes of Conduct but those Codes of Conduct must nonetheless reflect the substance and spirit of this Code.

[3] Member associations are not obliged to apply this or a similar Code to circumstances where an actuary performs a role in which actuarial education, training and experience are of no relevance.

Code of Professional Conduct for Actuaries who are members of European Associations

Purpose

This Code of Professional Conduct ~~The Code~~("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.

Application

The Code applies to fully qualified actuaries who are members of actuarial associations that are Full Members of the Groupe Consultatif Actuariel Européen ("Groupe Consultatif"), other than members of any association that has itself published a Code of Conduct that reflects at least the requirements of the Code and is binding on those of its members who are fully qualified actuaries.

Comment [YL4]: This clarifies that an actuarial association could issue its own Code of Conduct, in which case that Code applies, but if it does not do so, this Code applies.

Interpretation

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

- The term "actuary" refers to a full member[4] (in particular, a fully qualified actuary) of an actuarial association that is a Full Member[5] of the Groupe Consultatif;
- The term "principal" means the party who engages the actuary. The principal will usually be the actuary's client or employer;
- The term "actuarial services" means services, based upon actuarial considerations, provided to a principal that may include the rendering of advice, recommendations, findings or opinions.

Comment [YL5]: The Jan 2014 version of the Code reads: "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". We have changed this for consistency with ISAP 1, in anticipation of the Groupe adopting ISAP 1 or implementing a standard that is substantially consistent with it. ISAP 1 defines principal as "The party who engages the provider of actuarial services. The principal will usually be the client or the employer of the actuary".

Comment [YL6]: The IAA Code of Conduct requirements refer to "professional services" but do not define the term. However, ISAP 1 defines "actuarial services" as "Services, based upon actuarial considerations, provided to intended users that may include the rendering of advice, recommendations, findings, or opinions".

Status

Actuaries to whom this Code applies are expected to ~~carry out their professional activities~~perform actuarial services 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.

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[4] The exact definition of "full member" of an actuarial association is for each association to determine, but must be the same as that notified to the Groupe Consultatif by the association for the purposes of the Agreement of April 1991 between associations concerning the recognition by each EC association of members of the other EC associations.

[5] See footnote 1 to the "Introduction".

PRINCIPLES

1. Integrity

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

2. Competence and ~~Care~~Quality of Service

An actuary shall perform ~~professional duties~~actuarial services competently and ~~with care~~carefully.

3. Compliance

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

4. Impartiality

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

5. ~~Effective~~ Communication

An actuary shall communicate effectively and meet all applicable reporting standards.

AMPLIFICATION OF PRINCIPLES

The following information, which forms part of the Code, is included in order to elaborate on how 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.

1. Integrity

1.1 An actuary shall perform actuarial~~professional~~ services with integrity and objectivity, ~~skill and care,~~ shall fulfil the actuary's professional responsibility to the principal, ~~and~~ shall not act against the public interest.

1.2 An actuary shall act in a manner that will uphold the reputation of the actuarial profession and shall, in respect of both personal behaviour and business conduct, be of good repute and integrity (proper).

1.3 An actuary ~~an~~d shall not provide information that the actuary knows or reasonably ought to know is false or misleading. An actuary who becomes aware that he or she has provided false or misleading information, or that a principal has misinterpreted information or advice provided by the actuary, shall take appropriate corrective action promptly, having regard to the materiality and relevance of the matter.

~~1.3~~1.4 An actuary shall perform ~~professional~~actuarial services with courtesy and shall co-operate with others serving the actuary's principal.

Comment [YL7]: When translated to French, "with care" has medical connotations.

Comment [YL8]: "skill and care" are considered to be part of "Competence"

Comment [YL9]: There was much discussion among the working group about the "public interest" piece. Some felt that this provision could conflict with an actuary's duty to his employer. However, the majority view was that duty to an employer should not extend to carrying out actions, or remaining silent regarding actions, that were demonstrably prejudicial to the welfare of society or certain members of society. The working group suggests that it might be useful to develop some educational material setting out what is meant by "public interest" and illustrating possible implications of this provision.

Comment [YL10]: Article 42 of the Solvency II Directive says: "Insurance and reinsurance undertakings shall ensure that all persons who effectively run the undertaking or have other key functions at all times fulfil the following requirements:
. . .
they are of good repute and integrity (proper)".
EIOPA has developed a draft guidelines on the "proper" requirement that says that an assessment of whether a person is proper "includes an assessment of that person's honesty and financial soundness based on relevant evidence regarding their character, personal behaviour and business conduct including any criminal, financial supervisory aspects regardless of location".

~~1.4~~1.5 An actuary shall respect the confidentiality of information received and shall not disclose confidential information to other persons or bodies without specific permission from the principal to do so, unless disclosure is required by law.

~~1.5~~1.6 Before accepting any specific appointment or engagement, an actuary shall consider whether doing so would place him or her at risk of failing to comply with the Principles of this Code. When an actuary is asked to ~~take on professional services~~provide actuarial services previously provided by another actuary, ~~the actuary shall consider whether it is appropriate to~~he or she should normally consult with the previous provider to establish whether there might be any professional reason not to take on the new responsibility. Any actuary who is consulted in this regard shall respond promptly, even if such response is limited to a statement that he or she cannot discuss the matter on grounds of confidentiality.

1.7 An actuary shall be honest, open and truthful in promoting and performing actuarial services.

1.8 An actuary shall be mindful that he or she may encounter situations, including relationships, that present a threat to compliance with the Principles of this Code. If such a situation arises, the actuary shall take such steps as may be necessary to eliminate the threat or reduce it to an immaterial level. Where the threat cannot be eliminated or reduced to an immaterial level, the actuary shall consider whether he or she should decline to deliver the relevant actuarial service or resign from the relevant appointment, engagement or employment.

2. Competence and ~~Care~~Quality of Service

Competence

2.1 An actuary shall perform actuarial ~~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 who is taking professional responsibility for the work.

2.2 In order to maintain his or her fitness to practice on an ongoing basis, an actuary shall carry out such training and professional development activities as are necessary to ensure that he or she achieves and maintains appropriate qualifications, knowledge and experience. Depending on the work performed, particular areas to be addressed may include (but are not limited to):

- market knowledge, including awareness and understanding of the wider business, economic and market environment in which an entity in respect of which the actuary provides actuarial services operates;
- entity-specific knowledge, including the business strategy, business model and system of governance of an entity in respect of which the actuary provides actuarial services;
- developments in actuarial methodologies and their application; and

Comment [YL11]: The working group considered whether an actuary should be required to disclose confidential information if this is justified in the public interest and disclosure is not prohibited by law. However, some felt that this was too onerous and could cause legal difficulties in some countries. We therefore excluded it, though of course individual associations may choose to include it in their own Codes, subject to local legislation etc.

Comment [YL12]: **FOR DISCUSSION:** Should this be limited to the situation where work is performed further to statutory or regulatory requirements (e.g. valuation of insurance company or pension scheme liabilities)? Or are we also concerned about situations such as pricing/marketing actuaries coming under undue influence to price/present products in a manner that they do not consider to be appropriate?

Comment [YL13]: This section draws on the language of the Solvency II Directive and EIOPA's draft guidelines on preparations for Solvency II and explanatory text on those draft guidelines.

- changes in relevant legislation, regulatory requirements and technical and professional standards.

2.3 An actuary shall consider whether advice from other professionals and other specialists is necessary to assure the relevance and quality of the actuary's work.

2.4 When deciding whether to rely on another expert's work or advice, an actuary shall consider whether it is appropriate to do so, having regard to factors such as that expert's qualifications and reputation and whether he or she has carried out the relevant work in accordance with technical and professional standards.

2.5 An actuary shall disclose any significant reliances on another expert's work or advice.

2.6 An actuary shall disclose any significant limitations that might apply in respect of actuarial services that he or she provides, including, if applicable, limitations arising from inherent uncertainty, data quality and/or constraints on the actuary (this list is not exhaustive).

Quality of Service

2.7 An actuary shall perform actuarial services carefully, thoroughly and without undue delay.

2.8 An actuary shall:

a) consider to whom he or she is providing actuarial services; and

b) take care that the actuarial services that he or she delivers are appropriate to the instructions and needs of the principal, while having due regard to:

(i) the legal and other rules that govern the matter, and

(ii) the fact that third parties[6] may be affected by the actuary's work and the principal may have a legal or professional duty of care to them. If an actuary is aware that proposed acts or omissions on the part or under the direction of the principal are likely to have an adverse impact on third parties, he or she will draw the principal's attention to this fact.

2.9 An actuary shall ensure that, in respect of work for which he or she is responsible, sufficient quality assurance processes are in place to provide confidence regarding the accuracy and completeness of the work.

3. Compliance

3.1 An actuary is responsible for observing applicable technical and professional standards and shall take into account any relevant 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).

[6] Examples might include policyholders of an insurer or members of a pension scheme.

3.2 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~~shall accept any judgement passed, or the decision of any appeal procedure.

~~3.2~~3.3 Unless precluded from doing so due to the confidentiality of relevant information, an actuary shall report promptly, for consideration under the relevant national actuarial association disciplinary scheme, any matter that appears to constitute professional misconduct by another actuary – this may include but is not limited to a material breach of any legal, regulatory or professional requirements. To the extent that the consent of a third party is required in order to disclose confidential information for this purpose, an actuary shall take all reasonable steps to obtain such consent.

3.4 If an actuary believes that a course of action proposed or taken by his or her principal is unlawful, unethical or improper, the actuary shall draw the principal's attention to that fact and shall not assist in carrying out the course of action.

3.5 An actuary shall report behaviour that he or she has reasonable cause to believe is unlawful, unethical or improper. Where relevant and appropriate, an actuary may in the first instance avail of reporting processes within his or her firm to report such behaviour. Notwithstanding the existence of such processes, where legal protection is available, an actuary shall consider whether it would be appropriate to report the behaviour in question to regulators or other relevant authorities and shall fulfil any statutory or regulatory obligations in this regard.

4. Impartiality

4.1 An actuary performing actuarial services shall take reasonable steps to identify any actual or reasonably foreseeable conflict of interest that is or may be relevant to the services. A conflict of interest exists where an actuary's duty to act in the best interests of a principal may reasonably be considered to be compromised by:

a) The actuary's own interests or the interests of a person to whom the actuary is connected;

b) The interests of other clients of the actuary; or

c) An interest of the actuary's employer (where the principal is not the actuary's employer).

4.2 An actuary shall take reasonable steps to ensure that he or she is aware of any relevant interest of his or her employer.

4.3 Unless he or she decides not to provide actuarial services, an actuary shall document the steps that he or she has taken, or proposes to take, to reconcile an actual or reasonably foreseeable conflict of interest and shall agree those steps with the principal if they would be ineffective without agreement.

4.~~1~~4 An actuary shall not perform actuarial~~professional~~ services involving an actual or ~~potential~~reasonably foreseeable conflict of interest, unless

a) the actuary's ability to act in an impartial manner is unimpaired and there has been full disclosure of the actual or ~~potential~~foreseeable conflict, including,

where appropriate, disclosure of the steps taken and/or processes put in place to minimise the implications or risk of the actual or foreseeable conflict; or

~~a)~~b) the actuary has advised the principal that his or her advice is not objective, independent or impartial, as the case may be (for example, it favours a particular party's interests), and the actuary has set out the implications of this.

4.~~2~~5 An actuary shall 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. For the avoidance of doubt, where an actuary's principal transmits information prepared by the actuary to a third party, this provision does not impose an obligation on the actuary to disclose sources of income to the third party.

5. ~~Effective~~ Communication

~~5.1 An actuary shall, in communicating professional analysis and advice:~~

~~- identify that the actuary is the source of the analysis and advice;~~

~~- state the capacity in which the actuary is acting;~~

~~- identify the principal for whom the analysis and advice is intended;~~

~~- state the scope of the work; and~~

~~- state that the actuary is available to provide the principal with supplementary information and explanation about scope, methods, data, professional judgements and conclusions.~~

5.1 In respect of any communications for which he or she is responsible, whether written or oral, an actuary shall indicate such responsibility clearly and shall ensure that:

a) The communications are clear, timely, accurate and not misleading;

b) The information included is proportionate, having regard *inter alia* to the purpose for which the relevant work was performed and its significance;

c) Subject to b), sufficient information is included to enable the principal to judge the appropriateness and implications of any recommendations made. Such information may include (but is not necessarily limited to):

- the principal's identity,
- the capacity in which the actuary is acting,
- the scope of the assignment or task to which the communication relates,
- appropriate information on assumptions and methodology used and inherent uncertainty in the results, and, if applicable,
- information on the extent to which any advice of a substantive nature takes into account the interests of a party or parties other than the principal;

d) The communications indicate how any further information or explanation can be obtained (such information might relate, for example, to scope, methods, data, professional judgements and conclusions); and

e) The method of communication, including the style of language used, is appropriate, having regard to:

(i) the intended audience;

(ii) the purpose of the communication;

(iii) the significance of the communication to its intended audience; and

(iv) the capacity in which the actuary is acting.

Approved by the General Assembly on ~~3 December 2012~~ [date]

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Code of Professional Conduct

for Actuaries who are members of European Associations

Effective from: ***to be decided***

Introduction

1. The attached Code of Professional Conduct ("Code") sets out common principles of ethical and professional behaviour to which all actuarial associations that are Full Members[1] of the Groupe Consultatif Actuariel Européen ("Groupe Consultatif") subscribe.

2. Each Full Member association has committed to implementing a Code of Conduct that reflects, at a minimum, the requirements of the Code.

   a. Each Full Member association has agreed that the Code, or a Code of Conduct that includes, but may extend beyond, the substance of the ethical and professional principles set down in the Code[2], shall apply to all of its members who are fully qualified actuaries - and may at the association's discretion apply to other members - in the performance of their work, if this could be considered to reflect adversely on the reputation of the actuarial profession[3].

   b. 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 the performance of work, if this could be considered to reflect adversely on the reputation of the actuarial profession.

3. The Groupe Consultatif will review the Code periodically. These reviews will include monitoring of alignment with the Code of Conduct requirements of the International Actuarial Association, the Groupe Consultatif's aim being to maintain alignment in all substantive respects.

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[1] Full Member associations are situated in a Member State of the European Union or another European country and meet certain professionalism criteria specified in the Groupe Consultatif's Statutes.

[2] Member associations are not obliged to use the exact wording of this Code in their Codes of Conduct but those Codes of Conduct must nonetheless reflect the substance and spirit of this Code.

[3] Member associations are not obliged to apply this or a similar Code to circumstances where an actuary performs a role in which actuarial education, training and experience are of no relevance.

Code of Professional Conduct for Actuaries who are members of European Associations

Purpose

This Code of Professional Conduct ("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.

Application

The Code applies to fully qualified actuaries who are members of actuarial associations that are Full Members of the Groupe Consultatif Actuariel Européen ("Groupe Consultatif"), other than members of any association that has itself published a Code of Conduct that reflects at least the requirements of the Code and is binding on those of its members who are fully qualified actuaries.

Interpretation

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

- The term "actuary" refers to a full member[4] (in particular, a fully qualified actuary) of an actuarial association that is a Full Member[5] of the Groupe Consultatif;
- The term "principal" means the party who engages the actuary. The principal will usually be the actuary's client or employer;
- The term "actuarial services" means services, based upon actuarial considerations, provided to a principal that may include the rendering of advice, recommendations, findings or opinions.

Status

Actuaries to whom this Code applies are expected to perform actuarial services 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.

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[4] The exact definition of "full member" of an actuarial association is for each association to determine, but must be the same as that notified to the Groupe Consultatif by the association for the purposes of the Agreement of April 1991 between associations concerning the recognition by each EC association of members of the other EC associations.

[5] See footnote 1 to the "Introduction".

PRINCIPLES

1. Integrity

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

2. Competence and Quality of Service

An actuary shall perform actuarial services competently and carefully.

3. Compliance

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

4. Impartiality

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

5. Communication

An actuary shall communicate effectively and meet all applicable reporting standards.

AMPLIFICATION OF PRINCIPLES

The following information, which forms part of the Code, is included in order to elaborate on how 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.

1. Integrity

1.1 An actuary shall perform actuarial services with integrity and objectivity, shall fulfil the actuary's professional responsibility to the principal, shall not act against the public interest.

1.2 An actuary shall act in a manner that will uphold the reputation of the actuarial profession and shall, in respect of both personal behaviour and business conduct, be of good repute and integrity (proper).

1.3 An actuaryd shall not provide information that the actuary knows or reasonably ought to know is false or misleading. An actuary who becomes aware that he or she has provided false or misleading information, or that a principal has misinterpreted information or advice provided by the actuary, shall take appropriate corrective action promptly, having regard to the materiality and relevance of the matter.

1.4 An actuary shall perform actuarial services with courtesy and shall co-operate with others serving the actuary's principal.

1.5 An actuary shall respect the confidentiality of information received and shall not disclose confidential information to other persons or bodies without specific permission from the principal to do so, unless disclosure is required by law.

1.6 Before accepting any specific appointment or engagement, an actuary shall consider whether doing so would place him or her at risk of failing to comply with the Principles of this Code. When an actuary is asked to provide actuarial services previously provided by another actuary, he or she should normally consult with the previous provider to establish whether there might be any professional reason not to take on the new responsibility. Any actuary who is consulted in this regard shall respond promptly, even if such response is limited to a statement that he or she cannot discuss the matter on grounds of confidentiality.

1.7 An actuary shall be honest, open and truthful in promoting and performing actuarial services.

1.8 An actuary shall be mindful that he or she may encounter situations, including relationships, that present a threat to compliance with the Principles of this Code. If such a situation arises, the actuary shall take such steps as may be necessary to eliminate the threat or reduce it to an immaterial level. Where the threat cannot be eliminated or reduced to an immaterial level, the actuary shall consider whether he or she should decline to deliver the relevant actuarial service or resign from the relevant appointment, engagement or employment.

2. Competence and Quality of Service

Competence

2.1 An actuary shall perform actuarial 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 who is taking professional responsibility for the work.

2.2 In order to maintain his or her fitness to practice on an ongoing basis, an actuary shall carry out such training and professional development activities as are necessary to ensure that he or she achieves and maintains appropriate qualifications, knowledge and experience. Depending on the work performed, particular areas to be addressed may include (but are not limited to):

- market knowledge, including awareness and understanding of the wider business, economic and market environment in which an entity in respect of which the actuary provides actuarial services operates;
- entity-specific knowledge, including the business strategy, business model and system of governance of an entity in respect of which the actuary provides actuarial services;
- developments in actuarial methodologies and their application; and
- changes in relevant legislation, regulatory requirements and technical and professional standards.

2.3 An actuary shall consider whether advice from other professionals and other specialists is necessary to assure the relevance and quality of the actuary's work.

2.4 When deciding whether to rely on another expert's work or advice, an actuary shall consider whether it is appropriate to do so, having regard to factors such as that expert's qualifications and reputation and whether he or she has carried out the relevant work in accordance with technical and professional standards.

2.5 An actuary shall disclose any significant reliances on another expert's work or advice.

2.6 An actuary shall disclose any significant limitations that might apply in respect of actuarial services that he or she provides, including, if applicable, limitations arising from inherent uncertainty, data quality and/or constraints on the actuary (this list is not exhaustive).

Quality of Service

2.7 An actuary shall perform actuarial services carefully, thoroughly and without undue delay.

2.8 An actuary shall:

a) consider to whom he or she is providing actuarial services; and

b) take care that the actuarial services that he or she delivers are appropriate to the instructions and needs of the principal, while having due regard to:

(i) the legal and other rules that govern the matter, and

(ii) the fact that third parties[6] may be affected by the actuary's work and the principal may have a legal or professional duty of care to them. If an actuary is aware that proposed acts or omissions on the part or under the direction of the principal are likely to have an adverse impact on third parties, he or she will draw the principal's attention to this fact.

2.9 An actuary shall ensure that, in respect of work for which he or she is responsible, sufficient quality assurance processes are in place to provide confidence regarding the accuracy and completeness of the work.

3. Compliance

3.1 An actuary is responsible for observing applicable technical and professional standards and shall take into account any relevant 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).

3.2 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, shall accept any judgement passed, or the decision of any appeal procedure.

[6] Examples might include policyholders of an insurer or members of a pension scheme.

3.3 Unless precluded from doing so due to the confidentiality of relevant information, an actuary shall report promptly, for consideration under the relevant national actuarial association disciplinary scheme, any matter that appears to constitute professional misconduct by another actuary – this may include but is not limited to a material breach of any legal, regulatory or professional requirements. To the extent that the consent of a third party is required in order to disclose confidential information for this purpose, an actuary shall take all reasonable steps to obtain such consent.

3.4 If an actuary believes that a course of action proposed or taken by his or her principal is unlawful, unethical or improper, the actuary shall draw the principal's attention to that fact and shall not assist in carrying out the course of action.

3.5 An actuary shall report behaviour that he or she has reasonable cause to believe is unlawful, unethical or improper. Where relevant and appropriate, an actuary may in the first instance avail of reporting processes within his or her firm to report such behaviour. Notwithstanding the existence of such processes, where legal protection is available, an actuary shall consider whether it would be appropriate to report the behaviour in question to regulators or other relevant authorities and shall fulfil any statutory or regulatory obligations in this regard.

4. Impartiality

4.1 An actuary performing actuarial services shall take reasonable steps to identify any actual or reasonably foreseeable conflict of interest that is or may be relevant to the services. A conflict of interest exists where an actuary's duty to act in the best interests of a principal may reasonably be considered to be compromised by:

a) The actuary's own interests or the interests of a person to whom the actuary is connected;

b) The interests of other clients of the actuary; or

c) An interest of the actuary's employer (where the principal is not the actuary's employer).

4.2 An actuary shall take reasonable steps to ensure that he or she is aware of any relevant interest of his or her employer.

4.3 Unless he or she decides not to provide actuarial services, an actuary shall document the steps that he or she has taken, or proposes to take, to reconcile an actual or reasonably foreseeable conflict of interest and shall agree those steps with the principal if they would be ineffective without agreement.

4.4 An actuary shall not perform actuarial services involving an actual or reasonably foreseeable conflict of interest, unless

a) the actuary's ability to act in an impartial manner is unimpaired and there has been full disclosure of the actual or foreseeable conflict, including, where appropriate, disclosure of the steps taken and/or processes put in place to minimise the implications or risk of the actual or foreseeable conflict; or

b) the actuary has advised the principal that his or her advice is not objective, independent or impartial, as the case may be (for example, it favours a particular party's interests), and the actuary has set out the implications of this.

4.5 An actuary shall 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. For the avoidance of doubt, where an actuary's principal transmits information prepared by the actuary to a third party, this provision does not impose an obligation on the actuary to disclose sources of income to the third party.

5. Communication

5.1 In respect of any communications for which he or she is responsible, whether written or oral, an actuary shall indicate such responsibility clearly and shall ensure that:

a) The communications are clear, timely, accurate and not misleading;

b) The information included is proportionate, having regard *inter alia* to the purpose for which the relevant work was performed and its significance;

c) Subject to b), sufficient information is included to enable the principal to judge the appropriateness and implications of any recommendations made. Such information may include (but is not necessarily limited to):

- the principal's identity,
- the capacity in which the actuary is acting,
- the scope of the assignment or task to which the communication relates,
- appropriate information on assumptions and methodology used and inherent uncertainty in the results, and, if applicable,
- information on the extent to which any advice of a substantive nature takes into account the interests of a party or parties other than the principal;

d) The communications indicate how any further information or explanation can be obtained (such information might relate, for example, to scope, methods, data, professional judgements and conclusions); and

e) The method of communication, including the style of language used, is appropriate, having regard to:

(i) the intended audience;

(ii) the purpose of the communication;

(iii) the significance of the communication to its intended audience; and

(iv) the capacity in which the actuary is acting.