

ACTUARIAL PRACTICE IN NON TRADITIONAL AND NON-ACTUARIAL ROLES

Professionalism Committee Discussion Paper – February 2016

BACKGROUND

Actuarial practice in most parts of the world is focused on traditional roles related to insurance products, reserving and pension funds, for which a number of standards of practice have been established. However, even in insurance, you may find actuaries doing diverse activities in underwriting, claims, reinsurance, marketing, sales, operations, systems, finance and investments to mention a few. Also actuaries are involved in many cases as part of the management group as CEOs, COOs, CFOs - in all these mentioned roles there are no actuarial standards as such, and creating actuarial standards for roles could be problematic.

Actuaries are also involved in some cases in risk management responsibilities as well as holding positions in activities related to financing, investments, banking, statistics, demography, operations research, marketing, polling entities and in some cases government activity in Finance Ministries, Central Banks, as well as holding positions of high responsibility as heads of some of these institutions.

The above-mentioned activities do not have standards of practice as such, like the ones that are clearly established for “traditional actuarial work”, thus the questions arise as to how can we as a profession guarantee that the work that is being done complies with the professionalism principles of ethics, and public responsibility.

These actuaries were trained in Actuarial Science and many of them, at least once in their early stages, may have done traditional work. As mentioned previously for their line of work it is very difficult to set standards or have Continuing Professional Development (CPD) programs, thus the question arises: How can the profession, guarantee that these actuaries comply with the principles of professionalism?

RESULTING QUESTIONS:

The following questions were considered:

1. Is there a need to develop standards of practice for
 - a. Actuaries in non-traditional roles?
 - b. Actuaries in non-actuarial roles (i.e., not doing “actuarial” work)?
 - i. One consideration is whether such standards would hurt or help the profession and the job opportunities for credentialed actuaries.
2. Who should be recognized as an actuary?
 - a. Those doing actuarial work?
 - i. Only if credentialed?
 - ii. Whether credentialed or not?
 - b. Those with an actuarial credential, whether doing actuarial work or not?
3. Is CPD as defined and/or monitored by their actuarial association a necessity for:
 - a. Actuaries in non-traditional roles?
 - b. Actuaries in non-actuarial roles?If a necessity, how should it be done? Who should be involved?

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DISCUSSION

1. Is there a need to development standards of practice for:

a. Actuaries in non-traditional roles.

Standards of practice in a particular area are most readily developed after some level of experience in that area has already occurred. Experience can be an excellent educator as to what works and what doesn't work, what is feasible versus not feasible, and what approaches contain risk versus what approaches are low risk. If standards are developed without the insight obtained from experience there are multiple risks, including the limiting of future experimentation that could lead to stronger practice, providing guidance that is not feasible or (with hindsight) clearly suboptimal, and artificial limitations on actuaries that don't apply to non-actuaries (possibly impairing the reputation of actuaries vis-à-vis their competition).

The opposing side of this issue would be that standards provide a benefit to the employers of actuaries that should not be easily discarded. It ensures that the buyer of actuarial services (and the public) will obtain a professional product when they hire an actuary.

Another consideration is the existence of generic practice standards not tied to a particular area of practice (as illustrated by the IAA's model standard ISAP 1). Such a generic standard can provide basic assurance that a qualified actuary is acting in a professional manner, even in non-traditional areas that do not currently have specific standards of practice.

Recommendation: Consider the development of standards designed for non-traditional areas once sufficient actuarial experience in those non-traditional areas has occurred. Take into consideration, when developing such standards, the experience of non-actuaries in those areas.

b. Actuaries in non-actuarial roles?

One issue here is whether actuaries would have the expertise in writing standards for non-actuarial roles, or whether writing such standards might violate actuarial codes of conduct with regard to the actuary or actuaries writing such standards essentially practicing outside their area of expertise. Another issue is the broad (almost unlimited) scope of non-actuarial roles. These issues point to the difficulty of writing such standards.

Another concern in this area is whether such standards would serve to protect the public or enhance the reputation of the profession. We need to keep in mind the overall professional code of conduct that an actuary would have to follow. These already would help protect the public and the reputation of the profession. Would anything more be needed?

Recommendation: Stress the importance of the code of conduct for all actuaries in all their work, whether actuarial or otherwise. This adherence to the code in all an actuary's endeavors could be included in branding efforts and other publicity for the

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profession, potentially enhancing the reputation of the actuary to the public and helping to further what is recognized as actuarial practice.

2. Who should be recognized as an actuary?

In considering this question, the various actuarial designations were discussed. These vary by jurisdiction, with the same terms sometimes having different meanings in different jurisdictions. There are university degrees in Actuarial Science that may or may not lead to the title of actuary, depending on the jurisdiction. There are actuarial associations that may or may not allow members that meet the definition of Fully Qualified Actuary (FQA). There are those that meet the definition of FQA, whether or not they currently are members of an actuarial association. And there may be further requirements such as Practicing Certificates for some roles that may have a prerequisite of being an FQA.¹

The question of whether someone not doing actuarial work should be recognized as an actuary, and whether someone doing actuarial work but with no actuarial designation should be recognized as an actuary was also considered.

Actuaries in many environments are university trained and are recognized as such for the fact that they have finished the corresponding program as well as fulfilled the needed requirements as to receive the title of Actuary. These professionals could eventually choose to be credentialed if their area of development is related to insurance, if not they could choose to be credentialed or not and can develop an activity in other areas and be recognized as an actuary (in certain jurisdictions), mainly because of holding a University degree.

As is well known in other environments the actuarial designation can only be obtained and maintained if it is granted by an actuarial association or corresponding body, in this case the credentialed actuary can choose to either work on a traditional role, where the credential is needed, or utilize his skills in a non-traditional role where eventually there is no need for a credential, but in order to maintain its actuarial designation it is necessary that the professional in question fulfills the requirements established by the actuarial body, principally those related to CPD.

There are also some that do work generally described as actuarial, but without any actuarial designation. These people may have been trained on the job and may have even reached a high level of competence and expertise in actuarial work.

¹ In short, the various designations that were discussed include the following. (There may be more than what is listed below.)

- Actuarial Science University Degree
- Title of Actuary (generally recognized or bestowed by a governmental body)
- Membership in an actuarial association (ideally one that belongs to the IAA)
- Fully Qualified Actuary
- FQA that is specifically credentialed for certain roles via special exams (labeled “certified” in some jurisdictions)
- Practicing Certificate holder (generally an FQA that meets certain other criteria that may or may not involve special examinations)

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Recommendation - Considering the first two cases mentioned above, in both cases the professional is recognized as an actuary, in the first case due to its university degree, in the second case, because the only way in which the actuarial designation can be maintained is by observing the established requirements. Thus the Profession should be focused as to guarantee that professionals with an Actuarial denomination, whether credentialed or not, are fully observant of the Ethics and Code of Conduct as to maintain its recognition and prestige.

With regard to the third case above, even for those individuals that are technically competent, there is a lack of protections for the public that come with being a professional – no Code of Conduct, no requirement to adhere to standards, and no discipline process to enforce a professional code or standards. Hence we could recommend that any branding effort focus on these aspects of a profession, and how the public should look for these when looking for actuarial services.

3. Is CPD as defined and/or monitored by their actuarial association a necessity for:

a. Actuaries in non-traditional roles?

b. Actuaries in non-actuarial roles?

If a necessity, how should it be done? Who should be involved?

Recommendation: CPD requirements to be revisited once the recommendations of the EC task force on CPD requirements are known.

CONCLUSION:

Recommendation to the Branding and Communications Subcommittee of the EC:

Adherence to the COC in all of an actuary's endeavours should be included in branding efforts and other publicity for the profession to enhance the reputation of the Actuary among the public, and help to elevate the status of what is recognized as actuarial practice.