



IAA Committee on Professionalism Mutual Recognition and other Cross-Border Practice Issues

1. As the actuarial profession becomes more global and as the clients we serve expand their international presence, there is increasing demand for actuaries to practice outside their home or native countries. IAA member organizations increasingly need to consider what requirements to impose on actuaries from other countries who wish to practice in their countries. A number of national actuarial organizations have been negotiating mutual recognition agreements on a bilateral or multilateral basis. In some instances, international trade negotiations include provisions relating to international professional practice, and it is frequently necessary or desirable that our professional requirements conform to the trade agreements.
2. The IAA Committee on Professionalism has developed this paper as a resource for national bodies. To the extent it might be useful, the Committee is prepared to advise or facilitate national bodies with respect to issues related to cross-border actuarial practice.

General Principles

3. The Committee believes that the public is best served if allowed to choose from as wide a range of actuarial practitioners as reasonably practical. Accordingly, national bodies and regulators should be encouraged to recognize the qualifications of actuaries wherever those qualifications are acquired.
4. Similarly, the Committee believes it is to the advantage of the members of the profession to be allowed to practice as widely as they are qualified to practice.
5. The IAA has determined that basic education requirements for actuaries are universal and has adopted guidelines for a common basic curriculum. These guidelines would appear to be an appropriate starting point for recognizing cross-boarder qualifications.
6. Laws, regulations, market practices, and other conditions vary from jurisdiction to jurisdiction. An actuary practicing in a jurisdiction other than where he originally qualified should be required to demonstrate knowledge of such local circumstances as affect the actuary's practice. National organizations may wish to establish requirements to ensure that actuaries that qualified elsewhere are sufficiently knowledgeable with respect to local differences.
7. The codes of conduct of all member organizations require that an actuary follow standards that apply in the jurisdiction in which an actuary practices even if those standards differ from

those of the actuary's home country. Failure to follow such standards would subject an actuary to discipline in all member organizations to which the actuary belongs.

Different Forms of Recognition

8. Cross-border recognition by a national organization of an actuary whose qualifications were obtained outside the organization's country may involve several different elements, including the following.
 - Recognition of educational qualifications
 - Recognition of such qualifications for the purpose of admission as a member of the organization .
 - Authorizing an actuary to practice. This may vary depending on the actuarial function performed and may not be within the authority of the organization to provide.
9. These elements may be recognized separately, or may be combined in various forms. A mutual recognition agreement needs to specify the forms of recognition that are encompassed. Most mutual recognition agreements will focus on practice rights. These practice rights may or may not include the right to becoming a member of the national organization and may or may not include the right to use professional designations such as "Fellow", "Associate", etc.
- 10 Some organizations have more than one level of membership: e.g. "Student", "Associate", "Fellow", and the recognition requirements may apply to only certain levels or may vary by level.

Educational Qualifications

11. A useful place to start may be the IAA's standard for member organizations' educational syllabus.

Organizations may well want to require evidence of at least this level of education for either membership or qualification to practice. Because these standards have only been required of new members of IAA member organizations, the organization may want specific assurance that an actuary applying for recognition has satisfied the appropriate education requirement.

12. Many organizations have educational qualifications higher than the IAA minimum. It is probable that such organizations may not want to admit to membership actuaries from other countries with lesser educational qualifications than it requires for its own nationals. However, it is possible that they may be willing to accept such lesser qualifications as qualifications to practice, possibly on a limited basis.
13. Because of the considerable variation in education content and practice among organizations and over time within an organization, it is hoped that there be a reasonable degree of

flexibility in defining education standards to facilitate the reaching of agreements. After all, it is the overall education of an actuary that contributes to his or her qualification to practice, not the detailed content.

Qualifications to Practice

14. In addition to satisfying appropriate educational requirements, a national organization will want assurance that an actuary has sufficient knowledge and experience with respect to its nation's applicable laws, regulations, and practices. A common requirement is one year's practical experience within the previous five in the business of the nation where practice rights are sought, often under the supervision of an actuary who is recognized in that nation.
15. A member organization may have other qualification requirements that it applies to its own members, which it would expect to also apply to actuaries who qualify elsewhere. For example, the UK requires practice certificates for Appointed Actuaries, which are issued by the Institute or the Faculty. The US requires actuaries who sign regulatory documents for life and health companies to have completed examinations on the subject or have attended a seminar on US life/health insurance. Canada requires such a seminar as a membership requirement.

Other Requirements

16. A common requirement is that an actuary maintain membership in the home country national organization as a condition to maintaining membership in the foreign organization. This would ensure that the actuary would be subject to the standards and discipline of his home country organization and would ensure continuing financial support to that organization. However, this requirement may be difficult to administer, especially if the actuary emigrates.
17. An organization may wish to limit membership to those actuaries from outside the country who wish to practice as actuaries in their country and who so attest.
18. There may be minimum practice or educational requirements that an organization requires of its members that would apply to actuaries joining from other countries. For example, it may be required that the actuary attend an approved professionalism course.

Jurisdiction of Practice

19. The Code of Conduct of all member organizations require an actuary to follow the standards of practice of the jurisdiction where the actuary is performing services, which could differ from the standards of practice of the actuary's home country. Determining the jurisdiction where the actuary is performing can be complicated. The following guidelines may be helpful in determining the applicable jurisdiction.
 - If an actuary explicitly states in his or her report that the work is subject to the standards of a particular jurisdiction, then that jurisdiction would apply. Under such circumstances it is possible that the standards of other jurisdictions might also apply.

- Generally, the expectations of the client or user of the actuarial work would determine jurisdiction, especially when those expectations can be reasonably inferred from the work. For example, a report required by a regulatory body can be presumed to be subject to the jurisdiction of the location of the regulatory body.
- Where the jurisdiction is not clear, the location of the client or user will generally be the applicable jurisdiction, not the location of the actuary or the location where the work was physically performed.
- If there is any possible doubt as to the applicable jurisdiction, the actuary should specifically state which jurisdiction's standards have been followed.
- Where there is more than one potential jurisdiction and where the standards of practice of potential jurisdictions differ, it may be appropriate for an actuary to state where a standard of a potential jurisdiction had not been followed and the consequences of not following that standard.

Discipline

20. A Mutual Discipline Agreement would usually be appropriate to describe the various organizations' responsibilities with respect to investigations of misconduct allegations and other discipline matters.
21. Unless a Mutual Discipline Agreement provides otherwise, if an actuary is a member of more than one national organization and is determined by one organization to have violated its Code of Professional Conduct, then the actuary most likely has violated the Code of Professional Conduct of the other organizations to which he or she belongs. Each organization will have its own due process procedures and each organization will independently determine if discipline is appropriate and if so the applicable discipline.
22. If an organization takes disciplinary action against an actuary and the actuary belongs to other actuarial organizations, then the disciplining organization should notify the other organizations to which the actuary belongs so that those organizations may also consider disciplinary action. An exception may be where the rules of the disciplining organization require that their action be kept confidential.

Illustrative Mutual Recognition Agreement

The Appendix is an illustrative mutual recognition agreement. Organizations considering such agreements may find this a useful template for developing an agreement. Of course, changes may be needed to fit the circumstances or desires of the respective organizations. The numerical references in the illustrative agreement refer to the paragraphs in the above paper.

APPENDIX

Illustrative Mutual Recognition Agreement

BETWEEN: **The Actuarial Association of Atlantis,**
Hereinafter referred to as “**Association A**”

AND: **The Actuarial Association of Babylon,**
Hereinafter referred to as “**Association B**”.

A. ASSOCIATION A AGREES AS FOLLOWS:

1. Upon submission of an appropriate application, Association A shall admit to membership any member in good standing of Association B who satisfies the following conditions. [9]
 - a. Has attained full membership in Association B through satisfying Association B’s admission requirements other than in recognition of membership in another actuarial organization.
 - b. Has completed the then-current minimum educational guidelines of the International Actuarial Association. [11]
 - c. Attests that he or she wishes to pursue actively the actuarial profession in Atlantis or to provide actuarial advice in Atlantis or on matters pertaining to Atlantis. [17]
 - d. Has at least three years’ appropriate practical actuarial experience of which at least one year was in the last five years and pertained to matters involving business of Atlantis. [14]
 - e. Has attended a professionalism course approved by Association A. [15]
2. An actuary admitted to membership in Association A under this agreement will have the same rights, duties, obligations, and privileges as other members of Association A. Such actuary will be subject to Association A’s Code of Professional Conduct, standards, and disciplinary procedures and will be responsible for dues, application fees, and other fees to the same extent as other members.
3. An actuary admitted to membership in Association A under this agreement will have the same right to practice as an actuary in Atlantis as other members of Association A. Such actuary will be subject to the same qualification standards as other members of Association A. [9, 15]
4. An actuary who is a member of Association B but is not a member of Association A may nevertheless practice to a limited extent with respect to matters pertaining to Atlantis provided such practice is incidental to the primary practice of the actuary and provided that such practice is not prohibited by law or regulation. In such circumstances, the actuary must

follow the Code of Professional conduct and standards of Association A with respect to such incidental practice including not undertaking duties for which he or she does not have the relevant knowledge and experience. [7]

B. ASSOCIATION B AGREES AS FOLLOWS:

1. Upon submission of an appropriate application, Association B shall admit to membership any member in good standing of Association A who satisfies the following conditions. [9]
 - a. Has attained full membership in Association A through satisfying Association A's admission requirements other than in recognition of membership in another actuarial organization.
 - b. Has completed the then-current minimum educational guidelines of the International Actuarial Association. [11]
 - c. Attests that he or she wishes to pursue actively the actuarial profession in Babylon or to provide actuarial advice in Babylon or on matters pertaining to Babylon. [17]
 - d. Has at least three years' appropriate practical actuarial experience of which at least one year was in the last five years and pertained to matters involving business of Babylon. [14]
 - e. Has attended a professionalism course approved by Association B. [15]
2. An actuary admitted to membership in Association B under this agreement will have the same rights, duties, obligations, and privileges as other members of Association B. Such actuary will be subject to Association B's Code of Professional Conduct, standards, and disciplinary procedures and will be responsible for dues, application fees, and other fees to the same extent as other members.
3. An actuary admitted to membership in Association B under this agreement will have the same right to practice as an actuary in Babylon as other members of Association B. Such actuary will be subject to the same qualification standards as other members of Association B. [9, 15]
4. An actuary who is a member of Association A but is not a member of Association B may nevertheless practice to a limited extent with respect to matters pertaining to Babylon provided such practice is incidental to the primary practice of the actuary and provided that such practice is not prohibited by law or regulation. In such circumstances, the actuary must follow the Code of Professional conduct and standards of Association B with respect to such incidental practice including not undertaking duties for which he or she does not have the relevant knowledge and experience. [7]

C. THE ASSOCIATIONS FURTHER AGREE AS FOLLOWS:

1. The Associations shall inform each other of any changes in their educational, experience, or other admission requirements. They shall also inform each other of any changes in their Codes of Professional Conduct, standards, or disciplinary procedures.
2. Each Association shall notify the other of any disciplinary complaints brought against any actuary who is a member of both Associations, to the extent such notification is permitted under the association's rules of procedure. To the extent possible, the Associations will cooperate in the investigation of such complaints, with the Association under whose jurisdiction where the practice subject to the complaint is deemed to occur providing the leadership. Each party shall notify the other of any public disciplinary action taken against any actuary who is a member of the other Association. [21]
3. This agreement may be terminated by either Association for any reason following one year's notice. Termination of this agreement will not affect rights already granted to individual members under this agreement.

SIGNED ON BEHALF OF ASSOCIATION A,

AT _____, THIS ____ DAY OF _____, 20__

Per: _____, Title _____

Ratified by its Board of Directors, _____, 20__

SIGNED ON BEHALF OF ASSOCIATION B,

AT _____, THIS ____ DAY OF _____, 20__

Per: _____, Title _____

Ratified by its Board of Directors, _____, 20__