How International are You? -- Ethics and Professionalism from an International Perspective

Session 201 A
Limited Attendance Session

Session Moderator:
Geoff Rashbrooke (New Zealand)
Panelists

- Scott Miller (US)
- David Martin (UK)
- Mike Angelina (US)
- Peter Doyle (South Africa)
Session Objectives

• Understand that actuaries increasingly find themselves operating internationally.
• Consider the proposed IAA Principles that will govern international actuarial work.
• Explore these issues in more depth by participating in case studies and joining in the discussion.
Governance of International Actuarial Work - Principles

- International Actuarial Work is defined as work under the jurisdiction/ regulation of one country, carried out by an actuary...... ......in a different country

- Law/standards/regulatory framework of more than 1 country are relevant
Qualification, Codes and Standards

- Each IAA association’s Code of Conduct requires actuaries to be competent in their work and understand relevant legal and regulatory requirements.
- Apply codes and standards and satisfy educational & qualification standards of each of their IAA bodies and any local such standards.
Qualification, Codes and Standards continued

• Where more than one set of standards may apply – exercise judgment in circumstances
  – Context and purposes
  – Market expectations and norms
  – Safeguard clients’ and public interest
• Be open with clients regarding codes and standards used
Continuous Professional Development

- Compliance with CPD requirement of all associations of which a member
- Associations encouraged to recognise CPD done for other associations and avoid duplication
Disciplinary Investigation & Enforcement

- Subject to disciplinary jurisdiction of those IAA associations of which a member
- Associations share information where possible and legal to do so
- Various ways exist to coordinate the process between associations
Case Studies

• First Session
  – Case studies 1 & 2 of a general cross border nature
  – One on use of standards and one on CPD

• Second Session
  – Case studies 3 & 4 of a more specific nature relating to issues typical of those arising in cross border actuarial work

Groups will look at either Study 1 OR 2 AND either Study 3 or 4
Case Study 1

- Arthur – actuary in A-land, acting for A-co
- Ben – actuary in B-land, acting for B-co
- Catherine - actuary in C-land, acting for C-co
- Dennis - actuary in D-land, acting for D-co
- Standards set by SAA, SAB, National regulator in C-Land and AASD
  – Arthur prepares SAO for A-co and collates SAOs from other actuaries for subsidiaries B, C and D-co
Case Study 1 continued

• Does Arthur insist SAA standards apply to others’ SAOs?
• Do Ben, Catherine and Dennis insist on their local standards?
• If not conflicting should all standards apply?
• What if standards conflict?
• What if one is principles-based and another is prescriptive?
Case Study 1 continued

- How does Arthur cope with differing SAOS?
- Can Arthur insist on a common template?
- Should the client be asked for a view on which to use and how does Arthur react?
- Do the actuaries pay more or less attention depending on who sets the standards?

–Consider these in the context of your own experience – insurance or pensions or other fields. Consider Principles paper section 2.1
Case Study 2

• Erica is an actuary in E-land and has a client E-co headquartered there
• Frank is an actuary in F-land and advises F-co there – a subsidiary of E-co
• Erica prepares a consolidated SAO based on her work and Frank’s work
• SAE’s rules require 30 hours of unspecified CPD. SAF requires 15 hours, but technically relevant to work done.
Case Study 2 continued

- Erica satisfies the SAE hours requirement with CPD of a general nature.
- Frank has done 20 hours technically relevant CPD – half on work like that for Erica, and half on his other work.
- Should Erica reject Frank’s SAO?
- Should SAF take the issue up with SAE?
- Should IAA have a guideline?

Consider in the context of your own experience and “Principles” section 2.2
Case Study 3

- Multinational Insurer based in Germany
- Executives note profit generation in Germany is not tax efficient
- Request to transfer to Ireland
- You work for a subsidiary and are aware mandated assumptions for Germany for transfer are more onerous than those for recent valuations
Case Study 3 continued

• Previously execs did not wish too prudent valuation assumptions so large profits released to shareholders (and support bonus)

• Clear now that if assumptions for transfer are much more prudent, future valuations will produce more bonuses as tax lower and Irish valuation requirements are less onerous.
Case Study 3 continued

• You know German authorities require transfer assumptions to be “fair”
• You think Irish authorities may have similar requirements
• You hear new Irish requirements on Conflicts of Interest might be relevant?
• You believe authorities in both countries may not understand the leveraged implications of assumptions
Case Study 3 continued

• What possible professional/ethical issues?
• What is relevance of Irish professional standard?
• What are your responsibilities choosing prudent or reasonable assumptions rather than FD?
• If FD insists do you refuse - or comply but disclose your disagreement?
• Is it different if you think FD will not publish your report but just the end results?
Case Study 3 continued

• To whom do you owe a duty of care?
  – The multinational’s Board of Directors
  – The multinational’s employees
  – The multinational’s shareholders
  – The German insurance authorities
  – The Irish insurance authorities
  – The general Public
  – Actuarial associations in Germany, Ireland and the IAA?
Case Study 3 continued

• Are your answers different if you are a consultant rather than working directly for the multinational company?
Case Study 4

- You work for a UK part of multinational reinsurer being broken up due to poor performance
- Some sections (e.g., UK operation) profitable
- Parent co. guarantees and capital injections removed or curtailed
- UK office is solvent but only for current business and 6 months’ new business
Case Study 4 continued

- What professional/ethical issues arise for you?
- If new UK whistle blowing standards come in, where clients may suffer, how is your judgment affected?
- If those new standards are instead in Switzerland, where the subsidiary most likely to be affected by removal of parental guarantees is based, how relevant are these standards to you as UK actuary?
time for feedback