

Canadian Experience with Actuarial Standards of Practice and Member Discipline

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Hierarchy

- ▶ Guiding Principles
 - ▶ Rules of Professional Conduct
 - ▶ Standards of Practice
 - ▶ Education Notes
 - ▶ Research Papers
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Guiding Principles

- ▶ Guiding Principles were developed to allow CIA to plan for the future of the actuarial profession in Canada.
 - ▶ They have remained unchanged since their formal adoption in 1993.
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First Guiding Principle

- ▶ *In carrying on its activities and programs, the Institute holds the duty of the profession to the public above the needs of the profession and its members.*
 - ▶ Duty to Public is paramount and this concept is embedded in formal Rules of Professional Conduct and Standards of Practice.
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Rules of Professional Conduct

- ▶ *The Rules identify the professional and ethical standards with which a member must comply and thereby serve the public interest.*
 - ▶ The Rules apply to all CIA members at all times and in all locations.
 - ▶ The Rules are controlled by CIA and were originally adopted in 1992
 - ▶ The Rules have been revised several times but really only to add clarity.
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Rules of Professional Conduct

- ▶ Rule 1 – Professional Integrity
 - ▶ A member shall act honestly, with integrity and competence, and in a manner to fulfil the profession's responsibility to the public and to uphold the reputation of the actuarial profession.
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Rules of Professional Conduct

- ▶ Rule 2 – Qualification Standards
 - ▶ A member shall perform professional services only when the member is qualified to do so and meets applicable qualification standards.
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Rules of Professional Conduct

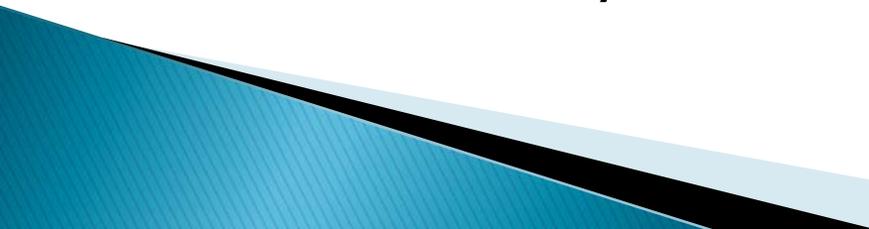
- ▶ Rule 3 – Standards of Practice
 - ▶ A member shall ensure that professional services performed by or under the direction of the member meet applicable standards of practice.
 - ▶ i.e. members must follow Standards
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Rules of Professional Conduct

- ▶ Rule 4 – Disclosure
- ▶ A member shall make full and timely disclosure to a client ... of all direct and indirect compensation ...received ... in relation to an assignment ...

Rules of Professional Conduct

- ▶ Rule 5 – Conflict of Interest

 - ▶ A member shall not perform professional services involving an actual or potential conflict of interest unless:
 - a) the member's ability to act fairly is unimpaired,
 - b) there has been full and timely disclosure of the conflict to all known present and prospective direct users, and
 - c) all known present and prospective direct users have expressly agreed to the performance of the services by the member
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Rules of Professional Conduct

- ▶ Rule 6 – Control of Work Product
 - ▶ A member ... shall take reasonable steps to ensure that [professional] services are not used to mislead other parties or to violate or evade the law.
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Rules of Professional Conduct

- ▶ Rule 7 – Confidentiality
 - ▶ A member shall not disclose ... any confidential information ... unless expressly or implicitly authorized to do so by the client ...,
 - ▶ [EXCEPT if] required to do so under Rule 13, ... disciplinary process ..., or law.
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Rules of Professional Conduct

- ▶ Rule 8 – Courtesy and Cooperation
 - ▶ A member shall perform professional services with courtesy and professional respect, shall avoid unjustifiable or improper criticism of other members, and shall cooperate with others in the client's or employer's interest.
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Rules of Professional Conduct

- ▶ Rule 9 – Advertising
 - ▶ A member shall not engage in any advertising of professional services... that the member knows or should know are false or misleading, or that reflects unfavourably on the profession or the competence or integrity of any member thereof.
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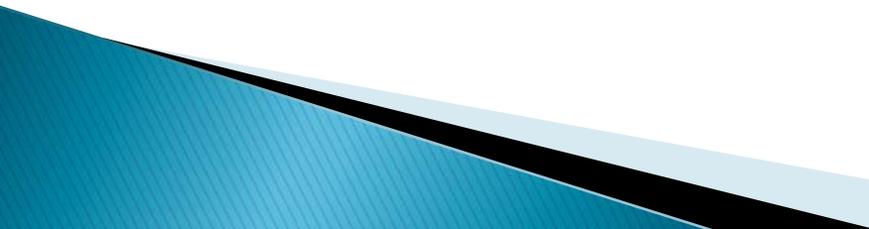
Rules of Professional Conduct

- ▶ Rule 10 – Titles
 - ▶ A member shall make use of membership titles and designations of a recognized actuarial organization only in a manner that conforms to the practices authorized by that organization.
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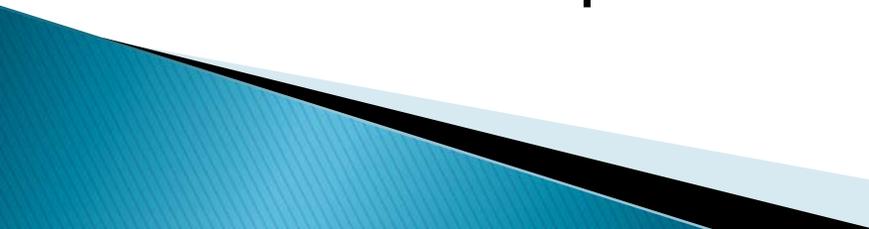
Rules of Professional Conduct

- ▶ Rules 11 and 12 – Collateral Obligations
 - ▶ A member shall be subject to ... disciplinary procedures if the member is convicted ...[of] any criminal offence... .
 - ▶ A member shall respond promptly, truthfully and fully to any request ...regarding any disciplinary matter
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Rules of Professional Conduct

- ▶ Rule 13 – Reporting Noncompliance
 - ▶ A member who becomes aware of an apparent material noncompliance with the Rules or the standards of practice by another member shall attempt to discuss the situation with the other member and resolve the apparent noncompliance.
 - ▶ In the absence of ...resolution, the member shall report such apparent noncompliance to the Committee on Professional Conduct
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Actuarial Standards Board

- ▶ Standards of Practice are promulgated by Actuarial Standards Board (ASB) which is independent of CIA.
 - ▶ ASB is governed by Actuarial Standards Oversight Council (ASOC) composed largely of non-actuaries.
 - ▶ ASOC ensures that Standards are in best interest of public
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Standards of Practice

- ▶ Provide GENERAL guidance applicable to all actuarial work in Canada and PRACTICE SPECIFIC guidance applicable only to certain types of actuarial work in Canada.
- ▶ Consist of RECOMMENDATIONS (in *italicized* font) which must be generally be followed and other supporting guidance and examples (in Roman font)

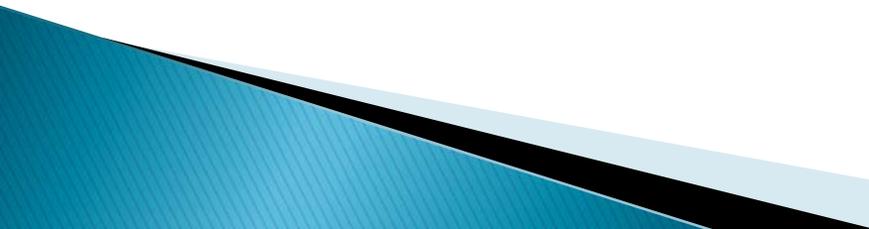
Consolidated Standards

- ▶ Originally CIA had numerous separate, stand-alone Standards covering most common areas of actuarial practice in Canada.
 - ▶ In 2002, after 15 years' work the various standards were amalgamated into single unified regime using common terminology.
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Standards of Practice

- ▶ A RECOMMENDATION is the highest order of guidance in the standards. Unless there is evidence to the contrary, there is a presumption that a deviation from a recommendation is a deviation from accepted actuarial practice

Standards of Practice

- ▶ § 1000 – General
 - ▶ § 2000 – Insurance
 - ▶ § 3000 – Pension Plans
 - ▶ § 4000 – Actuarial Evidence
 - ▶ § 5000 – Public Personal Injury Compensation Plans
 - ▶ § 6000 – Post Employment Benefits
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§1000 General

- ▶ § 1100 Introduction (definitions)
 - ▶ § 1200 Application
 - ▶ § 1300 Permitted Deviations
 - ▶ § 1400 The Engagement
 - ▶ § 1500 The Work
 - ▶ § 1600 Another Person's Work
 - ▶ § 1700 Assumptions
 - ▶ § 1800 Reporting
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Practice Council

- ▶ Reports to CIA Board of Directors
 - ▶ Composed of chairs of practice committees, board representatives, and members at large
 - ▶ Coordinates activities of various practice committees
 - ▶ Responsible for approving the issuing Education Notes and Research Papers
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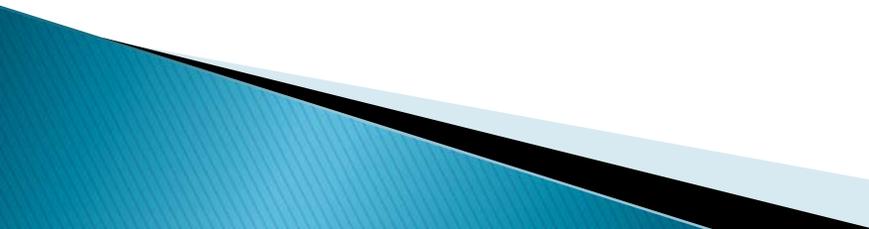
Education Notes

- ▶ Education Notes are controlled by CIA practice committees.
 - ▶ They are intended to assist actuaries in applying Standards of Practice in respect of specific matters.
 - ▶ Members are expected to be familiar with educational notes.
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Education Notes

- ▶ Educational notes describe but do not recommend practice in illustrative situations.
 - ▶ They do not constitute Standards of Practice and are, therefore, not binding.
 - ▶ They are, however, intended to illustrate the application (but not necessarily the only application) of the Standards of Practice.
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Research Papers

- ▶ Research papers do not necessarily represent the views of the Canadian Institute of Actuaries.
 - ▶ Research papers may or may not be in compliance with Standards of Practice.
 - ▶ Research papers do not constitute Standards of Practice and therefore are not binding.
 - ▶ Members should be familiar with research papers.
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Discipline in Canada

- ▶ Discipline Process
 - ▶ Committee on Professional Conduct
 - ▶ Discipline Experience
 - ▶ Cross Border Discipline Agreement (Canada-US)
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Canadian Discipline Process

- ▶ Complaints
 - ▶ Committee on Professional Conduct
 - ▶ Confidentiality
 - ▶ Investigation Teams
 - ▶ Tribunal Panel
 - ▶ Tribunals
 - ▶ Sanctions
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Complaints

- ▶ Any actuary or member of public may make a complaint.
 - ▶ Sometimes public documents, e.g. insurer insolvency, newspaper accounts of trial, may cause CIA to lay complaint.
 - ▶ Member advised of complaint.
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Committee on Professional Conduct

- ▶ Appointed by CIA Board of Directors
 - ▶ But board members cannot serve on CPC
 - ▶ Reviews and assesses every complaint filed
 - ▶ Options for each complaint:
 - Dismiss
 - Private admonishment, or
 - Appoint investigation team (IT).
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Confidentiality

- ▶ All information is treated as confidential, unless and until a formal charge is laid against a member by CPC.
 - ▶ Complainant will be kept advised of progress, if they agree to respect confidentiality.
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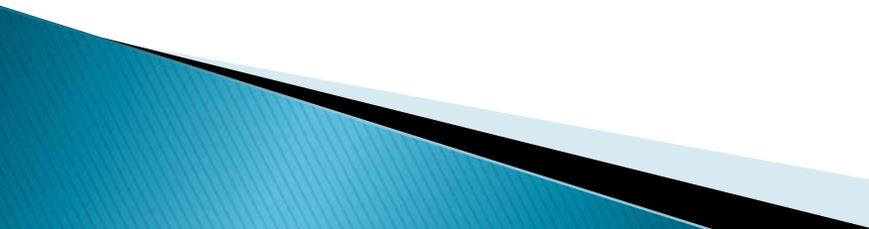
Investigation Teams

- ▶ Experienced actuaries
 - ▶ Trained in advance in investigative procedures and techniques
 - ▶ Appointed by CPC to dig into specific complaints against member
 - ▶ Produce report to CPC for its consideration
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Committee on Professional Conduct

- ▶ Receives report from Investigation Team.
- ▶ Determines whether to lay charge(s) or dismiss complaint.
- ▶ If charge laid, determines process to follow:
 - private admonishment,
 - fast track, or
 - tribunal
- ▶ If necessary, appoints Tribunal chair

Tribunal Panel

- ▶ Group of experienced actuaries from all practice areas
 - ▶ Appointed annually by CIA board of directors.
 - ▶ Panel members agree to serve on tribunals if required, subject to
 - Knowledge of practice area, and
 - No conflict of interest
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Tribunals

- ▶ Consists of
 - Chaired by retired judge
 - Two actuaries with experience in practice area
 - ▶ Hear evidence presented by CPC and member charged
 - ▶ Determine guilt or innocence of member
 - ▶ If guilty, determine sanctions to be applied.
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Sanctions

- ▶ Letter of Advice
 - ▶ Private Admonishment
 - ▶ Public Reprimand
 - ▶ Refresher Course
 - ▶ Suspension
 - ▶ Fine
 - ▶ Expulsion
 - ▶ Costs
 - ▶ Combination of Above
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Discipline – History 1992 –2012

- ▶ 169 cases now fully resolved
- ▶ 97 cases were dismissed after initial review,
- ▶ 3 private admonishment, and
- ▶ 69 cases referred to Investigation Teams.
 - 32 cases resulted in no charges being filed, and
 - 37 cases resulted in charges being filed.
 - 7 private admonishments,
 - 8 fast track admissions of guilt with sanctions, and
 - 22 public Disciplinary Tribunals.
 - 20 guilty verdicts with costs and sanctions
 - 2 dismissals

Cross Border Discipline Agreement

- ▶ Between Canada (CIA) and United States (SOA, CAS, AAA, ASPPA, CCA).
 - ▶ Investigations into breaches of actuarial practice done by either CIA or ABCD – depending on country of practice.
 - ▶ Requires definition of “practice in Canada” and “practice in US”.
 - ▶ Country of practice depends on residence of user of work, NOT location where work is done.
 - ▶ Determination of penalties done by each organization independently.
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Questions?

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