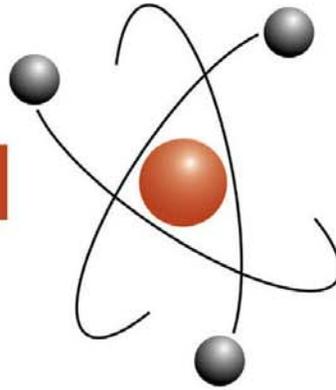


**S U S T A I N**



**A B I L I T Y**

**ACTUARIES AND THE FUTURE**

## **Code of Conduct Review**

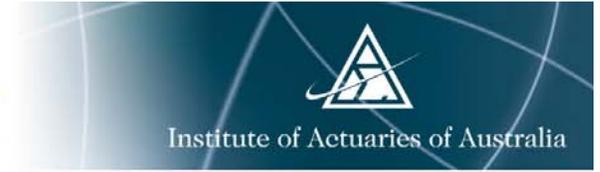
**- issues, considerations and direction**

**Code of Conduct Review Taskforce**

**Tim Jenkins (Convenor)**



Institute of Actuaries of Australia



# Code of Conduct Review Taskforce

- **appointed by Council in December 2004**  
**to consider whether Code of Conduct:**
  - **properly reflects & upholds Institute's Constitution**
  - **continues to articulate high standards & principles of professional practice**
  - **adequately defines 'actuarial advice'**



## Taskforce

- **review Code, draft a new Code & explanatory memorandum – this work is in progress**
- **Taskforce shall consider:**
  - **reports including those of Asbestos Inquiry, Penrose, Corporate Governance, HIH Taskforces**
  - **Morris Review & other international developments**
  - **Other relevant codes of conduct**



## **Issues & considerations**

- 1. obligations of actuaries to clients, employers and the public interest**
- 2. definition of actuarial advice**
- 3. independence & unbiased actuarial advice**
- 4. ‘whistle blowing’: escalation & disclosure of certain matters**
- 5. role of Senior Actuary**
- 6. provision of actuarial advice & reports**



# 1. Obligations to clients, employers & the public interest

- **key issue: the hierarchy of accountabilities to different parties & how to codify them**
- **concept of ‘public interest’ in a general sense arises at the very beginning of the Code**
- **‘public interest’ concern should be for the law & for third parties *who may rely upon or be materially affected by actuarial advice***



## 2. Definition of actuarial advice

- **definition of actuarial advice underpins Code**
- **need for a concept of *professional services***
  - **work of an actuary that is not actuarial advice**
  - **work of a member who is not an actuary**
- **fundamental requirements would apply to all *professional services*, with more detailed standards for *actuarial advice***



## **3. Independence & unbiased advice**

- **Code provides that advice must be unbiased & constraints on independence disclosed**
- **potential for confusion between ‘unbiased’ & ‘independent’**
- **regulatory concept of independence has become complex**
- **focus needs to be on unbiased advice with disclosure of conflicts of interest**



## **4. Escalation & disclosure of matters**

- **need for member to disclose to third parties who may rely on or be materially affected by advice if this is legally required or if the client or employer is**
  - **acting contrary to law, or**
  - **in a way that is damaging in a material way to the third parties**
- **need for a clearer & more practical framework to support & guide the actuary**



## 5. Role of Senior Actuary

- **Senior Actuary should not be personally responsible for conduct of members of firm**
- **role should be one of liaising with Institute & providing guidance & support**
- **need to ensure role is not unduly onerous while reinforcing its positive contribution**



## 6. Provision of advice & reports

- **distribution to third parties**
- **misuse of advice**
- **outdated advice**
- **revised advice & relationship to other advice**
- **use of précis or addenda**
- **stated purpose of advice**
- **addressing uncertainty**



## Direction of review

- 1. Definitions**
- 2. General**
- 3. Actuarial advice**
- 4. Contents of reports**



## 1. Definitions

***actuarial advice:* advice given by an actuary**

- a) in an area where actuaries are reasonably understood to have expertise, or
- b) where recipient reasonably believes the advice to be given in a professional capacity as an actuary

***professional services:* all professional work performed by a member**



## 2. General

- **Senior Actuary to provide guidance & advice**
- **failing that, member to consult Institute Executive Committee**
- **members (not just actuaries) to observe confidentiality & guard against misuse of professional services**



## 3. Actuarial advice

- **core provision is that actuarial advice must be unbiased & conflicts must be disclosed**
- **test b) in definition will cover provision of actuarial advice in new fields, even if test a) does not**
- **actuary without relevant experience will need to seek guidance in new, as well as established, fields**
- **actuary will need to make disclosures if legally required or if advice is or is likely to be misused or damaging to a third party**



## 4. Contents of reports

- **report to state purpose for which advice can be used**
- **in providing actuarial advice, actuary to exercise own professional judgment on all material matters**
- **exceptions to give rise to prominent qualification**
- **report to adequately address inherent uncertainty**
- **requirements to cover relationship to a previous report, revision of advice & outdated advice**



## Next steps

- **provide draft new Code & explanatory memorandum to Executive Committee**
- **consider feedback from Council**
- **expose for comment by members**
- **consider comments of members**
- **submit to Council**