

# INSTITUTE OF ACTUARIES OF AUSTRALIA

## POLICY FOR DRAFTING PROFESSIONAL STANDARDS

“Professional Standard” is defined in the Institute’s Code of Professional Conduct as “a document, setting out practice requirements in a particular section or area that has been prepared in accordance with Council’s *Policy for Drafting Professional Standards* and has been issued by the Institute.”

The Code of Professional Conduct is the keystone of the governance regime for the Australian actuarial profession. It sets out the minimum standards of professional conduct to be observed by members of the Institute. As such, the Code is concerned with professional behaviour, rather than the technical aspects of actuarial work.

This Policy for Drafting Professional Standards is designed to ensure that all Professional Standards use consistent and objective terminology such that mandatory duties and requirements for members are clearly defined and understood.

All Professional Standards must be drafted in accordance with this Policy and in accordance with the pro forma template for Professional Standards set out in the Appendix to this Policy.

### **1. Scope of Professional Standards**

Professional Standards detail mandatory practice requirements and usually cover an established field of actuarial work. They are concerned with the technical aspects of actuarial work - not behavioural issues (which are comprehensively covered by the Code of Professional Conduct).

Council may issue a Professional Standard wherever there is consensus within the profession as to the need for it and its content.

In addition, Council may choose to issue a Professional Standard to cover the following circumstances:

- where actuarial duties, work or practice are provided for by legislation (including regulations, prudential standards, subordinate standards and rules) administered by a government agency or regulator; or
- where a government agency or regulator has asked the Institute to issue instructions to members as to how certain actuarial duties or work are to be performed.

In these circumstances, professional consensus is not considered to be a pre-requisite for Council approval or issue of the Professional Standard. In each case, the relevant government agency or regulator must be offered the opportunity to indicate its consent or otherwise to the contents of the Professional Standard before publication. The Professional Standard will generally not be issued if the relevant government agency or

regulator has indicated its disagreement with any aspect of the contents or implementation.

Professional Standards must be consistent with the Code of Professional Conduct.

Mandatory duties for members must be covered in a Professional Standard, including the duty to exercise a discretion and a duty to properly explain such an exercise of discretion.

A Professional Standard contains principles and/or directions from which it is unprofessional to depart. Non-compliance with a Professional Standard may constitute Actionable Conduct under the Institute's Disciplinary Scheme.

Wording to be included in the Introduction to every Professional Standard is included in section 3.

## **2. Drafting of Professional Standards and terminology**

### General drafting

Because of the binding nature of Professional Standards and the potentially significant penalties for non-compliance, there are certain circumstances where particular care must be exercised in drafting.

For reasons of free competition, a Professional Standard must not direct a member to deliver professional services in a way that presents potentially significant additional cost or other burdens to the customer (by comparison with other competing experts) unless the Professional Standards Committee and Council are confident that this cost disadvantage is either outweighed by the need to protect the public interest, or is supported by a formal mandate from a government agency or regulator.

To avoid unjust application of disciplinary penalties, any action that is mandated unconditionally in a Professional Standard must be one which is (within the view of the Professional Standards Committee) within the legal power of the member. If this is not clear, the Professional Standard must mandate the action in a conditional form, eg, on a "reasonable efforts" basis.

### Terminology to denote mandatory duties

Actuarial practice standards and requirements under a Professional Standard are mandatory and must be denoted by the word "must".

To avoid confusion, the words "should" and "shall" are not to be used in a Professional Standard.

If a course of action (for example, the exercise of a discretion) is available but not mandatory, use of the word "may" implies a choice on the part of the member and is

only to be used if it is the intention to indicate a choice or discretion as to how work is performed.

### **3. Other specific requirements for Professional Standards**

- (a) All definitions used in a Professional Standard must be consistent with definitions set out in the Code of Professional Conduct.
- (b) Every Professional Standard must include the following paragraphs in the Introduction section.

This Professional Standard has been prepared in accordance with Council's Policy for Drafting Professional Standards, as varied from time to time. It must be applied in the context of the Institute's Code of Professional Conduct.

This Professional Standard is binding on Members of the Institute of Actuaries of Australia, in respect of all work covered by the Professional Standard.

Non-compliance with this Professional Standard by a Member engaged in work covered by the Professional Standard may constitute Actionable Conduct and may lead to penalties under the Institute's Disciplinary Scheme.

This Professional Standard in itself defines the requirements of the Institute in respect of all work covered by the Professional Standard. If a Member believes that the Professional Standard is ambiguous or for some other reason wishes to seek clarification of it, that Member may consult the Institute's Professional Standards Committee for guidance as to the interpretation of the Professional Standard. Apart from legislation or regulatory standards, no other document, advice or consultation (including Practice Guidelines of the Institute) can be taken to modify or interpret the requirements of this Professional Standard.

Members who find that they cannot carry out work in a manner that complies with this Professional Standard must decline to carry out the work, or terminate their agreement to do so.

- (c) A new or amended Professional Standard may be issued to members with an Explanatory Memorandum. However, the Explanatory Memorandum is not part of the Professional Standard.

**First issued: 1 March 2006**

**Amended: June 2006**

**APPENDIX TO POLICY - PRO FORMA TEMPLATE FOR PROFESSIONAL  
STANDARDS**

**PROFESSIONAL STANDARD**

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