Reserving and the Code of Professional Conduct

Chris Latham
Partner, PricewaterhouseCoopers
Overview

- Limit to professional responsibility
- The Code
- General
- Actuarial Advice
- Actuarial Reports
- External Peer Review
Limit to professional responsibility

- The Law
- IAA Constitution
- Code of Professional Conduct
- IAA Professional Standard
- That’s it – even for defining public interest
The Code

- Can be characterised as:
  - Short
  - Principles-based
  - User-friendly, but ‘subtle’
- Full of ‘must considers’
- I will cover the three main sections and focus on areas which are either new, or particularly relevant to us
General

• The general section applies to all Members
• A Member’s professional conduct is his/her own responsibility
• Code recognises that honest differences of opinion can occur. Particularly relevant for EPR
• If in doubt about what is professional conduct – ask for help
General

• Must act to address breaches of the Code/PS
• Confidentiality must be respected, but obligations may require it to be breached
• Must act to prevent misuse of advice
Actuarial Advice

• Members provide Professional Services, only Actuaries provide Actuarial Advice (AA). Most GI reserving will be AA

• Additional requirements apply to AA

• AA is the responsibility of an Actuary unless part of it relies upon the advice of another expert, who takes responsibility for their part
Actuarial Advice

• AA must be impartial (full stop)
• If there is the *perception* of partiality. The Actuary cannot advise unless:
  – Full disclosure to Principal, who has agreed
  – Disclosure included in report
  – Disclosure to affected third parties
Actuarial Advice

• If the Actuary receives remuneration based on the financial results of the Principal
  – Must be disclosed in the Actuarial Report, and steps taken to disclose to affected third parties

• For statutory roles, new Actuary must talk to previous Actuary. New Actuary must explain differences in advice to the Principal
Actuarial Reports

- Formal report to be used for statutory advice, advice under a PS, and all material advice
- Report must include enough detail so that another Actuary can say whether the PS has been followed
- Report must include enough information to enable Principal to form a view on the reasonableness of the recommendations
Actuarial Reports

- Actuary must exercise his/her own judgement on all material matters, although…..if not:
  - Prominent qualification
  - Implications explained

- Uncertainties must be communicated. Not new for us, but new to the Code
Actuarial Reports

• Where AA provided in piecemeal fashion
  – Must consider whether a report should draw all AA together
• Draft report to have an expiry date
• Must notify Principal if report is no longer relevant
External Peer Review

Some observations on the experience so far:

• Has been mixed – still wide variation in approach
• Review not always tailored to degree of risk involved
• Common sense needed in interpretation of PS100
• Timing an issue
External Peer Review

- Egos interfere with the process
- Some way to go before we can say that EPR is a complete success
Reserving and the Code of Professional Conduct

Chris Latham
Partner, PricewaterhouseCoopers