



# **RULES OF PROFESSIONAL CONDUCT**

*Effective as of June 7, 1992; Revised April 1994,  
November 1995, June 1998, November 1998, July 2000 and July 2001*

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*Document 20163*

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## **RULES OF PROFESSIONAL CONDUCT**

### **PREAMBLE**

The rules of professional conduct identify the professional and ethical standards with which a member must comply and thereby serve the public interest. The annotations provide additional explanatory, educational and advisory material to members of the actuarial profession on how the rules are to be interpreted and applied. It is the professional responsibility of the member to be knowledgeable about, and to keep current with the revisions to the rules and annotations. A member must comply with the rules of professional conduct whenever providing professional services. For professional services rendered in the United States, the Code of Professional Conduct of the American Academy of Actuaries applies and for professional services rendered in Mexico, the code of conduct of the Colegio Nacional de Actuarios (CONAC) applies.

*[Modified July 13/95]*

### **PROFESSIONAL INTEGRITY**

**Rule 1** A member shall act honestly and in a manner to uphold the reputation of the actuarial profession and to fulfil the profession's responsibility to the public.

**Rule 2** A member shall perform professional services with integrity, skill and care.

### **QUALIFICATION STANDARDS**

**Rule 3** A member shall perform professional services only when the member is qualified to do so and meets applicable qualification standards.

### **STANDARDS OF PRACTICE**

**Rule 4** A member shall ensure that professional services performed by or under the direction of the member meet applicable standards of practice.

### **DISCLOSURE**

**Rule 5** A member shall make full and timely disclosure to a client or employer of the sources of all direct and indirect compensation that the member or the member's firm may receive in relation to an assignment for which the member provides professional services to that client or employer.

### **CONFLICT OF INTEREST**

**Rule 6** A member shall not perform professional services involving a conflict of interest unless:

- (a) the member's ability to act fairly is unimpaired, and
- (b) there has been full disclosure of the conflict to all known direct users, and
- (c) all known direct users have expressly agreed to the performance of the services by the member.

## **CONTROL OF WORK PRODUCT**

**Rule 7** A member shall not perform professional services when the member has reason to believe that they may be used to mislead or to violate or evade the law.

## **CONFIDENTIALITY**

**Rule 8** Except as required under Rule 13, a member shall not disclose to another party any confidential information obtained through a professional assignment performed for a client or employer unless authorized to do so by the client or employer or required to do so by law.

## **COURTESY AND COOPERATION**

**Rule 9** A member shall perform professional services with courtesy and shall avoid unjustifiable or improper criticism of other members, and shall cooperate with others in the client's or employer's interest.

## **ADVERTISING**

**Rule 10** A member shall not engage in any advertising or business solicitation activities in respect 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.

## **TITLES AND DESIGNATIONS**

**Rule 11** A member shall make use of membership titles and designations of the Institute only where that use conforms to the practices authorized by the Institute.

## **COLLATERAL OBLIGATIONS**

**Rule 12** A member shall be subject to the Institute's disciplinary procedures if the member is convicted or found guilty of or pleads guilty to any criminal or similar offence.

**Rule 13** A member shall comply with the procedures set out in Annotation 13-1 if the member becomes aware of any apparent material noncompliance by another member with the rules of professional conduct or with the standards of practice. *[Modified November 20/98]*

**Rule 14** A member or the member's representative shall respond promptly in writing to any letter received from a person duly authorized by the Institute to obtain information or assistance regarding any matter arising under Section 20 of the bylaws (Discipline of Members and Associates). *[Modified March 25/98; Modified July 1/01]*

## **REPORTING**

- Rule 15** A member shall include, where appropriate, in any report or certificate a statement or reference describing or identifying the data and the actuarial methods and assumptions employed.
- Rule 16** A member shall indicate clearly in giving the member's opinions or findings that the member is the source of the opinions or findings and shall be available to provide supplementary advice and explanation as required.
- Rule 17** A member shall ensure that any calculations or recommendations made by the member or under the member's direction are, wherever possible, based on sufficient and reliable data and that any assumptions made are adequate and appropriate, and, subject to Rule 18, that the methods are consistent with the principles established by precedent or common usage within the profession.
- Rule 18** A member shall, where requested by a client or employer to prepare a study that, in the opinion of the member, deviates from the principles established by precedent or common usage within the profession, or is based on insufficient or unreliable data, include in any resulting report, communication or certificate an explicit qualification of the member's findings.

## **FOREIGN PRACTICE**

- Rule 19** A member who is practising outside Canada in a country or jurisdiction in which the profession is organized under an actuarial body, of which the said member is also a member, may, provided the Board of the Institute has agreed, practice free from the requirements of Rules of Professional Conduct 15 and 16. *[Modified July 1/00]*

## **OBJECTIVITY**

- Rule 20** A member performing services for the purpose of making a report
1. required by law with respect to
    - (i) a pension plan; or
    - (ii) an employee benefit plan; or
    - (iii) an insurance company; or
  2. required for accounting purposes,
- shall perform the services without regard to any personal considerations or to any influence, interest or relationship in respect of the affairs of the member's client or employer that might impair the member's professional judgment or objectivity.

## ANNOTATIONS

**Annotation 1-1** It is the professional responsibility of the member not to be associated with anything which the member knows or should know is false or misleading.

**Annotation 2-1** “Professional services” refers to the rendering of advice, recommendations or opinions based upon actuarial considerations, and also includes other services provided from time to time by a member to a client or employer.

**Annotation 3-1** It is the professional responsibility of the member to observe applicable qualification standards and to keep current regarding changes in those standards. For example, for practice in the United States, the qualification standards promulgated by the American Academy of Actuaries apply; for practice in Mexico, the qualifications standards promulgated by the Colegio Nacional de Actuarios (CONAC) apply. For practice in Canada, the eligibility conditions promulgated by the Institute apply, as set out in the Institute bylaws. *[Modified July 13/95]*

**Annotation 4-1** It is the professional responsibility of the member to keep current regarding accepted principles and standards of practice in the jurisdiction in which the member renders professional services. For example, for practice in the United States, the standards of practice promulgated by the Actuarial Standards Board apply; for practice in Mexico, the standards of practice adopted by the Colegio Nacional de Actuarios (CONAC) apply. For practice in Canada, the standards of practice promulgated by the Institute apply. *[Modified July 13/95]*

**Annotation 5-1** A member who is not financially and organizationally independent concerning any matter related to the subject of an actuarial communication should disclose any pertinent relationship which is not apparent.

**Annotation 5-2** “Indirect compensation” is any material consideration received from any source in relation to an assignment for which the member provides professional services, other than direct remuneration for those services.

**Annotation 5-3** Members employed by firms which operate in multiple sites are subject to the requirement of disclosure of sources of compensation which the member’s firm may receive in relation to professional services with respect to a specific assignment for that client, regardless of the location in which such compensation is received.

**Annotation 6-1** A client or employer is the direct user of the member’s services when the direct user has the opportunity to select the member and is in a position to communicate directly with the member about qualifications, work and recommendations.

**Annotation 6-2** If the member is aware of any significant conflict between the interests of the client or employer and the interests of another party, the member should advise the client or employer of the conflict and should include appropriate qualifications or disclosures in any related actuarial communication.

**Annotation 7-1** Material prepared by a member may be used by another party in a way that may influence the actions of a third party. The member should recognize the risks of misquotation, misinterpretation or other misuse of such material and should take reasonable steps to ensure that the material is clear and presented fairly, and that the member is identified as the source of the material.

**Annotation 8-1** “Confidential information” refers to information not in the public domain of which the member becomes aware in conjunction with the rendering of professional services to a client or employer. It may include information of a proprietary nature, information which is legally restricted from circulation, or information which the member has reason to believe that the client or employer would not wish to be divulged.

**Annotation 9-1** Differences of opinion among members may arise particularly in choices of assumptions and methods. Discussion of such differences, whether directly between members or in observations made to a client by one member on the work of another, should be conducted objectively and with courtesy.

**Annotation 9-2** A member in the course of an engagement or employment may encounter a situation such that the best interest of the client or employer would be served by the member’s setting out an alternative opinion to one expressed by another member together with an explanation of the factors which lend support to the alternative opinion. Nothing in the rules of professional conduct should be construed as preventing the member from expressing such an alternative opinion to the client or employer.

**Annotation 9-3** If a member is invited to advise a client or employer for whom the member knows or has reasonable grounds to believe that another member is already acting in a professional capacity with respect to the same matter or has recently so acted, it would normally be prudent to consult with the other member both to prepare adequately for the assignment and to make an informed judgment whether there are circumstances as to potential violations of the rules of professional conduct which might affect acceptance of the assignment.

The member who is the prospective new or additional advisor should request the client or employer’s consent to such consultation. When the client or employer has given consent, the original member may require reasonable compensation for the work required to assemble and transmit the relevant information such as pertinent data, work papers and documents. A member need not include any items of a proprietary nature such as computer programs.

**Annotation 10-1** “Advertising” encompasses all communications by whatever medium, including oral communications, which may directly or indirectly influence any person or organization to decide whether there is a need for actuarial services or to select a specific person or firm to perform actuarial services.

**Annotation 11-1** “Title” means any title conferred by the Institute related to a specific position within the Institute. “Designation” means a specific reference to membership status within the Institute.

**Annotation 13-1**

1. The procedures set out below are those which a member is required to follow, unless the member is exempted pursuant to 4. below, in the event the member becomes aware of an apparent material noncompliance by another member with the Rules of Professional Conduct or the Standards of Practice of the Institute. A member who has a question about the spirit and intent of the rules or the standards in a particular case may consult in confidence with the chairperson (or vice-chairperson) of the appropriate practice committee, or of the Committee on Rules of Professional Conduct, or of the Practice Standards Council.

2. The member who has become aware of an apparent material noncompliance is required, unless the member is exempted pursuant to 4. below, to discuss the situation with the other member promptly, and, if necessary, reach agreement on action to be taken to ensure that the noncompliance is rectified. The member should use best efforts to ensure that all of the following three conditions are met:

- i. In the opinion of the member who has become aware of the apparent material noncompliance, the member who was not in compliance with the rules or standards has agreed that a noncompliance has occurred and is unlikely to repeat the violation in the future.
- ii. Rectification begins immediately and includes immediate notification to all users of the work in question.
- iii. Rectification is carried out by the member who was not in compliance with the rules or standards.

In the case where the member who was not in compliance with the rules or standards is unable personally to perform the rectification due to a change in employment or a change in client relationship, condition iii. above may be waived as long as the member who was not in compliance makes every effort to assist whoever is actually undertaking the rectification.

3. If, in spite of the efforts of the member who has become aware of the apparent material noncompliance, as set forth in 2. above, the conditions are not met or the member is unable to determine if they have been met, the member is required to bring the apparent material noncompliance to the attention of the Committee on Professional Conduct, unless the member is exempted pursuant to 4. below.

4. Situations in which a member, who is aware of an apparent material noncompliance by another member, is exempted from the requirement to follow the procedures set forth in 2. and 3. above are as follows:

- i. when the member is prohibited by law from following the procedures, for example, when the member is employed by a government authority which is under a requirement, imposed by statute, to maintain the confidentiality of information obtained in the course of the member's employment;
- ii. while the member is acting in an adversarial environment involving the other member, for as long as the adversarial environment continues. Once the adversarial environment ends, the member is required to follow the steps set forth in 2. and 3. above in respect of the apparent material noncompliance of which the member became aware while acting in an adversarial environment. Some examples of adversarial environments are:



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- (a) when the member and the other member are serving as expert witnesses on opposing sides before a court or other tribunal;
  - (b) when the member and the other member are advising opposing parties in labour negotiations; or
  - (c) when the member and the other member are working for or advising the different parties involved in merger or acquisition activities;
- iii. when the member, in the capacity of president or president-elect, or as a member of a practice committee, or of the Committee on Professional Conduct, or of the Committee on Rules of Professional Conduct, or of the Practice Standards Council, is requested to provide confidential advice or opinion, or is required by the standards of practice to receive disclosure, or in the capacity of other positions within the Institute designated by the Board from time to time by resolution as being exempted from all or parts of these procedures;
- iv. when a member is acting as an employee of, or a consultant to, an entity designated by the Board from time to time by resolution as one for which such exemption is necessary, except that the member may be required by the Board from time to time by resolution to follow parts of these procedures.      *[Modified January 20/94; Modified November 20/98; Modified July 1/00; Modified July 1/01]*