



# **RULES OF PROFESSIONAL CONDUCT**

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# RULES OF PROFESSIONAL CONDUCT

## PREAMBLE

These Rules of Professional Conduct identify the professional and ethical standards with which a member<sup>1</sup> 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. In addition to these Rules, a member is subject to applicable law and rules of professional conduct or ethical standards that have been promulgated by a *recognized actuarial organization* for the jurisdictions in which the member renders *professional services*. *Professional services* are considered to be rendered in the jurisdictions in which the member intends them to be used unless specified otherwise by an agreement between the *recognized actuarial organization* for any such jurisdiction and the Institute. The member is responsible for securing translations of such law or rules of conduct as may be necessary. [Modified July 13/95; Modified July 1/03]

## DEFINITIONS

As used throughout these Rules, the following terms are italicized and have the meanings indicated:

***Confidential information:*** 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 wish not to be divulged. [Modified July 1/03]

***Direct user:*** A client or employer or any other person retaining the member's services who has had the opportunity to select the member and is in a position to communicate directly with the member about qualifications, work and recommendations. [Modified July 1/03]

***Indirect compensation:*** Any material consideration received from any source in relation to an assignment for which the member provides *professional services* (examples of which may include volume bonuses, finder's fees and commissions), other than direct remuneration for those services. [Modified July 1/03]

***Professional services:*** The rendering of advice, recommendations or opinions based upon actuarial considerations, including other services provided from time to time by a member to a client or employer. [Modified July 1/03]

***Recognized actuarial organization:*** An organization that has been accepted for full membership in the International Actuarial Association or a standards setting, counselling, or discipline body to which authority has been delegated by such an organization. [Adopted July 1/03]

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<sup>1</sup> "member" includes Fellows, Associates and Affiliates (see Bylaw 21.03).

## PROFESSIONAL INTEGRITY

**Rule 1** 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. *[Modified July 1/03]*

**Annotation 1-1** A member shall perform *professional services* with skill and care. *[Modified July 1/03]*

**Annotation 1-2** 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. *[Modified July 1/03]*

**Annotation 1-3** A member shall not engage in any professional conduct involving dishonesty, fraud, deceit or misrepresentation or commit any act that reflects adversely on the actuarial profession. *[Adopted July 1/03]*

## QUALIFICATION STANDARDS

**Rule 2** A member shall perform *professional services* only when the member is qualified to do so and meets applicable qualification standards. *[Modified July 1/03]*

**Annotation 2-1** It is the professional responsibility of the member to observe applicable qualification standards that have been promulgated by a *recognized actuarial organization* for the jurisdiction in which the member renders *professional services* and to keep current regarding changes in those standards. *[Modified July 13/95; Modified July 1/03]*

## STANDARDS OF PRACTICE

**Rule 3** A member shall ensure that *professional services* performed by or under the direction of the member meet applicable standards of practice. *[Modified July 1/03]*

**Annotation 3-1** It is the professional responsibility of the member to observe applicable standards of practice that have been promulgated by a *recognized actuarial organization* for the jurisdiction in which the member renders *professional services* and to keep current regarding accepted principles and standards of practice in the jurisdiction in which the member renders *professional services*. *[Modified July 13/95; Modified July 1/03]*

## DISCLOSURE

**Rule 4** 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 has received or may receive in relation to an assignment for which the member provides *professional services* to that client or employer. *[Modified July 1/03]*

**Annotation 4-1** "Full and timely disclosure" means disclosure of all material facts concerning direct or *indirect compensation* that may be relevant to a client's or employer's decision, and in sufficient time for the client or employer to make an informed and independent decision. Such disclosure should be made in writing. *[Adopted July 1/03]*

**Annotation 4-2** A member who is not financially and organizationally independent concerning any matter related to the performance of *professional services* should disclose to the client or employer any pertinent relationship which is not apparent in a full and timely manner. *[Modified July 1/03]*

**Annotation 4-3** A member employed by a firm which operates in multiple sites is subject to the requirement of full and timely disclosure of sources of compensation which the member's firm has received or 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.

[Modified July 1/03]

## CONFLICT OF INTEREST

**Rule 5** 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.

[Modified July 1/03]

**Annotation 5-1** "Full and timely disclosure" means disclosure of all material facts concerning the conflict (including the nature of the influence or relationship and the nature and extent of the interest) that may be relevant to a *direct user's* decision, and in sufficient time for the *direct user* to make an informed and independent decision. Such disclosure should be made in writing.

[Adopted July 1/03]

**Annotation 6-2** [Note: repealed July 1/03]

## CONTROL OF WORK PRODUCT

**Rule 6** A member who performs *professional services* shall take reasonable steps to ensure that such services are not used to mislead other parties or to violate or evade the law. [Modified July 1/03]

**Annotation 6-1** 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.

[Modified July 1/03]

## CONFIDENTIALITY

**Rule 7** A member shall not disclose to another party any *confidential information* obtained through a professional assignment performed for a client or employer unless expressly or implicitly authorized to do so by the client or employer, or required to do so under Rule 13, or required to do so by the Committee on Professional Conduct, an Investigation Team, a Disciplinary Tribunal or an Appeal Tribunal regarding any disciplinary matter arising under Section 20 of the Bylaws, or required to do so by law.

[Modified July 1/03]

## COURTESY AND COOPERATION

**Rule 8** 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. *[Modified July 1/03]*

**Annotation 8-1** 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 and respect. *[Modified July 1/03]*

**Annotation 8-2** 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 should be construed as preventing the member from expressing such an alternative opinion to the client or employer. *[Modified July 1/03]*

**Annotation 8-3** 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 which might affect acceptance of the assignment.

The member who is the prospective new or additional advisor should request the client's or employer's consent to such consultation. When the client or employer has given consent, the original member shall cooperate in furnishing relevant information such as pertinent data, work papers and documents and may require reasonable compensation for the work involved in assembling and transmitting the relevant information. The original member shall not refuse to consult or cooperate with the member based upon unresolved compensation issues with the client or employer, unless such refusal is in accordance with a pre-existing agreement with the client or employer. A member need not include any items of a proprietary nature such as internal communications or computer programs. *[Modified July 1/03]*

## ADVERTISING

**Rule 9** 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. *[Modified July 1/03]*

**Annotation 9-1** "Advertising and business solicitation activities" encompass 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 *professional services* or to select a specific person or firm to perform *professional services*. *[Modified July 1/03]*

## TITLES AND DESIGNATIONS

**Rule 10** 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.  
[Modified July 1/03]

**Annotation 10-1** “Title” means any title conferred by a *recognized actuarial organization* related to a specific position within that organization. “Designation” means a specific reference to membership status within such organization.  
[Modified July 1/03]

## COLLATERAL OBLIGATIONS

**Rule 11** 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.  
[Modified July 1/03]

**Rule 12** A member shall respond promptly, truthfully and fully to any request for information by, and shall cooperate fully with, the Committee on Professional Conduct, an Investigation Team, a Disciplinary Tribunal, an Appeal Tribunal, or any member of such bodies regarding any disciplinary matter arising under Section 20 of the Bylaws.  
[Modified March 25/98; Modified July 1/01; Modified July 1/03]

**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 or with the standards of practice.  
[Modified November 20/98; Modified July 1/03]

### 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 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:
  - (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;<sup>2</sup>

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<sup>2</sup> The former Council designated the members of the Committee on Compliance (renamed "Committee on the Application of Rules and Standards" in March 2000) as being exempted from section 3 (Nov. 18/98), and designated the members of the Committee on Professional Conduct and members of Investigation Teams as being exempted from sections 2 and 3 when becoming aware of an apparent material noncompliance in their capacity as members of such entities (June 21/00).



- 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.<sup>3</sup>

*[Modified January 20/94; Modified November 20/98;  
Modified July 1/00; Modified July 1/01; Modified July 1/03]*

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<sup>3</sup> The former Council designated CompCorp an entity the employees of which and the consultants to which are exempted from sections 2 and 3 (Nov. 18/98).

On March 26, 2003, the Board adopted the following resolution with respect to OSFI and IGIF:

“THAT, pursuant to section 4 iv. of Annotation 13-1 to the Rules of Professional Conduct, the Office of the Superintendent of Financial Institutions (OSFI) and the Inspector General of Financial Institutions (IGIF) be designated as entities the employees of which and the consultants to which are exempted from following the procedures set out in sections 2 and 3 of Annotation 13-1 when they become aware of an apparent material noncompliance in the course of their employment or engagement.

In this context, a ‘consultant’ includes a Member, Associate or Affiliate who is engaged by OSFI or IGIF to perform work directly for OSFI or IGIF, as the case may be. In this context, a ‘consultant’ also includes a Member, Associate or Affiliate who is appointed or designated by OSFI or IGIF, pursuant to law; for example, to value certain matters in relation to a company pursuant to paragraph 365.1 of the federal *Insurance Companies Act*, or to prepare a study concerning the financial position of the insurer pursuant to section 298.14 of the *Québec Act respecting Insurance*.

In addition, Members, Associates and Affiliates, who are provided with information in contemplation of being engaged as a consultant to OSFI or IGIF, are also exempted from following the procedures set out in sections 2 and 3 of Annotation 13-1 when they become aware of an apparent material noncompliance from the information provided.

However, any Member, Associate or Affiliate exempted pursuant to the present resolution is required to inform OSFI or IGIF, as the case may be, promptly of the apparent material noncompliance of which they have become aware.”

**NOTE: Rules 14-19 are being replaced by certain recommendations of the Consolidated Standards of Practice (CSOP). Certain parts of the CSOP became effective on December 1, 2002, January 1, 2003 and July 1, 2003, and other parts will become effective at such other later time as the Practice Standards Council may determine.**

**Therefore, Rules 14-19 are repealed as at December 1, 2002 for all work which became subject to the General Standards at that date, namely all work except work governed by insurance, actuarial evidence and transfer values practice-specific standards existing on that date.**

**Rules 14-19 are repealed as at January 1, 2003 for all work which became subject to the General Standards at that date, namely all work in the insurers area of practice.**

**Rules 14-19 are repealed as at July 1, 2003 for all work which became subject to the General Standards at that date, namely all work in the actuarial evidence area of practice.**

**Furthermore, Rules 14-19 will remain effective until the work governed by existing transfer values practice-specific standards becomes subject to the General Standards. Members will be advised when the General Standards become effective and thus when Rules 14-19 are repealed in connection with such work.**

## **REPORTING**

**Rule 14** 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. *[Modified July 1/03]*

**Rule 15** 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. *[Modified July 1/03]*

**Rule 16** 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 17, that the methods are consistent with the principles established by precedent or common usage within the profession. *[Modified July 1/03]*

**Rule 17** 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. *[Modified July 1/03]*

## **FOREIGN PRACTICE**

**Rule 18** A member who is practising in the jurisdiction of a *recognized actuarial organization*, 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 14 and 15. *[Modified July 1/00; Modified July 1/03]*

## **OBJECTIVITY**

**Rule 19** A member performing *professional 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 *professional 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.

*[Modified July 1/03]*