

Note: This version of the Code of Professional Conduct is no longer in effect. It was superseded by the 1994 version.

Code of Professional Conduct

Effective January 1, 1992

**Adopted by the Board of Directors
September 25, 1991**

American Academy of Actuaries

Preamble

The Precepts of this Code of Professional Conduct identify the professional and ethical standards by which the actuary is expected to abide and thereby serve the public interest. The Annotations provide additional explanatory, educational and advisory material to members of the actuarial profession on how the Precepts are to be interpreted and applied. It is the professional responsibility of the actuary to be knowledgeable about the Code of Professional Conduct, and to keep current with revisions to its Precepts and Annotations.

Professional Integrity

PRECEPT 1. An actuary shall act honestly and in a manner to uphold the reputation of the actuarial profession and to fulfill the profession's responsibility to the public.

PRECEPT 2. An actuary shall perform professional services with integrity, skill and care.

ANNOTATION 2-1. The term "professional services" as used in the Code of Professional Conduct refers to the rendering of advice, recommendations or opinions based upon actuarial considerations, and also includes other services provided from time to time by an actuary to a client or employer.

Qualification Standards

PRECEPT 3. An actuary shall perform professional services only when the actuary is qualified to do so and meets applicable qualification standards.

ANNOTATION 3-1. It is the professional responsibility of the actuary to observe applicable qualification standards and to keep current regarding changes in those standards. For practice in the United States, the Qualification Standards promulgated by the American Academy of Actuaries apply. For practice in Canada, the eligibility conditions promulgated by the Canadian Institute of Actuaries apply.

Practice Standards

PRECEPT 4. An actuary shall ensure that professional services performed by or under the direction of the actuary meet applicable practice standards.

ANNOTATION 4-1. It is the professional responsibility of the actuary to keep current regarding generally accepted principles and standards of practice in the jurisdiction in which the actuary renders professional services. For practice in the United States, the

Standards of Practice promulgated by the Actuarial Standards Board apply. For practice in Canada, the Standards of Practice promulgated by the Canadian Institute of Actuaries apply.

ANNOTATION 4-2. Where there is a question regarding the applicability of a practice standard, the professional judgment of the actuary should prevail. In any event, the actuary must be prepared to explain to peers the reasons for the determination made.

ANNOTATION 4-3. Laws and regulations may establish restraints and obligations on the part of the actuary towards designated publics. The requirements of laws and regulations are binding; but when such requirements are in conflict with practice standards, they should be identified as flowing directly from the laws and regulations and not from professional considerations.

Disclosure

PRECEPT 5. An actuary shall, in communicating professional findings, indicate clearly that the actuary is the source of the findings and is available to provide supplementary information and explanation.

ANNOTATION 5-1. An actuary who makes an actuarial communication assumes responsibility for it except to the extent the actuary disclaims responsibility by stating reliance on other sources. Reliance on other sources means making use of those sources without assuming responsibility therefor. A communication making use of any such reliance should define the extent of reliance.

ANNOTATION 5-2. Any written communication of professional findings must be signed with the name of the actuary who is responsible for it. The name of an organization with which the actuary is affiliated may be incorporated into the signature but the actuary's responsibilities and those of the organization are not affected by the form of the signature.

PRECEPT 6. An actuary shall, in communicating professional findings, identify the client or employer for which such findings are made and in what capacity the actuary serves.

PRECEPT 7. An actuary shall make full and timely disclosure to a client of the sources of all direct and indirect compensation that the actuary or the actuary's firm may receive in relation to an assignment for which the actuary provides professional services for that client.

ANNOTATION 7-1. An actuary 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 7-2. “Indirect compensation” is any consideration received from any source in relation to an assignment for which the actuary provides professional services, other than direct billing for those services.

ANNOTATION 7-3. Actuaries employed by firms which operate in multiple sites are subject to the requirement of disclosure of sources of compensation which the actuary’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.

Conflicts of Interest

PRECEPT 8. An actuary shall not perform professional services involving an actual or potential conflict of interest unless:

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

ANNOTATION 8-1. An actuary has an obligation to observe standards of professional conduct whether serving as a consultant or employee. A client or employer is the direct user of the actuary’s services when the direct user has the opportunity to select the actuary and is in a position to communicate directly with the actuary about qualifications, work and recommendations.

ANNOTATION 8-2. If the actuary is aware of any significant conflict between the interests of the client or employer and the interests of another party, the actuary should advise the client or employer of the conflict and should, if appropriate, include qualifications or disclosures in any related actuarial communication.

ANNOTATION 8-3. An actuary shall not use a relationship with a third party to obtain unduly favorable treatment from such third party on behalf of a client or employer.

Control of Work Product

PRECEPT 9. An actuary shall not perform professional services when the actuary has reason to believe that they may be used to violate or to evade the law.

ANNOTATION 9-1. Material prepared by an actuary may be used by another party in a way which may influence the actions of a third party. The actuary 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 actuary is identified as the source of the material.

PRECEPT 10. An actuary 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.

ANNOTATION 10-1. The term “confidential information” as used in the Code of Professional Conduct refers to information not in the public domain of which the actuary becomes aware during the course of rendering 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 actuary has reason to believe that the client or employer would not wish to be divulged.

Courtesy and Cooperation

PRECEPT 11. An actuary shall perform professional services with courtesy and shall cooperate with others in the client’s or employer’s interest.

ANNOTATION 11-1. Differences of opinion among actuaries may arise particularly in choices of assumptions and methods. Discussion of such differences, whether directly between actuaries or in observations made to a client by one actuary on the work of another, should be conducted objectively and with courtesy.

ANNOTATION 11-2. An actuary in the course of employment or an engagement may encounter a situation such that the best interest of the employer or client would be served by the actuary’s setting out an alternative opinion to one expressed by another actuary together with an explanation of the factors which lend support to the alternative opinion. Nothing in the Code of Professional Conduct should be construed as preventing the actuary from expressing such an alternative opinion to the client or employer.

ANNOTATION 11-3. A principal (any present or prospective employer) has an indisputable right to choose a professional advisor. An actuary may provide service to any principal who requests it even though such principal is being or has been served by another actuary in the same matter.

If an actuary is invited to advise a principal for whom the actuary knows or has reasonable grounds to believe that another actuary is already acting in a professional capacity with respect to the same matter or has recently so acted, it may be prudent to consult the other actuary both to prepare adequately for the assignment and to make an informed judgment whether there are circumstances as to potential violations of the Code of Professional Conduct which might affect acceptance of the assignment.

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

Advertising

PRECEPT 12. An actuary shall not engage in any advertising or business solicitation activities in respect of professional services that the actuary knows or should know are false or misleading.

ANNOTATION 12-1. The term “advertising” as used in the Code of Professional Conduct 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. The intent is to discourage advertising which contains any statements or claims which are in any material respect false, fraudulent, misleading or deceptive.

Titles and Designations

PRECEPT 13. An actuary shall make use of those membership titles and designations of an actuarial organization only where that use conforms to the practices authorized by that organization.

ANNOTATION 13-1. The term “title” as used in the Code of Professional Conduct means any title conferred by an actuarial organization related to a specific position within that organization. The term “designation” means a specific reference to membership status within an actuarial organization.

Collateral Obligations

PRECEPT 14. An actuary shall be deemed to have contravened the Code of Professional Conduct and shall be subject to the profession’s disciplinary procedures if the actuary pleads or is found guilty of any misdemeanor related to financial matters or any felony.

PRECEPT 15. An actuary with knowledge of a material violation of this Code shall disclose such suspected violation to the appropriate counseling and discipline body of the profession, except where the disclosure would divulge confidential information or be contrary to law.

ANNOTATION 15-1. For violations of this Code arising in the United States, the actuary should refer the matter to the Actuarial Board for Counseling and Discipline. For violations of this Code arising in Canada, the actuary should follow procedures established by the Canadian Institute of Actuaries.

ANNOTATION 15-2. A material violation of this Code is one which is important, has influence or effect, or impacts on the merits of a situation, as opposed to one which is trivial, does not affect an outcome, or is one merely of form.

ANNOTATION 15-3. Disclosure of a fellow professional's material violation of this Code may be a matter of law as well as ethics. An actuary faced with a decision whether or not to disclose the violation should consider seeking legal counsel; action may bring the possibility of a defamation suit; inaction may bring civil charges or charges of professional misconduct.

PRECEPT 16. An actuary or representative shall respond promptly in writing to any letter received from a person duly authorized by the appropriate counseling and disciplinary body of the profession to obtain information or assistance regarding possible violations of this Code.