



K SUBRAHMANYAN & K SRIRAM  
India

*Session 3: PROFESSIONAL CONDUCT ISSUES-WITH  
PARTICULAR REFERENCE TO EMPLOYEE BENEFIT  
PLANS*

K SUBRAHMANYAN AND K SRIRAM  
CONSULTING ACTUARIES

***Waves of Reforms...Oceans of Opportunities***

***2013 AGFA & 15<sup>th</sup> Global Conference of Actuaries***

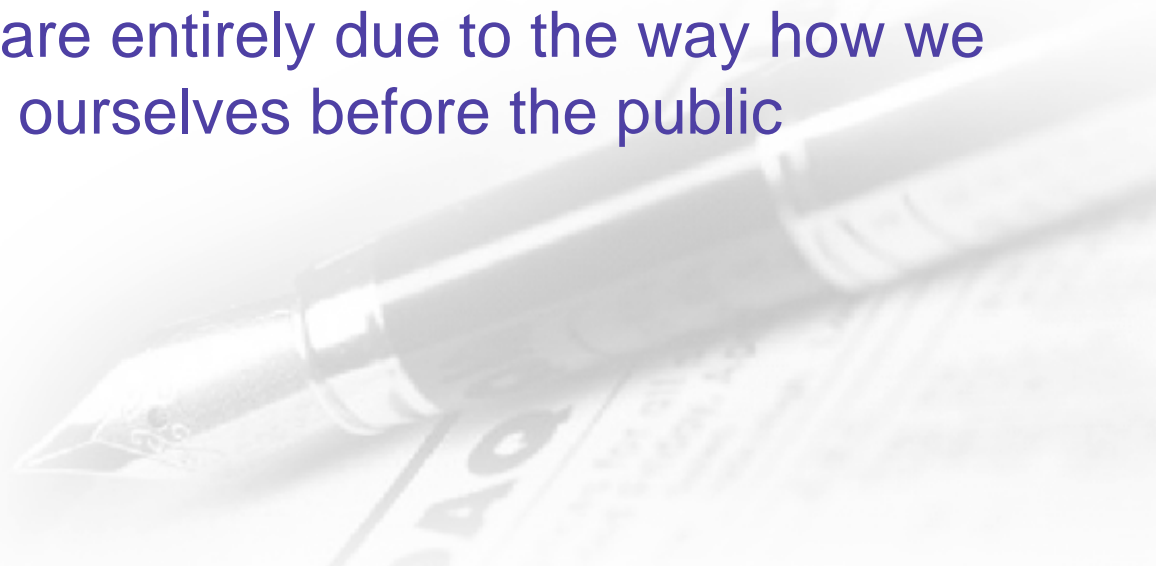
17<sup>th</sup> – 19<sup>th</sup> Feb, 2013 | Mumbai,  
India

# Agenda

- Setting the Context
- Building Blocks of Trustworthiness – The Actuaries' Code of IFA
- Professional Conduct Standards – Comparative Snapshot
- Professional Conduct Issues
- Suggestions For Addressing Professional Conduct Issues
- Evolving Paradigm of Professional Regulation


## *Setting The Context*

- Face is index of mind.
- Face of our professional body is index of public image.
- Feelings of the face are entirely due to the way how we behave and conduct ourselves before the public





## *Setting the Context*

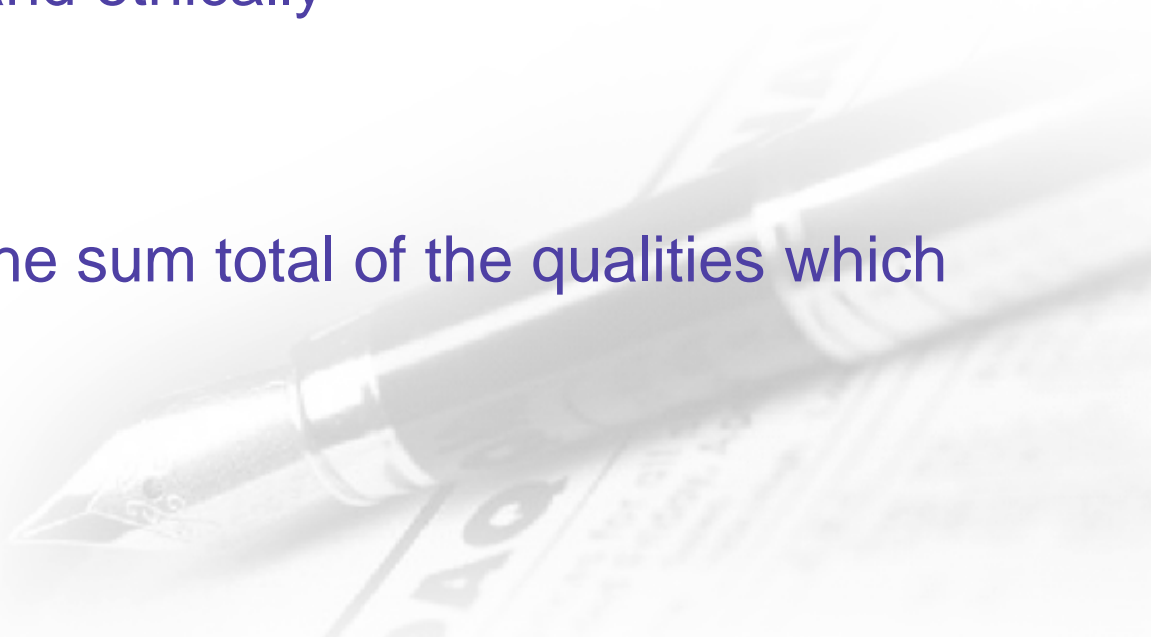
- There is a widespread perception that public trust in the Professions has declined significantly in the last 20 to 30 years.
  - This perceived lack of trust can be attributed to many factors, some of which are internal to the Professions themselves
  - Trust is easily lost by the actions of a Profession or its individual members
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## *Setting the Context*

- To justify or deserve public trust, a Profession needs to fulfill the following key criteria:
  - In a specific field of learning, a profession must provide leadership to the public it serves
  - Rules and standards enforced by the governing body should be designed for the benefit of the public and not for the private advantage of the members




## *Setting the Context*

- How do we define trust?
  - Trust involves a willingness to place confidence or faith in another person or organization to fulfill a course of action competently and ethically
  - Trust worthiness is the sum total of the qualities which earn that confidence
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# *Building Blocks of Trust Worthiness*

- The Actuaries' Code of The Institute and Faculty of Actuaries
    - Integrity
    - Competence and Care
    - Impartiality
    - Compliance
    - Open Communication
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# *Professional Conduct Standards(PCS)- A Comparative Snapshot*

- PCS – Institute And Faculty of Actuaries [IFA]
- PCS – Institute of Actuaries of India [IAI]
- Code of Professional Conduct – Institute of Actuaries of Australia
- Criteria for a Code of Professional Conduct- International Actuarial Association [IAA]







## *Professional Conduct Standards – IFA and IAI*

- Common Framework
- Covers, inter alia, aspects such as
  - Standards for Advice
  - Appointment of the Advisor
  - Breach of Professional Standards
  - Action to be taken on discovering an apparent breach by another member
- Places considerable reliance on the conscience of each individual member and the collective conscience of all members to maintain the highest standards of conduct

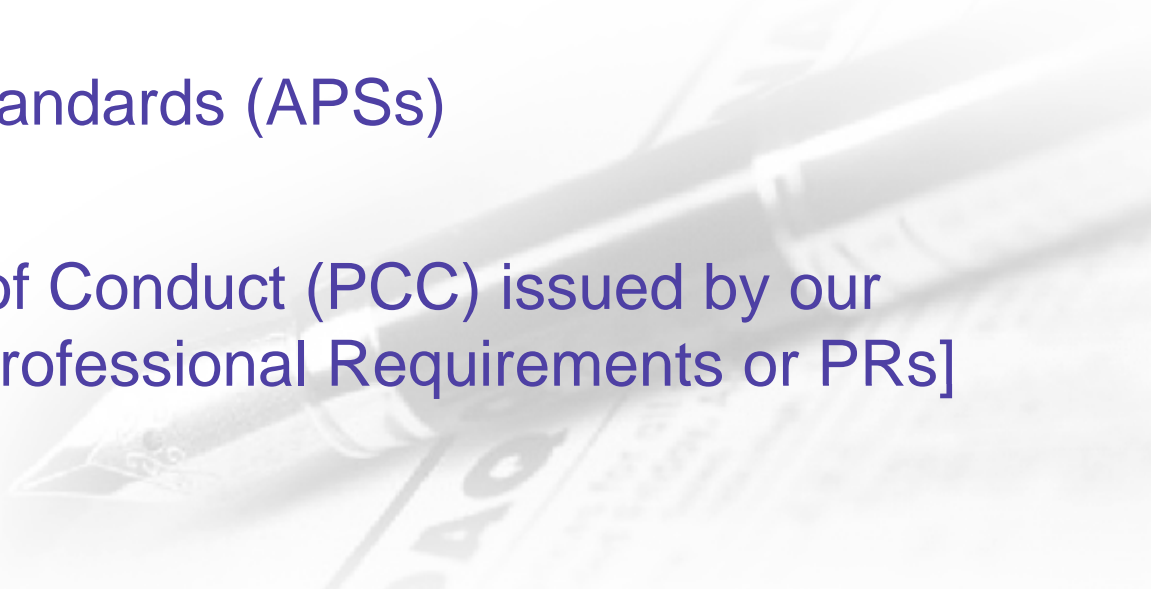
# *Code of Professional Conduct – Institute of Actuaries of Australia*

- A distinctive feature of this Code is about preventing misuse of Actuarial Advice :
  - A member must not provide professional service if the result will be used to evade the law or in a manner that is likely to mislead third parties
  - Where misuse is not rectified and maintenance of confidentiality is materially damaging to third parties, the member must consider if there is a greater obligation to the third parties than to the maintenance of confidentiality



# *PROFESSIONAL CONDUCT ISSUES*

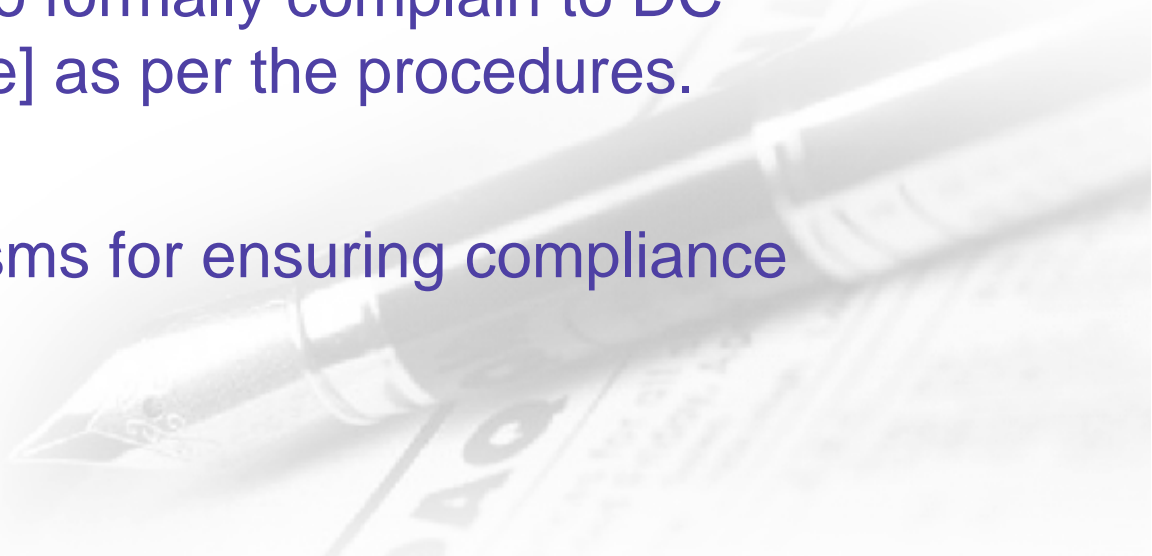
Professional Conduct Issues arise when market practices deviate from :

- Actuaries Act
  - Guidance Notes (GNs)
  - Actuarial Practice Standards (APSs)
  - Professional Code of Conduct (PCC) issued by our professional body [Professional Requirements or PRs]
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# *PROFESSIONAL CONDUCT ISSUES*

Under the Current Professional Regulatory Framework:

- Actuaries need to comply with GNs, APSs, PCC, and Actuaries Act, on voluntary basis.
  - Actuaries, when they come across non-compliance, by other members, need to formally complain to DC [Disciplinary Committee] as per the procedures.
  - Regulatory Mechanisms for ensuring compliance
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# *PROFESSIONAL CONDUCT ISSUES*

Let us consider two major issues:

- Acceptance of an Assignment [PCS, Actuaries Act]
- Non-Conformity of Actuarial Reports with GNs/APSs



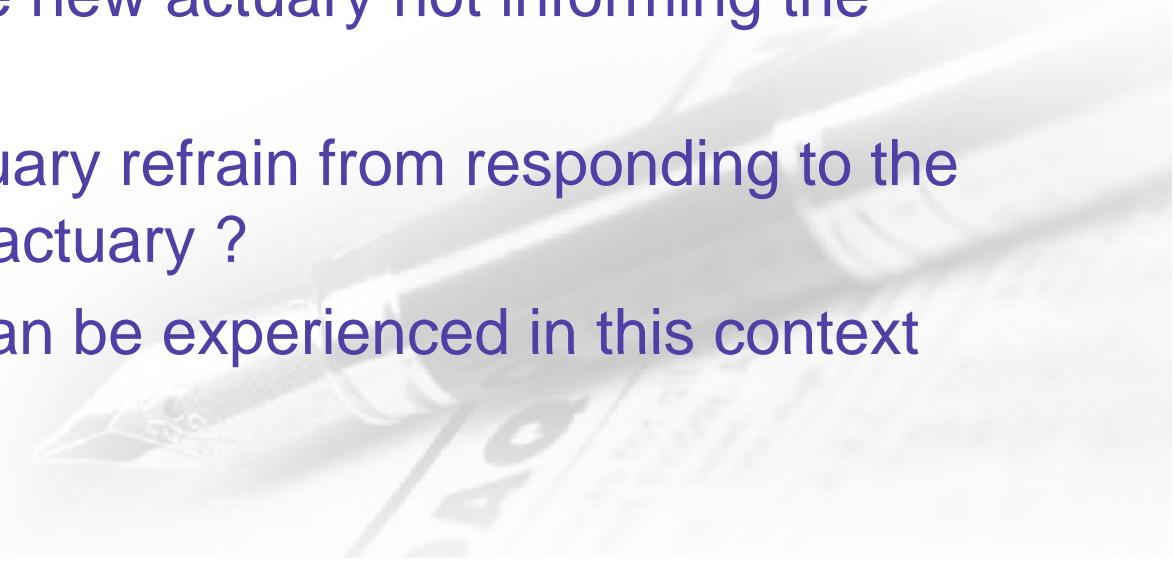


# *PROFESSIONAL CONDUCT ISSUES*

## Issue 1: Acceptance of an Assignment [PCS, Actuaries Act]

- As per PCS, new actuary has to inform the old (previous actuary), about the assignment being taken up; and previous actuary has to respond.

### Concerns:

- Consequences of the new actuary not informing the previous actuary
  - Can the previous actuary refrain from responding to the request from the new actuary ?
  - Other Issues which can be experienced in this context
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# *PROFESSIONAL CONDUCT ISSUES*

## Issue 2: Non-Conformity of Actuarial Reports with the GNs and APSs

### Concerns:

- New actuary is aware of the breach but fails to “whistle blow” ?
- Role of the Actuarial Profession to monitor compliance with GNs and APSs through “Proactive Regulation” and “Regulation by Exception”.
- Scale and Strength of Penalties for Non Compliance

# PROFESSIONAL CONDUCT ISSUES

## Other Issues of Concern :

- Scale of Professional Fees

- Can the Profession insist upon an upfront disclosure of the fee charged -particularly when the client chooses to change the Advisor ?

- Can the Profession specify minimum professional fees?

- ✓ Parallel from the Accounting Profession



# *PROFESSIONAL CONDUCT ISSUES*

## **Other Issues of Concern :**


Issue: Scope for Misrepresentation ?

- Can “Misrepresentation” be curbed through Professional Regulations?
- Role of the Profession in raising awareness levels amongst users of Actuarial Services.



# *PROFESSIONAL CONDUCT ISSUES*

## Some Suggestions for Addressing the Identified Issues:

- There must be a requirement for compulsory registration with the IAI for those members who are engaged in actuarial assignments in the arena of Employee Benefits .
  - Certificate of Practice must be a prerequisite for these members in practice.
  - The actuary must disclose his membership number, registration number (issued by IAI), COP number and the contact details in his report.
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# *PROFESSIONAL CONDUCT ISSUES*

Some Suggestions for Addressing the Identified Issues:

- The Advisory Group (AG) on Pensions & Other Employee Benefits (PEBSS) can be authorized to :
  - Monitor and evaluate professional practice with particular focus on monitoring compliance with the Actuarial Practice Standards; and
  - Report to the Disciplinary Committee [DC] about the issues which constitute Breach of Professional Standards.

# *PROFESSIONAL CONDUCT ISSUES*

## Some Suggestions for Addressing the Identified Issues:

- IAI to create an awareness amongst Tax Authorities and the Accounting Profession for ensuring that the actuarial reports which they receive are signed by the members of IAI with the necessary credentials
- Registered actuaries shall send compliance report for renewal of COP.
- IAI shall initiate awareness campaigns for clients.
- IAI shall provide additional guidance for members on subjects such as Minimum Fees, Conflicts of Interest and Whistle Blowing
- Members to get guidance from the Advisory Group [AG] on professional conduct issues/concerns.

## *Evolving Paradigm of Professional Regulation*

- According to the Professional Associations Research Network[PARN], the three pillars of Professional Regulations are :
  - Entry Standards
  - Complaints and Discipline Schemes [Regulation by Exception]
  - Positive Supports for Ethical Behavior[ Proactive Regulation]
- Most Professions including the Actuarial Profession are placing a greater emphasis on[a] designing proactive quality assurance mechanisms ; and [b] initiating awareness campaigns for the end users of their professional services. In other words, there is a growing emphasis on strengthening the third pillar - Proactive Regulation
- We believe that our suggestions for strengthening Professional Regulations span both the second and the third pillars- Regulation by Exception and Proactive Regulation



Thank You

