

I'm an International Actuary?

JOHNNY HAD JUST FINISHED HIS LATEST PROJECT—pricing a new product his company was planning on selling to select employers. Although he hadn't been given enough time to do all of the research he would have wanted, he still felt that the final product would be well received. And, he took some comfort in the fact that he had at least followed the applicable actuarial standards of practice, as promulgated by the Actuarial Standards Board, in pricing the product.

Although Johnny's company primarily sold products in the U.S., the company held a license to sell products in Canada if the purchaser was an employer headquartered in the U.S. with limited local operations in Canada. Johnny, a new employee, was unaware that his company sold any products in Canada.

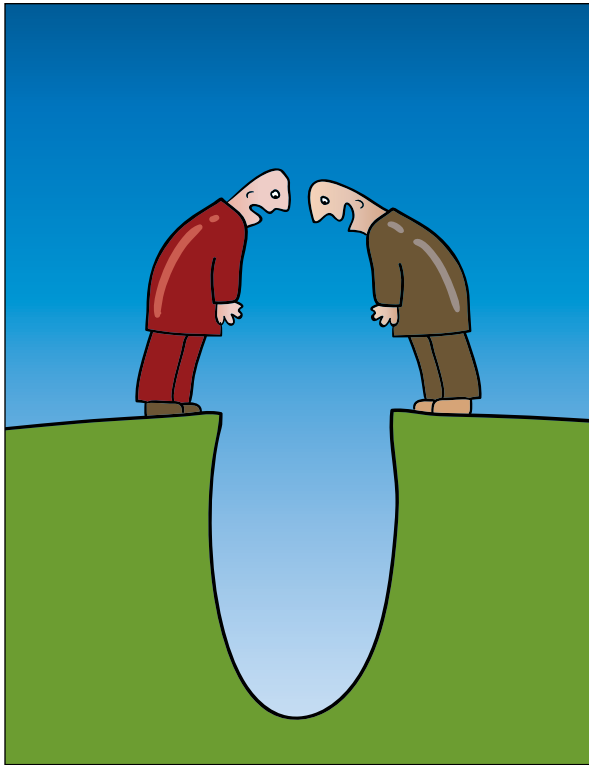
Several months later, one of the company agents called with a specific question about how the new product would

integrate with some government-mandated requirements. Johnny had done little to investigate this subject when pricing the product and felt a little apprehensive about the question. He told the agent that he would get back to him in a few days.

After further research, Johnny concluded that although he hadn't priced the product to include all of the mandated benefits, there were probably sufficient margins in the pricing to accommodate these extra benefits. He called the agent back and said that everything was fine and that there were no problems involving the integration of the government mandates.

What Johnny wasn't aware of was that the particular company that the agent approached had members who worked in both the U.S. and Canada. Further, the new product didn't satisfy some of the applicable Canadian standards.

Should Johnny have considered Canadian standards for this assignment?



CURTIS HUNTINGTON is a professor of mathematics at the University of Michigan in Ann Arbor. He is chairperson of the ABCD, a member of the Academy, a fellow of the Society of Actuaries, a fellow of the Conference of Consulting Actuaries, and a member of the American Society of Pension Professionals & Actuaries' College of Pension Actuaries.

Working Across Borders

Before an actuary can decide which jurisdiction's professional standards apply to a particular assignment, he or she must determine whether the work is truly "international" in nature, i.e., whether the actuary is providing professional services across national borders.

Actuaries around the world typically take one of two approaches in determining whether their work on a particular assignment constitutes international practice. Some actuaries believe, incorrectly, that they engage in international practice only when their work calls for them to be physically present in a foreign jurisdiction. Others look to the intended destination of the work product. (This latter approach underlies the U.S. profession's Code of Professional Conduct and the U.S.-Canada cross-border discipline agreement.)

The intended destination of the work product is a factual matter determined by a variety of facts and circumstances, such as:

- › The domicile of the actuary's principal (i.e., client or employer);
- › The domicile(s) of the intended user(s) of the work product (e.g., the principal or regulators);
- › The expectations of the intended user(s);
- › The location where the work was intended to be used;
- › The jurisdiction whose laws and standards the actuary referred to in completing the work product;
- › The stated purpose of the work product.

The U.S. code's scope isn't limited to U.S. practice. Rather, it's designed to apply wherever the actuary practices, whether exclusively in the U.S. or elsewhere in the world. The code requires, among other things, compliance with:

- › Codes of professional conduct adopted by recognized actuarial organizations (e.g.,

organizations that are full members of the International Actuarial Association);

- › Applicable actuarial standards of practice promulgated by recognized actuarial organizations;
- › Applicable qualification requirements promulgated by recognized actuarial organizations.

Precept 3 of the code requires actuaries to comply with any actuarial standards of practice promulgated by a recognized actuarial organization in the jurisdiction where they perform actuarial services. There may be circumstances where more than one jurisdiction is involved. In such cases, or where the jurisdiction isn't clear, the actuary should strive to follow the standards of all jurisdictions, typically by following the standard that is strictest.

In some instances, actuarial standards of practice promulgated in various countries might take conflicting approaches.

Thus, for example, one set of standards might require cash-flow testing in a situation where another set would permit the actuary to exercise professional judgment in determining whether or not to conduct testing. In such a case, the actuary typically would apply professional judgment in deciding which standard to use, taking into account generally accepted practice in the host country. Actuaries usually would find it prudent to explicitly disclose in the actuarial work product (or some other appropriate communication to the principal) which actuarial standards of practice they selected and how they complied with them.

Article IX of the Academy's bylaws provides that when Academy members practice in Canada, complaints and questions concerning their practice are referred to the Canadian Institute of Actuaries (CIA) for investigation. Through

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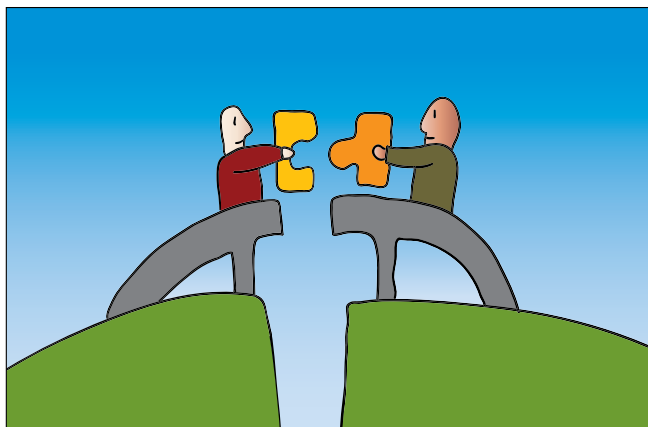
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a cross-border discipline agreement between the Academy (in conjunction with its U.S.-based sister organizations) and the CIA, any Academy member who is accused of breaching Canadian professional standards of conduct, practice, or qualification when practicing in Canada is subject to a CIA investigation. If the CIA finds that the Academy member committed a breach warranting discipline, it notifies the Academy. The Academy must then determine whether the breach that was found by the CIA constitutes a material breach of the Academy's code and, if so, what disciplinary action (if any) to take. In the case of Academy members who are also members of the CIA, it is up to the CIA to determine independently whether and how to discipline that person.

Academy members practicing else-



where in the world who are accused of breaching local professional standards are subject to investigation by the Actuarial Board for Counseling and Discipline and discipline by the Academy. As in Canada, Academy members may also be independently investigated and disciplined by the foreign country's actuarial association if they have joined that association. In such a situation, the actuary is subject not only to discipline but also to investigation by the foreign actuarial organization, the Academy, and the ABCD.

Actuarial associations around the

world are considering whether to enter into cross-border discipline agreements similar to the agreement between the U.S.-based organizations and the CIA. As more of these agreements are executed, there should be fewer situations in which actuaries are subject to investigation by multiple actuarial organizations.

Without even being aware of it, was Johnny practicing as an international actuary? Are you?

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