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# *Pakistan Society of Actuaries*

## **CODE OF PROFESSIONAL CONDUCT (CPC)**

(issued on 5<sup>th</sup> of October 2004)

### **1. DEFINITIONS**

“Actuarial advice” means advice given by an actuary which the recipient reasonably believes to have been given in a professional capacity as an actuary.

“Actuary” means a Fellow or Associate member of the Pakistan Society of Actuaries.

“Fellow” means a Fellow member of the Pakistan Society of Actuaries.

“Associate” means an Associate member of the Pakistan Society of Actuaries.

“Actuary’s Firm” means the entity of which the actuary is a partner, a director, or an employee. Where there is more than one actuarial firm in relation to an actuary, the term shall be construed as meaning the relevant firm or firms in the context in which the expression is used.

“Client” means the person or firm to which the actuary’s advice is primarily directed, but does not include the actuary’s firm.

“Council” means the council of the Pakistan Society of Actuaries.

“Member” means a member of the Pakistan Society of Actuaries, including Fellows, Associates and Student members.

### **2. GENERAL**

2.1 The Pakistan Society of Actuaries (PSOA) is a professional body registered as a company limited by guaranty under section 42 of the Companies Ordinance 1984. This Code of Professional Conduct (CPC) has been developed in line with article 23 of the Articles of Association of the PSOA.

2.2 The CPC places no barriers on the establishment of corporate practices or of mixed partnerships with other professions, where the rules of the other profession would allow this. Members must ensure that they do not form arrangements that are such as to inhibit their ability to conform to the requirements of the CPC.

2.3 Professional conduct involves integrity in relationships with those to whom professional services are rendered as well as with other members of the profession and the public. In all these relationships every member is concerned not only with his own behaviour, but also with behaviour of his colleagues and of his employer, if any.

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- 2.4 The CPC gives guidance on professional conduct to which all members of the PSOA must abide. It is the professional responsibility of each member of the PSOA to be conversant with the CPC. It is also the responsibility of an actuary to bring the provision of the code of conduct to the attention of other partners/ directors of the actuary's firm or the actuary's employer.
  - 2.5 The CPC is not comprehensive or exhaustive. Considerable reliance is therefore placed on the conscience of each individual member and to the collective conscience of members as a whole to maintain the highest level of professional conduct.
  - 2.6 The council may issue guidance notes to assist members in the interpretation of the CPC. Any member who is in doubt as to the attitude which should be adopted or the steps which should be taken in a particular case is invited to communicate with a Member of the council by first contacting the President of the Council.
  - 2.7 Where an actuary renders actuarial advice outside Pakistan in a jurisdiction where a professional actuarial body exists, he should follow the professional code of conduct of such actuarial body provided it does not conflict with the provisions of the CPC.

### **3. PROFESSIONAL STANDARDS**

- 3.1 The actuarial professional has an obligation to serve the public interest. Collectively it seeks to do so by informed contribution to debate on matters of public interest and by influencing those with power to protect and enhance the public interest. Individually members must maintain and observe the highest standards of conduct.
- 3.2 The standing of the profession depends on the judgement of individual members. A member must act in a manner which upholds the reputation and integrity of the profession.
- 3.3 The council may issue guidance notes which are classified as Professional Standards. Actuaries are expected to keep themselves abreast of and comply with such standards when rendering actuarial advice.
- 3.4 An actuary must provide a client with service and actuarial advice to a high standard. Users of actuarial services, including an actuary's firm and colleagues in that firm, are entitled to have absolute confidence in the skill, objectivity and integrity of any actuary. If work which an actuary considers necessary is precluded by cost or time constraints the actuary must either decline to act or qualify the actuarial advice.
- 3.5 Actuarial advice given to the actuary's firm or to a colleague within the same firm, whether or not the colleague is an actuary, should meet the same standards as for actuarial advice outside the firm.
- 3.6 An actuary has professional obligations whether or not actuarial advice is given. Members of a board of trustees or directors are entitled to depend on the opinion of an actuary when considering matters where actuarial judgement is relevant to the opinion.
- 3.7 A member found guilty of misconduct will be liable to disciplinary action under article 26 of the Articles of Association of the PSOA.

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- 3.8 A material breach of the CPC or of a Guidance Note classified as a Professional Standard is of itself a ground for complaint under the disciplinary procedures and would amount to strong prima facie evidence of misconduct. Such evidence could normally be displaced only if the actuary could show that any departure considered appropriate from strict compliance with any aspect of the CPC or of a Guidance Note had been disclosed and justified.

***Reporting a breach of guidance by another actuary***

- 3.9 An actuary may take appropriate action immediately on becoming aware of any event which appears to be a material breach by another actuary of any aspect of either the spirit or the letter of the CPC, or of the requirements of any Professional Standard or other guidance. Before taking any action, however, and before discussing the matter with the other actuary or with the professional body, the actuary will need to consider whether the matter is protected by confidentiality (see paragraphs 5.2 to 5.4). In some circumstances, the actuary may be able to talk to the other actuary without breaching confidentiality.
- 3.10 In deciding whether a breach of guidance is material, the actuary may need to exercise judgement. A breach which has not led to a materially adverse outcome may be regarded as material if a repetition of it in future could lead to a materially adverse outcome. If the actuary is unsure whether or not a matter is material, the actuary must seek guidance from the PSOA.
- 3.11 If the actuary decides that the nature of the breach is such that action is called for, the actuary should, in the first instance, consider discussing the apparent breach with the other actuary. Possible objectives of having such a discussion include:
- seeking more information about the matter, so as to form a view whether there has actually been a material breach; and/or
  - to explore whether the matter is one where the breach can be either mitigated or rectified entirely by the other actuary taking remedial action.
- 3.12 If the actuary does not consider a discussion to be appropriate, or if the matter cannot be or is not resolved as result of such discussions, or if the actuary does not consider a discussion to be appropriate, then the actuary must seek guidance from or refer the matter to the PSOA.

**4. STANDARDS FOR ACTUARIAL ADVICE**

- 4.1 Actuarial advice may only be rendered by a Fellow, other than the following areas in which any Actuary may render advice:

**Life Insurance Issues**

- Broad design of a life insurance or health product, not involving pricing.
- Underwriting methodology recommendations.
- Calculation of cash value for an individual policy in line with the terms and conditions set out in the policy document. Where the policy document specifies that the cash value

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- will be determined by the actuary, then calculation must be done using bases and a formula approved by a Fellow.
- Expense analysis giving results only without any recommendations.
  - Lapse study giving results only without any recommendations.
  - Calculation of premium rates for an individual policy using bases and formulae approved by a Fellow.
  - Calculation of mathematical reserves for an individual policy using bases and formulae approved by a Fellow.
  - Calculation of benefits for an individual policy in line with the terms and conditions set out in the policy document.

#### **Retirement Benefit issues**

- Scheme benefit selection
  - Benefit calculations on bases and formula approved by a Fellow
  - Determining effect of indexation to pensioners
- 4.2 An Associate who wishes to give actuarial advice in any area other than those listed in 4.1, must seek the guidance of the PSOA who will grant a dispensation only if the Member has sufficient relevant experience and qualifications.
- 4.3 If a member has to exercise professional judgement in determining the basis of any advice he gives, he is considered to be giving advice. Where the judgement is based on actuarial knowledge, the advice will be taken to mean actuarial advice.
- 4.4 Many assignments offered to actuaries require considerable knowledge and experience for proper completion. An actuary must not give actuarial advice, whether acting personally or as part of a multi-disciplinary team, unless satisfied of personal competence in the relevant matters. However involvement is permissible if
- The actuary acts in cooperation with, or with the guidance of another actuary with the requisite knowledge and experience.
  - The actuary acquires requisite knowledge by training, research using online or offline resources, professional development, study or review of professional literature and materials
- Requisite knowledge includes methodology, relevant legislation, local conditions and where applicable any professional code of practice in the country concerned. An actuary must consider carefully in the light of previous experience and work whether it would be consistent with proper professional behaviour and standards to give actuarial advice.
- 4.5 An actuary must explain in suitable terms the implications of any actuarial advice that is given. Written actuarial advice to a client must include adequate information, appropriate to the circumstances, as to its scope, purpose and terms of reference. It must state clearly any methodologies adopted and any material assumptions made by the actuary. Where corresponding actuarial advice has been given previously it is acceptable to state only material changes in methodologies or assumptions.
- 4.6 Whilst a member is expected to use his best judgement in formulating his advice, he is expected also to comply with any Professional Standards and also pay proper regard to any relevant guidance notes.
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- 4.7 The actuary must carry out appropriate investigations to assess the accuracy and reasonableness of any data being used or state why this has not been done. The actuarial advice must include an explanation or qualification if the actuary has any reservations about the reliability of the data.
- 4.8 Any actuarial advice which makes recommendations to a client must make the following clear to all concerned:-
- who the actuary's client is,
  - the name and qualifications of the actuary,
  - the name of the actuary's firm,
  - in what capacity the actuary is acting
- 4.9 Written actuarial advice which makes recommendations to a client must include sufficient information and discussion about each relevant factor and about the results of the actuary's investigations to enable the client to judge both the appropriateness of the recommendations and the implications of accepting them.
- 4.10 Written actuarial advice may refer to the terms on which the actuary's firm is prepared to do business, but it is preferable for such matters to be included in a separate letter.
- 4.11 An actuary giving actuarial advice which is formulated in the interests of a particular client must be careful that it is not presented as if it were the actuarial advice that would have been given to another client or to third parties whose objectives and requirements may be different. The actuary must state clearly in the actuarial advice the capacity in which it is provided and any restrictions on its application.
- 4.12 Where an actuary as an employee is giving actuarial advice to a client as part of employed responsibilities, it is important to ensure that the actuary and the employer both recognise the actuary's professional responsibilities for that actuarial advice and that the client is made aware of that responsibility.
- 4.13 Some assignments offered to actuaries relate to matters where there is no professional guidance or corpus of actuarial knowledge and experience. In undertaking such assignments actuaries must use best judgement in order to uphold the reputation of the profession.

## **5. CLIENT RELATIONSHIPS**

- 5.1 An actuary has a duty to the profession and responsibility to any client must be consistent with that duty. An actuary's responsibilities are personal and, in advising or otherwise acting for each client, the actuary must have proper regard to the trust and confidence which that implies.

### ***Confidentiality***

- 5.2 Information acquired by a member in the course of professional work is frequently confidential to a client or employer. If so, it should not normally be disclosed. In particular, unless disclosure is required under statutory or judicial authority or Guidance Notes, the

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actuary must make no disclosure of the client's affairs unless authorised by the client or consent has been obtained from the client or employer, as the case may be.

- 5.3 There are, however, circumstances in which, despite the normal duty of confidentiality, a member might be obliged to disclose confidential information, either by virtue of statutory or judicial authority or by virtue of other guidance by which the client has agreed to be bound

A member may wish to seek legal advice before invoking this provision.

- 5.4 In case of intended investigation by PSOA for breach of CPC by any Member on any matter considered confidential by the Member, the client will be the final authority to judge whether the subject matter is actually Confidential. PSOA can approach the Client to seek clarification on the subject.

- 5.5 If there is an unusual client relationship under which it would be unreasonable to follow the principles of the CPC, dispensation may be requested from the PSOA. Such instances are expected to be rare and dispensation will be granted only in exceptional circumstances.

## **6. CONFLICT OF INTEREST**

- 6.1 An Actuary shall not knowingly perform Actuarial Services involving an actual or potential conflict of interest, unless:
- a) the Actuary's ability to act fairly is unimpaired;
  - b) there has been disclosure of the conflict to all present and known prospective Clients whose interests would be affected by the conflict; and
  - c) all such Clients have expressly agreed to the performance of the Actuarial Services by the Actuary.

## **7. THIRD PARTIES**

- 7.1 An actuary giving actuarial advice must consider the implications of that actuarial advice for third parties.
- 7.2 An actuary should bear in mind that, as a matter of law, a duty of care can extend to third parties even if actuarial advice is directed solely towards the client.
- 7.3 In determining if it is appropriate or necessary to incorporate comments relating to third parties, an actuary should take into account whether a third party is receiving or is likely to receive actuarial advice from another actuary or whether the client has an identifiable professional or legal duty of care in respect of a third party.
- 7.4 If the actuary does not comment on implications for third parties, then the actuarial advice must include a specific statement to that effect.
- 7.5 Although advice is primarily directed to the client a member needs to bear in mind that his advice may be made available to third parties who can reasonably be expected to rely on it. In particular a member signing a statutory certificate, a report required by a

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regulatory body or a report prepared in fulfilment of a statutory obligation has additional responsibilities and obligations laid on him by the purposes of the certificate or the report.

- 7.6 A member should bear in mind that, as a matter of law, his duty of care can extend to persons or organisations whom he can reasonably expect to rely on the advice or the information that he gives. Other questions relating to legal liability which might arise in connection with the provision of actuarial advice are not dealt with herein.
- 7.7 A member must ensure it is clear that he is professionally responsible for any advice that he gives and that he can be identified as the source of the advice. Where a client transmits the advice to a third party, the member should take reasonable steps to ensure that his authorship is acknowledged and that the advice is not presented in a way which is likely to be misleading. Moreover he must be aware of a situation where advice which he formulates in the interests of his client can be presented as if it were necessarily the advice he would have given to another interested party.
- 7.8 Where a client makes use of the actuary's name in such a manner as may indicate to third parties that the client's actions are based on the actuary's advice (eg., by quoting the actuary's name in a report), the actuary must satisfy himself that any advice rendered is being followed. If such use of name is made without the actuary's knowledge, the actuary should inform the client in writing to remedy the situation.

## **8. TRANSMISSION OF ACTUARIAL ADVICE**

- 8.1 An actuary must ensure that professional responsibility for any actuarial advice given to a client is made clear and that the actuary can be identified as the source of the actuarial advice. A member who is a partner or who is a director of a corporate body must indicate the name of the partnership or corporate body; an employed member giving advice to a client in the course of his employment must indicate the name of his employer.
- 8.2 Actuarial advice to a client must be forwarded directly to the client or, if appropriate, to another person or firm on the authority of the client. If the actuary is required to forward the actuarial advice through another person or firm, reasonable steps must be taken to ensure that authorship and responsibility are acknowledged, that the actuarial advice is forwarded to the client without undue delay and that it is not presented in a way that is likely to be misleading.

## **9. FINANCIAL INTERESTS**

- 9.1 An actuary must make full and timely disclosure to the client of any financial interest which the actuary or the actuary's firm may have in any assignment that the actuary undertakes for that client or in its outcome. In this respect the actuary must appreciate that financial interest includes direct remuneration, direct and indirect benefits, commission and introductory fees paid by or to the actuary or the actuary's firm.

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- 9.2 Where an actuary or an actuary's firm has paid or received commission in respect of a client who has been given actuarial advice, the amount of commission must be disclosed in writing to the client at the first opportunity. Commission received may be offset against fees due from the client but the items must be shown separately; an account showing only a net amount after commission is not permissible.
- 9.3 In considering whether an actuary's firm has a financial interest in an assignment, an actuary must have regard to other bodies with which the firm is associated. An actuary giving actuarial advice to a client of that actuary's firm must be satisfied that the client understands that the cost of any actuarial advice or services is included in the firm's charges.
- 9.4 Financial rewards which are large in relation to the professional time spent, including success-related or contingency fees, can threaten objectivity and thus contravene the general requirements of the CPC. Accordingly an actuary should exercise extreme care in determining whether to accept such rewards or fees and must ensure that they are appropriate in the circumstances of the actuarial advice given and that there is no conflict with the requirements for professional objectivity.

## **10. APPOINTMENT OF NEW ADVISER**

- 10.1 A client has the indisputable right to choose and to change professional advisers, to take a second opinion and to retain separate advisers on different matters even though the purpose of a new appointment may be in conflict with the interests of third parties. It is not the intention of the CPC to interfere in the commercial activities of an actuary or an actuary's firm and it is not intended to protect the position of an incumbent.
- 10.2 If an actuary invited to give actuarial advice to a client knows or has reason to suspect that another actuary is acting or has recently provided actuarial advice to that client on the same or a related matter, that actuary must consider whether to contact the other actuary before accepting the invitation. Where such advice would not affect the interest of third parties, the actuary may decide not to contact the other actuary. If, however, any actuarial advice given would affect the interests of third parties, the actuary must forthwith inform the client of a professional requirement to contact the other actuary at as early a stage as possible. If the client refuses to consent to the actuary making contact it would normally be inappropriate to accept the appointment although there are exceptions, particularly where the client is involved in litigation.
- 10.3 An actuary invited to give actuarial advice to a client or to the actuary's firm where a supervisory or regulatory body is a third party must contact the predecessor actuary. If consent to the actuary making contact is withheld the appointment must be declined.
- 10.4 An appointment may be confirmed in principle by the client in advance of the actuary contacting the other actuary but, if so, the actuary must ensure the client is aware that acceptance is provisional until contact has been made and the outcome considered.
- 10.5 The actuary making contact must refer to the professional requirement to do so and ask the other actuary if, in that actuary's opinion, there are any professional reasons not to accept the appointment or any particular considerations which should be borne in mind before giving actuarial advice. The other actuary must provide the required information as

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soon as possible and may make no attempt to obstruct a client who wishes to change advisers.

- 10.6 If the client has decided to appoint a separate adviser on an unconnected matter, no action is required.

## **11. RELATIONS WITH OTHER ACTUARIES**

- 11.1 An actuary should recognise that there is room for differences of opinion in relation to actuarial advice and must avoid any action that would unfairly injure the professional reputation of any other actuary. This does not prevent criticism of another actuary's work when such criticism is properly reasoned and believed to be justified.
- 11.2 An actuary must appreciate that statements which could be made with complete propriety where there is an opportunity for reply could well be inappropriate in the context of any form of publicity.
- 11.3 Where criticism of another actuary's work is made in the context of any form of publicity and whether in relation to specific instances or in general, care must be taken to acknowledge that other actuaries may quite properly hold different professional opinion and that special circumstances may exist in any particular case.

## **12. PUBLICITY**

- 12.1 Any form of publicity that might give an actuary an unjustified or unfair professional advantage or which is likely to detract from the standing of the profession is prohibited. A member must be in a position to substantiate in an objective manner the content of any publicity for his professional services including publicity by others on his behalf. This applies particularly where the publicity could be taken as suggesting that for some reason it is preferable to obtain advice from the member than from other actuaries. However an actuary may publicise the professional services offered, may indicate specialisation in a particular area of work and may publish the basis of charging. Actuaries who are in any doubt about particular advertisement are urged to seek guidance from the PSOA.
- 12.2 An actuary elected to office within the PSOA or invited to represent or assist the profession on a committee or working party acquires a title describing that position eg. member of Council, President, etc.. An actuary is permitted to use that title only when acting and clearly seen to be acting in that capacity.
- 12.3 An actuary speaking in public or writing for publication should seek to ensure that it is made clear in what capacity the contribution is made. An actuary should not imply that what is said or written has any official standing with respect to the PSOA unless speaking or writing as a representative of the profession.