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# Cross-border practice

## Rules for Canadian, U.S. actuaries working on other's turf

by William J. Falk

In this increasingly global economy, actuaries frequently find themselves in situations involving cross-border practice. This is particularly true for U.S. and Canadian actuaries. Recent agreements and discussions among the U.S. actuarial organizations and the Canadian Institute of Actuaries (CIA) clarify how the various actuarial standards are to be applied to cross-border activities.

All Canadian and U.S. organizations require that their members abide by the standards of the country in which they practice. This is stated in Annotation 3-1, Annotation 4-1, and Annotation 16.2 of the U.S.-based organizations' Code of Professional Conduct and the Preamble, Annotation 3-1, and Annotation 4-1 of the

CIA Rules of Professional Conduct.

In November 1996, the American Academy of Actuaries, the American Society of Pension Actuaries, the CIA, the Casualty Actuarial Society, the Conference of Consulting Actuaries, and the SOA signed an agreement intended to ensure that an actuary practicing in Canada and the United States would be subject to only one disciplinary process based on the location of the work. The agreement defines the location of work and clarifies how the requirements in the codes and rules mentioned above are applied.

### In what country are you practicing?

Actuarial work constitutes practice in a particular jurisdiction (Canada or the United States) if the work is

“performed pursuant to the legal or regulatory environment of” the jurisdiction or if “it is intended for use in” the jurisdiction. Note that the country of practice depends on how and where the work product is to be used, not on the physical location of either the plan participants or the actuary. Consequently, a U.S. actuary could “do work in Canada” without ever setting foot in that country. The same is true of a Canadian actuary doing work in the United States. Examples of cross-border practice include:

- A U.S. actuary calculating the annual expense of a U.S. pension plan for inclusion in a Canadian parent company's Canadian financial statements
- A Canadian actuary calculating the annual expense under FAS 106 for the Canadian subsidiary of a U.S. company

### U.S. actuaries practicing in Canada

A U.S. actuary who performs work that is considered to be practice in Canada is subject to the following professional requirements.

- CIA Rules of Conduct: These are similar, but not identical, to the U.S. Code of Professional Conduct. The most significant difference is the stronger requirement (in Rule 13) for the actuary to report violations of the rules or standards of practice to the CIA. Rule 3 requires that the actuary only do work for which the actuary is qualified.
- CIA Standards of Practice: These Canadian standards of practice may differ significantly from the U.S. standards, depending on the practice area. The U.S. actuary is responsible for reading, understanding, and applying the Canadian standards.

### Rules Applying to U.S.-based Actuaries Practicing in Canada

Rule	Actuary is not an FCIA	Actuary is an FCIA
CIA Rules of Conduct	Yes	Yes
CIA Standards of Practice	Yes	Yes
CIA Eligibility:		
Canadian Experience	No	Yes
Canadian content exams	No	Yes
Continuing professional development	No	Yes

### Rules Applying to Canadian-based Actuaries Practicing in the United States

Rule	Member of U.S.-based Organization	Not a Member of U.S.-based Organization
Code of Professional Conduct	Yes	Yes
Actuarial Standards of Practice	Yes	Yes
Qualification Standard:		
Basic Education	Yes	Yes
Recent Relevant Experience	Yes	Yes
Continuing Education	Yes	Yes

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## Cross-border practice (continued from page 7)

The actuary is not subject to any of the CIA eligibility requirements, since they only apply to members of the CIA. These include the Canadian experience requirement, the requirement to be a fellow of an approved actuarial organization (FSA, FCAS, FIA, etc.), the Canadian content examination requirement, and the Canadian continuing professional development requirement.

Of course, a U.S. actuary is not permitted to sign any statements for which the FCIA designation is required by law or regulation in Canada, unless the individual is an FCIA and meets all of its requirements. For example, virtually all of the pension funding valuations for Canadian pension plans are prepared under pension standards legislation that require the signed opinion of an FCIA.

If a U.S. actuary's practice in Canada becomes the subject of disciplinary proceedings, they will be conducted by the CIA in accordance with its rules. The CIA will investigate the issue and determine whether the matter should be heard by a disciplinary tribunal. The tribunal, whose hearings are open to the public, will determine whether the actuary is guilty or innocent of violating the applicable professional requirements. If the tribunal finds that a violation has occurred, the CIA will then make a recommendation to the U.S. organizations of which the individual is a member. Each U.S. organization will decide appropriate sanction based on its assessment of the CIA's findings.

### Canadian actuaries practicing in the U.S.

As indicated in the CIA Rules of Professional Conduct, a Canadian actuary who performs work that is considered to be practice in the United States is subject to the following U.S. professional requirements.

- **Code of Professional Conduct:** This is similar, but not identical, to the CIA's Rules of Professional Conduct. The most significant difference is the precedence of client

confidentiality over the requirement to report a suspected violation.

Precept 3 requires that the actuary only do work for which the actuary is qualified.

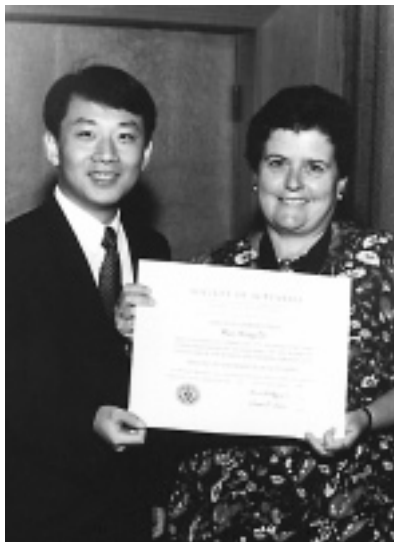
- **Qualification Standard:** This specifies requirements for signing Public Statements of Actuarial Opinion. (A Public Statement of Actuarial Opinion is a statement that is required by law or regulation, required by an Actuarial Standard of Practice, or made for the purpose of complying with an accounting standard.) The actuary must have completed basic education in the topic of the statement, either by examination or equivalent experience. The actuary must have recent experience that is related to the statement's topic. The actuary must have completed at least 24 hours of continuing education during the prior two years in the practice area of the statement.
- **Actuarial Standards of Practice:** U.S. standards of practice may contain significant differences from Canadian standards of practice, depending on the practice area. A Canadian actuary practicing in the United States is responsible for reading, understanding, and applying the U.S. standards.

Of course, a Canadian actuary is not permitted to sign any statements for

which there is a specific qualification requirement unless the actuary satisfies that requirement. For example, the Enrolled Actuary designation is required for signing certain statements regarding a defined benefit pension plan, and the Member of the American Academy of Actuaries designation is required for certifying some insurance company reserves.

If a Canadian actuary's practice in the United States becomes the subject of disciplinary proceedings, they will be conducted by the Actuarial Board for Counseling and Discipline in accordance with its rules. The ABCD will investigate the issue and decide whether a hearing is required. If, after a confidential hearing, the ABCD determines that a violation of the professional requirements has occurred, it will make a recommendation to the CIA and any U.S. organizations to which the individual belongs. Each organization will decide upon the appropriate sanction based on its assessment of the ABCD's findings.

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### First across China's finish line

*The first actuarial student to receive his FSA totally through examination in China is Bo Weimin. He is shown here receiving his certificate from Anna Rappaport, immediate past SOA president, at the Fellowship Admissions Course in Toronto in September 1998. Weimin began taking the SOA examinations in 1994 when he was a student at Fudan University and the AIA-Fudan Actuarial Center in Shanghai. After graduation, he joined the American International Assurance Company (AIA), where he completed his examinations. The SOA has actively supported actuarial education in China for more than 10 years, providing funds, study materials, and other resources.*