

Actuarial practice guideline

1. Introduction

This guideline is intended as a supplement to the code of conduct in relation to actuarial work. In producing it, the intention is that the trust of clients and the public in our work should be enhanced, without diminishing the creativity and personal judgement of our members.

To this end, the SAA, several years ago, adopted in Switzerland the corresponding guidance notes issued by the *Groupe Consultatif Actuariel Européen* (GCAE), placing them on its homepage under "International Guidelines". The GCAE has since removed the guidance notes from its website. As a further guide to actuarial practice, the IAA's IASP 2 should also be noted, but this applies only to reporting under IFRS.

The SAA has decided to draw up its own guidelines, which will constitute part of an actuary's training in the requirements for professional conduct, while establishing the basis for the settlement of any disputes in the SAA Commission. These guidelines will essentially be a revised version of the guidance notes issued by the GCAE.

2. Scope

These guidelines are intended for all SAA members (hereinafter "**members**"), providing actuarial services or submitting actuarial opinions on issues. It is binding on members of the SAA Actuaries' section. Deviations from these guidelines are permissible if justified by expert opinion.

The Commission will base decisions relating to disciplinary proceedings on these guidelines and judge the appropriateness of technical justifications for any deviations from them.

3 Actuarial practice

- 3.1. **Members** deliver actuarial services only when in possession of the necessary qualifications and experience, unless they are carrying out a mandate in collaboration with or under the supervision of an expert who possesses the necessary knowledge or experience.

In addition to knowledge of a purely actuarial nature, the necessary expertise includes knowledge of the pertinent laws, guidelines and the code of conduct. In accordance with the actuarial provisions for statutory accounting or reporting for a supervisory authority, **members** must be conversant with and take due account of the relevant accounting principles, national statutory requirements and valid directives.

- 3.2 In providing their services, **members** may use, base their work on, and rely upon, the results and products of the work of third parties only if they are aware of the underlying processes and control mechanisms of such work that they themselves have not carried out and if said processes and mechanisms are documented.

It must be clear where **members** have drawn on, used as a basis or relied upon the work of a third party. It must be made clear if no responsibility is accepted for this part of the work.

- 3.3. **Members** must carry out the checks necessary to enable them to evaluate the suitability and quality of the data used.
- 3.4 All important oral statements must be confirmed in writing.

3.5. **Written statements and reports** (“Report”)

3.5.1. It should be clearly specified to whom the report is being addressed and the role being assumed by **members** in the evaluation. In particular, the identity of the client or principal client and the purpose and scope of the mandate should be specified.

3.5.2. The data used must be described and evaluated. In particular, it should be clear whether the **member** considers the data reliable and appropriate or has reservations about it.

3.5.3. It should be stated which assumptions and methods have been used by the **member**. The report should provide an indication as to how far the methods and assumptions have been modified since the last report of this nature and the scope of these modifications. Furthermore, the report should provide information about the sensitivity of the results in terms of the basis selected.

3.5.4. If certain parameters, models or assumptions are either legally prescribed or laid down by the client or recipient of the report and the member does not consider these parameters, models or assumptions appropriate for the given context or purpose

in question, explicit and unambiguous reference should be made to this. What is more, they should also indicate the influence on the results of the assumptions and models that they deem appropriate.

3.5.5. Any recommendations made in a report should contain information on each relevant factor and on the results of **members'** research required by the recipient of the report so as to be able to judge the suitability of the recommendations and the consequences of their implementation.

3.5.6. Written reports on point estimates of expected values should indicate that future observations will usually deviate from these estimates. The point estimate is to be accompanied by a statement on uncertainty where possible, and can consist of a distribution, confidence interval, standard deviation or other appropriate value or information and can, if necessary, be supplemented by special scenario observations.

- 3.6. **Members** should communicate in a form so that the recipient is able to understand the conclusions and core messages. This point is particularly important if the methods used by **members** deviate from those generally used by recipients or if the conclusions of **members** deviate from the expectations of the recipient.
- 3.7. Insurance terminology comprises a series of frequently used terms which may not be generally understood or can be interpreted in various ways. **Members** should ensure that such terms are clearly defined.
- 3.8. **Members** providing advice of an actuarial nature on pension schemes in the 2nd Pillar shall adhere to the general principles and guidelines for pension fund experts published by the SAA and Swiss Chamber of Pension Fund Experts.

Approved by the General Assembly on 29 August 2009.