

Mutual Recognition in North America

Richard S. Robertson

The North American actuarial profession is unusual in that recognition of qualification to practice is provided by different actuarial bodies than those that recognize professional status. The Society of Actuaries and the Casualty Actuarial Society provide basic and continuing education to United States and Canadian actuaries, administer examinations, and award Fellowship and Associateship degrees for successful completion of those examinations. However, to practice in the United States or Canada, an actuary must be a member of the American Academy of Actuaries or the Canadian Institute of Actuaries, respectively.

To become a member of the Academy or the Canadian Institute, an actuary generally must qualify for and become a member of one of the two Societies. In the case of the Canadian Institute, one must be a Fellow. There are also experience requirements and for the Canadian Institute, specific requirements pertaining to knowledge of Canadian practices. One can also become a member of the Academy by successfully completing the “Enrolled Actuary” exams administered by the U.S. Government.

The relevance of this to the mutual recognition issue is that the route a non-resident actuary must take to be professionally recognized in the United States or Canada depends on what the recognition is intended to accomplish. If one is seeking recognition of ones

professional qualifications, it would be appropriate to work with the Society of Actuaries or the Casualty Actuarial Society. However, if one wishes to perform actuarial work in the United States, the Academy is responsible for providing such recognition. Similarly the Canadian Institute is responsible for authorizing one to perform professional work in Canada.

Recognition of Professional Qualifications

Fellowship in the Society of Actuaries or in the Casualty Actuarial Society is the highest level of professional recognition in the United States and Canada. It is achieved by completion of examinations administered by the relevant Society. Associateship is awarded on completion of a specified part of the examination syllabus of each organization.

There is no national residence requirement for admission to either Society, and in fact the examinations are offered globally. As a result, Fellowship and Associateship are not only the primary form of professional recognition in the United States and Canada, but are a primary form of recognition in many parts of the world, especially Latin America, the Caribbean, and parts of Asia. One route to professional recognition is therefore to successfully complete the examinations offered by one of these organizations.

The Society of Actuaries has a long history of recognizing professional qualifications of actuaries qualifying through the examination process of other actuarial organizations.

Actuaries completing the examinations of the Institute of Actuaries or the Faculty of Actuaries qualify for membership in the Society. In turn the Institute and Faculty recognize the professional qualifications of Society members.

The Society of Actuaries is also interested in recognizing professional qualifications of actuaries qualifying in organizations which use academic accomplishments rather than examinations as membership requirements. This can be more complicated because the Society does not recognize the academic accomplishments of its North American members and is naturally reluctant to provide for nonresidents a qualification route it is unwilling to provide for residents of its home countries. There is also an issue of validating that the academic qualifications appropriately correspond with the subjects covered in the Society's examinations both in content and in intensity. Nonetheless, the Society is willing to consider waiving some of its examinations for actuaries qualifying outside the United States and Canada through the academic route. Such consideration is provided on a case-by-case basis. Naturally, the Society would appreciate some level of reciprocity from the other actuarial organization.

Recognition of Practice Rights

For many purposes, laws or regulations provide that membership in the American Academy of Actuaries (or the Canadian Institute in Canada) is required to perform specified actuarial duties. This includes the providing of actuarial opinions with respect

to insurance company financial statements, life insurance dividend illustrations, health and casualty insurance rate filings, and a number of other specified functions.

A significant exception in the United States is that the actuarial certification provided for most pension plans must be provided by an “Enrolled Actuary”. Enrolled actuaries qualify by completing specified examinations administered by the Federal Government. Such actuaries are eligible for membership in the Academy, but need not have such membership to perform their statutory function. Academy membership, by itself, does not qualify an actuary to perform these functions.

The Academy requires for membership education equivalent to Associateship in the Society of Actuaries or the Casualty Actuarial Society. Alternatively, the education requirement may be met by completing the Enrolled Actuary examinations. It also has an experience requirement. For actuaries trained outside the United States, the experience requirement requires specific experience in U.S. practice.

To meet its education requirement, the Academy is willing to recognize qualifications achieved outside the United States. It recognizes the qualifications of those completing the Institute and Faculty’s examinations and is also willing to consider the qualifications of those whose home actuarial organization bases membership on academic accomplishments. It also is interested in reciprocal treatment from other actuarial organizations.

The Canadian Institute's membership requirements are stricter, requiring the equivalent of Fellowship and requiring specific knowledge of Canadian practice demonstrated through passing an examination.

Except for the actuarial functions where qualifications are established by law or regulation, an actuary may provide actuarial services in the United States without belonging to the Academy. In such cases, if the actuary is a member of any actuarial organization belonging to the IAA, the Code of Conduct of such organization requires that the actuary follow the professional standards of the Academy.

Qualification Requirements and other Professional Responsibilities

The Academy's professional standards fall into three categories: the Code of Professional Conduct, Standards of Practice, and Qualification Standards. The Code requires that the actuary act with professional integrity. Like the Codes of all IAA members, it requires that the actuary act in accordance with the professional standards of whatever jurisdiction he or she is working in. It also requires that the actuary act only where professionally qualified to do so.

The Standards of Practice are a series of codified statements, each describing what is expected of an actuary when acting within the scope of the standard. An actuary resident outside the United States practicing in the United States would need to be aware of when these standards apply and the content of any that do apply.

The Academy includes actuaries whose primary areas of professional activity may be life insurance, casualty insurance, pensions, health care, or investments. It would be a very unusual actuary who is proficient in all these areas. To strengthen the general requirement in the Code that actuaries practice only where they are qualified, the Academy has issued Qualification standards. Those standards include basic education requirements as well as a continuing education requirement, the latter applying whenever an actuary makes a public statement. An actuary from outside the United States would need to satisfy the Qualification standards, which would include sufficient knowledge of U. S. practice as well as appropriate continuing education.

United States – Canada Mutual Recognition Experience

The close proximity of the United States and Canada and the significant integration of their economies has led to substantial cross-border practice by actuaries of the two countries. Because actuaries of both countries qualify through the examinations of the Society of Actuaries and the Casualty Actuarial Society, much of what is needed to practice in either country is common to all actuaries of both countries. But there are also major differences. The Academy and the Canadian Institute for many years have worked out arrangements to facilitate cross-border practice and to identify the responsibilities of actuaries engaged in such practice.

It is understood that a U. S. actuary practicing in Canada must follow Canadian practice and a Canadian actuary practicing in the U. S. must follow U. S. practice. But what constitutes practice in Canada or in the U. S.? The physical location of the client is more important than the physical location of the actuary, and the requirements of the assignment are more important than the location of either. There are undoubtedly occasions where a given assignment represents practice in both countries, in which case the requirements of both countries apply. But what if those requirements are in conflict?

The two organizations have agreed that if unprofessional conduct is alleged, the country where the practice is located will have primary responsibility for investigating the allegations, regardless of the nationality of the actuary. However, each organization to which the actuary belongs will have the responsibility for disciplining its member actuary.

Some Issues with Cross-Border Practice

The United States – Canada experience illustrates some of the issues that need to be considered when cross-border practice is developed. It needs to be clear under what circumstances an actuary of one country is subject to the standards of the other country and what legal and professional requirements apply. Under what circumstances would the actuary need to be a member of the other country's professional organization, and what must he or she do to qualify for such membership? If there are allegations of unprofessional conduct, who is responsible for investigating such allegations, and how

are the results of such investigation communicated to and dealt with by the actuary's home organization?

I believe strongly that the increased internationalization of actuarial practice is a good thing. It increases the actuarial resources available to users of actuarial services. It increases practice opportunities for actuaries. It enriches the breadth of the actuaries' knowledge and services. But it also brings additional responsibilities. It is critical that actuarial organizations and the IAA recognize and fulfil those responsibilities.