Adjudication Panel Meeting

25, 27 & 28 August 2020

Held by video conference

Respondent:	Dale Lee FIA
Category:	Fellow since 1992
ARN:	5192
Panel Members:	Jules Griffiths (Chair, Lay member) Richard Hartigan FIA (Actuary member) Peter Aspinall (Lay member)
Legal Adviser:	James Stythe
Judicial Committees Secretary:	Julia Wanless

Allegation:

The allegations against Mr Lee, (the Respondent) are:

A In his role as Signing Actuary at Company A led the team which developed the first iteration of the [X] tool which;

A1 Was programmed to provide only one option where there are other options in the Solvency II standard formula;

A2 Included flawed calculations as a consequence of;

A2.1 The model not allowing for the lapse of future premiums from written/bound but not incepted business;

A2.2 The model's approach to calculating lapse risk having simplifications that could impact the accuracy of the insurer's lapse risk calculations under the standard formula in that:

A2.2.1 It does not identify only profitable policies for lapsing and applies the lapse risk assumptions at a Solvency II line of business level;

A2.2.2 Any reinsurance premiums that are still payable are still reduced in the lapse risk calculation;

A2.2.3 Any cashflows specific to the policies that the insurer writes may not be reflected accurately.

A2.3 limitations in segregating currencies for the purposes of the interest rate risk and currency risk calculation;

A2.4 inaccuracies in the calculation of counterparty default risk due to;

A2.4.1 the exposure value for reinsurers being the undiscounted reinsurance recoverable;

A2.4.2 the simplifications made for the gross capital requirement overstating the risk mitigating effect;

A2.4.3 the loss given default calculation giving full weight to the risk mitigating effect of reinsurance contracts rather than 50%;

A2.4.4 the model not restricting negative loss given default exposures;

A2.4.5 the model not allowing the user to include counterparty default risk from the risk mitigating effect of derivatives used for hedging;

A2.5 inaccuracies in the calculation of spread risk due to;

A2.5.1 the model not applying a minimum floor of 1 for modified durations less than 1;

A2.5.2 errors in the calculation of the spread risk charge for covered bonds;

A2.6 inaccuracies in the calculation of concentration risk due to the model double counting the concentration risk charge for counterparties which have been aggregated by a single name exposure;

A3 Did not contain a life underwriting risk module;

A4 Was not supported by sufficient documentation;

A5 Was marketed as a SCR submission tool when it was not fit for this purpose;

A6 His actions at paragraphs A1 to A5 were in breach of the Competence and Care principle of the Actuaries' Code (version 2);

A7 His actions at paragraphs A4 and/or A5 were in breach of the Communication principle of the Actuaries' Code (version 2);

A8 His actions at paragraphs A1 to A5 were in breach of the Compliance principle of the Actuaries' Code (version 2);

B In his role as Signing Actuary at Company A signed off an actuarial report for Company B as at 31 March 2017 and dated 14 July 2017 which;

B1 Did not include a comparison between the results as at September 2016 and the results as at March 2017 to explain any differences and/or included a reconciliation of the two sets of results in breach of TASR: C.5.17;

B2 Did not provide a sufficiently clear and/or detailed description of the data received and used in the analysis in breach of TASR C.4.1;

B3 Did not indicate the materiality of the inconsistencies between paid claims datasets and/or explain any adjustments or judgments applied to account for these inconsistencies in breach of TASR C.4.3;

B4 Did not quantify the proportion of classes Euro EISL and/or Euro SFDS and/or UK PI covered by the incurred claims data provided in breach of TASR C.5.12;

B5 Did not explain the adjustments and/or judgements applied to account for the issues identified in incurred data and/or the impact on the reserves should these potential issues be found to be errors in breach of TASR C.5.12;

B6 Did not provide an explanation for the differences in paid and incurred data between accident year and underwriting year for Euro EISL and/or Euro SFS schemes in breach of TASR C.4.3;

B7 Did not provide details of what information had been provided in relation to claims numbers in breach of TASR C.4.1;

B8 Did not explain the uncertainty in the results as a result of data issues in breach of TASR C.4.3;

B9 Provided contradictory statements as to the selected methodology for the Euro EISL and Euro SFS classes in breach of TASR C.5.8;

B10 Did not state the assumptions used for the ATE class of business in breach of TASR C.4.4;

B11 Did not sufficiently state the assumptions made for the Euro EISL and/or Euro SFS classes of business in that:

B11.1 the report did not disclose the assumptions made in relation to claims frequency or details of the deprivation of this assumption and/or;

B11.2 the report did not disclose the assumptions made in relation to claims severity or details of the derivation of this assumption

In breach of TASR C.4.4;

B12 Did not state the assumptions used to calculate the net reserves in breach of TASR C.4.4;

B13 Only partially explained the assumptions used to calculate sensitivity tests in breach of TASR C.4.6;

B14 Did not explain in sufficient detail the uncertainty ranges in breach of TASR C.5.2;

B15 All or any of B1 to B14 were in breach of the Reliability Objective;

B16 His actions at paragraphs B1 to B14 were in breach of APS X1 in that he failed to demonstrate that he had complied with the requirements of paragraph 2.1 to ensure that his work was carried out in a way that was substantially consistent with ISAP 1;

B17 His actions at paragraphs B1 to B14 were in breach of APS X2 in that he failed to have his work reviewed as set out in paragraphs 1 and 2 of APS X2 or to demonstrate that he had considered the work review requirements;

B18 His actions at paragraphs B1 to B17 were in breach of the Competence and Care principle of the Actuaries' Code (version 2);

B19 His actions at paragraphs B1 to B17 were in breach of the Communication principle of the Actuaries' Code (version 2);

B20 His actions at paragraphs B1 to B17 were in breach of the Compliance principle of the Actuaries' Code (version 2);

C In his role as Signing Actuary at Company A signed off an actuarial report for Company C as at June 30th 2016 and dated 13 December 2016 which;

C1 Gave inadequate descriptions of uncertainty and/or did not explain the approach taken to uncertainty in the calculations;

C2 Did not include sufficient discussion of material risks and/or describe the significance of the risk identified and/or explain the approach taken to the risk;

C3 Did not document in sufficient detail the rationale for using benchmark loss ratios;

C4 Assumed that all claim rates would remain constant;

C5 Did not discuss whether claims rates were likely to continue at the historically observed rate;

C6 Did not contain a record of consideration of reasonably foreseeable events;

C7 Did not provide any discussion and/or indication of the nature and/or timing of any future cash flows;

C8 Did not provide a comparison with the previous report and/or reconcile any difference;

C9 Did not provide sufficient explanations of technical terms used;

C10 His actions at paragraphs C1 to C9 were in breach of the Competence and Care principle of the Actuaries' Code (version 2);

C11 His actions at paragraphs C1 to C9 were in breach of the Communication principle of the Actuaries' Code (version 2);

C12 His actions at paragraphs C1 to C9 were in breach of the Compliance principle of the Actuaries' Code (version 2);

D In his role as Signing Actuary at Company A signed off an actuarial report for Company D as at December 31st 2016 and dated 10 April 2017 which;

D1 Employed the Incurred Development Factor and Loss Ratio methods when these were not suitable for the projection, due to the large degree of uncertainty;

D2 Did not clearly document and/or justify the loss ratios and/or assumed recovery rates used;

D3 Did not contain sufficient detail on the specific methods used for ultimate loss selection;

D4 Did not document any model checks;

D5 Did not provide an explanation of the limitations of any of the models used;

D6 Did not state the source of the data identified within Section 4 of the report and/or document any checks or validation work carried out;

D7 Stated a number of assumptions without providing a rationale;

D8 Highlighted several material uncertainties and risks without providing sufficient indication of the nature and extent of those uncertainties;

D9 Did not provide a sufficiently detailed comparison with the previous review;

D10 Did not project results beyond the current period;

D11 Did not document separate assumptions for changes to claim rates and/or document allowance for reasonably foreseeable events and/or explain how the model allows for claim frequencies and severity;

D12 His actions at paragraphs D1 to D11 were in breach of the Competence and Care principle of the Actuaries' Code (version 2);

D13 His actions at paragraphs D1 to D11 were in breach of the Communication principle of the Actuaries' Code (version 2);

D14 His actions at paragraphs D1 to D11 were in breach of the Compliance principle of the Actuaries' Code (version 2);

E In his role as Signing Actuary at Company A signed off an actuarial report for Company E as at 30 November 2016 and dated 24 February 2017 which;

E1 Did not explain the relevant and/or expected impact of the changes outlined in Section 2 of the report on the reserves;

E2 Did not sufficiently discuss the nature and significance of the risks outlined at Section 6 of the report and/or explain the approaches taken to all the risks;

E3 Did not provide an explanation of the rationale for the assumptions used in the scenario testing;

E4 Did not refer to previous reserve reports and/or draw a comparison with previous reports;

E5 Used but did not define the term “best estimate”;

E6 Did not include sufficient discussion around the uncertainty in the graph contained within the report showing ‘clear upward trend’;

E7 Did not describe the inherent limitations of the key models used in the production of the report;

E8 Did not provide a discussion around the accuracy of the data and/or any checks that were carried out in relation to the accuracy of the data;

E9 Did not attempt to make allowance for foreseeable events;

E10 His actions at paragraphs E1 to E11 were in breach of the Competence and Care principle of the Actuaries’ Code (version 2);

E11 His actions at paragraphs E1 to E11 were in breach of the Communication principle of the Actuaries’ Code (version 2);

E12 His actions at paragraphs E1 to E11 were in breach of the Compliance principle of the Actuaries’ Code (version 2);

F In his role as Signing Actuary at Company A signed off an actuarial report for Company F as at 31st December 2016 and dated 31 December 2016 which;

F1 Did not provide sufficient explanation as to how key assumptions were derived and/or how Company A used them to derive recommendations;

F2 Did not contain sufficient discussion of risks faced;

F3 Did not provide projections of future reporting results;

F4 Did not contain sufficient information in the 'Executive Summary';

F5 Did not explain the term "best estimate";

F6 His actions at paragraphs F1 to F5 were in breach of the Competence and Care principle of the Actuaries' Code (version 2);

F7 His actions at paragraphs F1 to F5 were in breach of the Communication principle of the Actuaries' Code (version 2);

F8 His actions at paragraphs F1 to F5 were in breach of the Compliance principle of the Actuaries' Code (version 2);

G His actions, in each and all of the above, constituted misconduct in terms of Rule 1.6 of the Disciplinary Scheme of the Institute and Faculty of Actuaries (effective 1 August 2010, amended 18 October 2012 and 1 June 2016).

Panel's determination:

The Panel considered a combined bundle (996 pages) which contained the Case Report and appendices submitted by the Case Manager and Investigation Actuary, and the Respondent's response to the Case Report.

The panel also considered the advice of the Legal Adviser, especially with regard to the standard of proof and the application of Rule 4.12.

The Panel determined that the Case Report disclosed a *prima facie* case of Misconduct, as there was sufficient evidence to conclude that the Respondent's actions fell short of the standard which could reasonably be expected of a Member.

The Panel accordingly invited the Respondent to accept that there had been Misconduct and the following sanction:

- Reprimand

Background:

The allegations relate to the Respondent's role including as signing actuary at Company A.

The first allegation relates to a model (identified here as X) which was developed in preparation for the Solvency II Directive coming into force in January 2016. The Respondent led the team which developed the first iteration of X and he was involved in its development and marketing. He was also the client contact for several users of X. On 17 October 2017 the IFoA received a referral which described X as a tool that "calculates the Solvency II Solvency Capital Requirement using the Solvency II standard formula". The referral related to "the quality of the information given for the [X] Solvency II model". In subsequent correspondence the Referrer developed the concerns, some of which were supported by an analysis done by an international consultancy firm during a quality assurance (QA) exercise in 2017. During the investigation the concerns were refined and are now summarised in Allegations A1 to A8.

The second part of the referral related to the quality of actuarial reports for five companies, all of which were signed by the Respondent. The Referrer considered that these reports fell below the standards expected of a signing actuary showing both a lack of care and attention in respect of the quality of reports and also breaches of Technical Actuarial Standards ("TASs").

As part of its investigation the IFoA engaged an expert to comment on the standards which apply to the five reports within scope, and whether the concerns raised by the Referrer in relation to the reports are material concerns. In order to adopt a proportionate response the expert was instructed to deal with only one of the five reports at that stage. The expert's report, dated 27 September 2019, and described as "an interim deliverable", contains a

detailed analysis of alleged shortcomings in the report for Company B. In summary he concluded that it is difficult for the external reader to form a view on the reasonableness or otherwise of the reserving work carried out or to form a view on the reasonableness or otherwise of the conclusion presented by the report.

These concerns form the basis of allegations B1 to B20.

Allegations C1 to 12, D1 to 14, E1 to 12, and F1 to 8 relate to the remaining reports, for Companies C, D, E and F. The IFoA based these allegations on the Referrer's information.

The Respondent has co-operated with the investigation. He has provided detailed information when requested to do so. He denies the allegations, and questions the motivation of the Referrer. In summary, in relation to the first allegations, he says that X was a strategic planning tool, used by Company A's clients for strategic planning management in respect of Solvency II requirements, not a model to be used by clients directly to generate regulatory Solvency Capital Requirement returns.

With regard to the allegations about the actuarial reports, the Respondent accepts that a number of the expert's recommendations would have improved the quality of the report for Company B. However, he does not agree that the issues identified are sufficiently serious to constitute misconduct.

The Respondent does not accept the complaints about the reports for Companies C, D, E and F and reminded the Panel that the expert did not review these reports.

There had been significant delays in bringing matters before the Panel, caused by the need to get detailed information to support the complaints, a conflict which arose and led to a pause in the investigation, and latterly, a short postponement due to ill health.

Decision and Reasons on the Allegations:

The Panel carefully considered the nature and level of the Respondent's involvement for the matters which gave rise to the **Allegations A1 to A8**. The Panel noted that:

- He accepts that he led the team which developed the first iteration of X;
- In a brochure explaining the purpose and benefits of X (undated) (Appendix 52) the Respondent's name is given as one of two contacts for more information about X;

- In a slide presentation from Company A from 2014 (Appendix 53) his name appears in a section relating to Capital Modelling, including a slide which contains “What does the Model do?

    - Let’s (sic) you calculate SCR and MCR based on standard formula
    - Calculates current position
    - Projects forward for three years”

- When interviewed during the investigation he spoke in detail about the strengths of X, his recollection of discussions about X with third parties and the validation of the model, and how somebody else provided training to clients who used X.

Taking all of this into account, the Panel concluded that there was sufficient evidence of the Respondent’s continued involvement, both with marketing and as lead contact with individual clients to conclude that he was, in part, responsible for the matters which gave rise to the allegations in part A. For the record, these allegations are not, as stated, related to his role as Signing Actuary.

Allegations A1 and A2 are based on the consultancy report on the SCR of nine firms where the X model was employed. The Panel noted that the authors of the review state that they have not tested the model in its entirety, nor do they express an opinion. Nevertheless the five page report does cover some important shortcomings which had been identified.

With regard to **A1 (that X was programmed to provide only one option when there were other options in the Solvency II standard formula)**, the Panel noted that, when interviewed as part of the investigation (Appendix 61), the Respondent accepted this, but explained that it was not an issue as X was "a strategic tool" and he knew his clients and their business.

With regard to **A2 (that the model included flawed calculations),** the Panel noted that neither during the investigation, nor in his representative’s detailed response, had he directly commented on the detail of these shortcomings identified in the report. The Panel noted that his position appeared to be that the report was flawed in that X was not designed for reporting on the SCR as it was a strategic planning tool only.

On the evidence before it, the Panel concluded that allegations A1 and A2 were made out.

The Panel considered the contradictory evidence regarding the marketing and subsequent use of X under Allegation A5 (that X was marketed as a SCR submission tool when it was not fit for purpose) below.

Allegation **A3 (that X did not contain a life underwriting risk module)** also comes from the consultancy report (Appendix 13), which notes that, in 2017, “this module is a recent addition to the model, and did not exist in the earlier versions”. The Panel has seen no evidence that the Respondent disagrees, and therefore finds this allegation proved.

In relation to **Allegation A4 (that X was not supported by sufficient documentation)** the Panel noted that the Respondent stated he does not accept there is a valid criticism in relation to what is said to have been a lack of documentation. However, the Panel also took account of the information contained in a letter dated 5 June 2017 from Company A (Appendix 9), in response to concerns raised by a Regulatory Authority, in which the Head of Actuarial states that a User Guide is being produced by 16 June and a full detailed manual will be provided to all clients before July 7. The Panel concluded that the prompt and detailed work done by Company A confirmed that prior to June 2017 there was either a lack of documentation or that it was insufficient. Therefore Allegation A4 is found proved.

As stated above, there is contradictory information relating to **Allegation A5 (that X was marketed as a SCR submission tool when it was not fit for purpose)**. The Respondent has consistently stated that X was a strategic planning tool, and the Panel agrees that this is the case. This is supported by the brochure and the slide presentation (Appendices 52 and 53). Witness statements obtained from some of Company A’s clients confirm this, and the Panel noted that the Case Report does not provide direct evidence from clients that they did use X as an SCR submission tool. This is contrary to the view taken in the consultancy report, which was undertaken on the basis that X was being used as a reporting or submission tool. The Panel had sight of engagement letters and service agreements between Company A and two of their clients (Company H, 31 August 2016, (Exhibit 3 to Appendix 47), and Company I, 30 September 2016, (Appendix 43), the latter signed by the Respondent), and a further service agreement, dated 10 August 2015, with Company G (Exhibit 1 to Appendix 37). The Panel noted that each of the engagement letters is headed “Engagement pack re Provision of X Solvency II SCR Calculation model” and identify the Respondent as the relationship partner and one of four staff responsible for providing the service. Two of the three service agreements describe the provision of “an updated Solvency II SCR calculation model ("Model")”, whereas the third (for Company I) says “Solvency II X capital model to Company I. The model is spreadsheet-based: A standard X SCR projection model”.

Taking all of the above into account, the Panel concluded that they had no convincing evidence that clients had used X as an SCR submission tool. However, the Panel was satisfied that X had been presented to clients as suitable for that purpose, and agreed that it

had been marketed as an SCR submission tool. From its findings in respect of Allegations A2, A3 and A4, the Panel concluded that X was not fit for that purpose and so Allegation A5 is found proved.

Allegation A6. The Panel went on to consider the **Competence and Care principle** of the Actuaries Code, and concluded that, by leading the development of a product (X) which was flawed, in presenting this to clients on behalf of Company A, and in his role advising clients who contracted to use X, (i.e. the matters the Panel had found to be the case in Allegations A1 to A5) the Respondent had failed to comply, in particular with the requirement (contained in section 2.4) to take care that the advice or services delivered are appropriate.

Allegation A7. The **Communication principle** of the Code (section 5.3) requires Members to ensure that communication is accurate and not misleading. The Panel concluded that, in his role in marketing X as a SCR submission tool, when it was not fit for this purpose (found to be the case under Allegation A5), the Respondent failed to comply with this principle. The Panel did not find the lack of sufficient documentation (Allegation A4) to be a breach of this principle as there was no evidence of complaints from clients that documentation was required for the purpose for which they were using the tool.

The Panel concluded that there was no breach of the **Compliance principle** (Allegation A8) as none of these matters directly related to legal or regulatory requirements.

Allegation B relates to the Respondent's role in signing off an actuarial report for Company B which is said to be deficient in a number of respects.

The Respondent does not dispute that he was responsible for the report. However, in his response to the Case Report, he says that the expert was misguided in looking at the report in isolation, saying that "such matters would also have been expressly raised and discussed in meetings and calls with Company B. These matters would also have been discussed in correspondence between Company B and Company A, all of which would have formed part of the broader "aggregate" Report".

As a general point, the Panel were not satisfied with this explanation, noting that the report appears to stand alone and does not reference any other reports or correspondence to be read alongside. The Panel also noted that the Respondent accepts that a number of the expert's recommendations would have improved the quality of the Report, and that he also indicated that Company A's approach to drafting such reports has developed materially since 2017.

Turning to the specific allegations about the contents of the Respondent's report for Company B, the Panel gave detailed consideration to the report itself and the expert's report. The Panel noted that at least one of the weaknesses identified by the expert which fed into the allegations was described as "would have been beneficial", rather than saying they were essential or required, and that others were a matter of judgement as to what amount of explanation is sufficient. On this basis, the Panel concluded that **Allegations B2, B3, B4, B6, B7 and B9** were not supported by the evidence contained in the Case Report.

The Panel was satisfied that the Case Report did contain evidence to support **Allegations B1, B5, B8, B10, B11, B12, B13 and B14**, both in the facts and the alleged breaches of TASR and TASD requirements[1]. The Panel concluded that these were significant shortcomings as the reader was not given sufficient information or explanation to make sense of the data that was presented.

Allegation B15. The Panel concluded that, with the shortcomings identified in the Allegations above, the Respondent's report did not meet the standard required, especially with regard to transparency of assumptions, completeness and comprehensibility, which are all required by the **Reliability Objective**. In particular the Panel considered the purpose of the Company B report and the level of understanding which might be expected of the reader, for example Board members who were not actuaries, but who would be expected to make strategic decisions based on the information presented.

Allegation B16. The Panel accepted that APSX1 requires work to be substantially consistent with ISAP1, which applied to the Respondent's work, and which would be satisfied by compliance with the TASs. The Panel noted that, in his introduction to the report (Appendix 4) the Respondent had stated that the Report was in line with the requirements of the TASs, but when interviewed (Appendix 61) he said that the TASs did not apply and were used as ideas. Based on its findings in relation to the allegations above, the Panel concluded that this allegation is made out.

Turning to **Allegation B17 (requirement to have work reviewed**), whilst there was no evidence that the Respondent had personally requested a review of the report, the Panel noted the "Quality Cover Sheet" and template which was completed before the report was signed off (Appendix 57). The Panel was satisfied that this demonstrated that an internal review was undertaken in accordance with Company A's procedure. Although the review was perhaps unsatisfactory as the shortcomings identified above remained in the version

[1] With the qualification that in Allegations B4 and B5 the references to TASR C.5.12 should be read as TASD C.5.12

which was signed off, the Panel did not consider that the Respondent had failed to meet the requirement for a review.

Allegations B18, B19 and B20, the Panel reminded itself of the principles of the Actuaries Code, including:

Competence and Care, "Members will perform their duties with competence and care";

Compliance "Members will comply with all relevant legal, regulatory and professional requirements"; and

Communication "Members will … ensure that … communication … is accurate and not misleading"

The Panel concluded that the Respondent had demonstrated a lack of care, a failure to comply with the TASs and other requirements, and had signed off a report which was not appropriate for the needs of the reader in that it did not contain sufficient information and therefore may be misleading. Therefore, the Panel was satisfied that the failings it had found in Allegations B1, B5, B8, B10, B11, B12, B13, B14 and B15 respectively amount to a breach of each of these principles. Additionally Allegation B16 (which was also upheld) is a breach of the Compliance principle alone.

The Panel carefully reviewed the **Allegations C, D, E and F (which relate to the Respondent's role in signing off Actuarial reports for Companies C, D, E and F**). The allegations contain detailed criticisms for each of the reports, which are based on information from the complainant. The IFoA had chosen not to instruct an expert to review these criticisms and the Panel's preliminary view was that there was insufficient information to take a view on the merits or otherwise of this part of the case. The Panel reminded itself that Rule 4.12 of the applicable Disciplinary Scheme provides for the Panel to adjourn to seek further information, from the Case Manager, the Investigation Actuary, or the Respondent. However, the Panel was mindful of the need to balance the interests of the Respondent, and the public interest. The Panel was aware that, in current circumstances, an adjournment for further enquiries may lead to a further significant delay. The Panel concluded that an adjournment would be unfair to the Respondent and, that the information contained in the Case Report did not disclose a *prima facie* case of misconduct in relation to Allegations C, D, E and F.

Decision and Reasons on Misconduct:

The Panel then considered whether there was a *prima facie* case that the Respondent's actions amounted to Misconduct.

For the purposes of the applicable Disciplinary Scheme, Misconduct is defined as any conduct by a Member, whether committed in the United Kingdom or elsewhere, in the course of carrying out professional duties or otherwise, constituting failure by that Member to comply with the standards of behaviour, integrity, competence or professional judgement which other Members or the public might reasonably expect of a Member having regard to the Bye-laws of the Institute and Faculty of Actuaries and/or to any code, standards, advice, guidance, memorandum or statement on professional conduct, practice or duties which may be given and published by the Institute and Faculty of Actuaries and/or, for so long as there is a relevant Memorandum of Understanding in force, by the FRC (including by the former Board for Actuarial Standards) in terms thereof, and to all other relevant circumstances.

The Panel concluded that there was a *prima facie* case that the Respondent's actions in regard to the Allegations upheld, namely the entirety of Allegation A (with the exception of A8 and part of A7), B1, B5, B8, B10, B11, B12, B13, B14, B15, B16, B18, B19 and B20, constituted Misconduct under the Disciplinary Scheme.

There is an expectation that Members will undertake work carefully, and avoid misunderstandings so that clients and others (including Regulatory bodies) can have confidence, not only in the work itself, but in the profession more generally. Whilst the Panel accepts that there is no evidence that his actions had a serious, or indeed any, impact on clients, they are nevertheless short of the standards expected and significant.

Decision and Reasons on Sanction:

In reaching its decision, the Panel had regard to the Indicative Sanctions Guidance (January 2020). The exercise of its powers in the imposition of any sanction is a matter solely for the Panel to determine and it is not bound by the Indicative Sanctions Guidance.

The Panel was aware that the purpose of sanction is not to be punitive although it may have that effect. Rather, the purpose of sanction is to protect the public, maintain the reputation of

the profession and declare and uphold proper standards of conduct and competence. The Panel is mindful that it should impose a sanction, or combination of sanctions necessary to achieve those objectives and in so doing it must balance the public interest with the Respondent's own interests.

In considering sanction, the Panel found no aggravating factors. The Panel took into account the following factors in mitigation:

- There was no evidence that the Respondent's actions led to any financial loss or any other harm, nor that he stood to make any personal gain from his actions. There is no dishonesty or criminal activity involved.
- The Respondent has a blemish-free and lengthy career. He has co-operated with the investigation and given full responses when asked. He has acknowledged some of the criticisms which shows some insight.
- The Panel recognised the personal impact that these proceedings may have had on the Respondent, especially as the investigation was prolonged for various reasons (none of which he was directly responsible for).
- The Panel had been informed that the Respondent is not currently practising as an Actuary, and therefore concluded that the risk of repetition is low.

The Panel did not consider that this was one of those rare cases where no sanction is required. The Respondent held a senior position in which he had personal responsibility for the work he was signing off.

The Panel considered whether to impose a Reprimand, and given the facts and mitigation decided that this was the proportionate sanction.

The Panel considered whether to impose a Fine in addition but concluded that this would be disproportionate given that the Panel found the level of misconduct to be towards the lower end of the spectrum and had accepted the mitigating factors set out above.

The Panel also considered whether to impose a period of education, training or supervised practice, but concluded this was not relevant in the circumstances.

Publication:

Having taken account of the Disciplinary Board's Publication Guidance Policy (May 2019), the Panel determined that, if the Respondent accepted the findings of the Panel, this determination will be published and remain on the IFoA's website for a period of two years

from the date of publication. The Panel agreed that a shorter period than would normally apply was justified given the time taken to reach this point.

A brief summary will also be published in the next available edition of *The Actuary* Magazine.

That concludes this determination.