



Institute  
and Faculty  
of Actuaries

# The Actuaries' Code

Guidance to support the principles and  
amplifications in the Actuaries' Code

by the Regulation Board

Section 4: Principle 2 – Competence and care

This Guide imposes no new obligations upon Members or their employers. Rather the Institute and Faculty of Actuaries (“the IFoA”) hopes that the Guide will be a useful tool for its Members.

This Guide does not constitute legal advice, nor does it necessarily provide a defence to allegations of Misconduct. While care has been taken to ensure that it is accurate, up to date and useful, the IFoA will not accept any legal liability in relation to its contents.

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## 4. PRINCIPLE 2 – COMPETENCE AND CARE

### The general duty to act with competence and care

- 4.1 Members have a duty to ensure that they are competent to perform services in their area(s) of expertise. This is reflected in the second principle of the Code, which states:

*“Members must carry out work competently and with care.”*

- 4.2 Due to the specialist nature of the work of actuaries, and the reliance that clients or other users of their work place on their professional status, it can be difficult for non-Members to know whether a Member is competent to carry out the work they are performing. This often means placing a great deal of trust in the Member. Thus, a Member who performs a piece of work that he or she is not competent to perform would be failing in an important responsibility and betraying the trust of users and the public.

### Attaining professional competence

- 4.3 Professional competence has two stages, the first being the attainment of professional competence, and the second being the maintenance of that professional competence.
- 4.4 The attainment of professional competence will necessarily depend on matters such as educational qualifications, practical training and experience.

### Maintaining professional competence

- 4.5 The maintenance of professional competence relies on the Member taking certain steps to ensure they continue to develop their knowledge and skills in order to be able to continue carrying out their work to a satisfactory standard, for example through compliance with Continuing Professional Development (CPD) requirements.

### Acting with competence and care

- 4.6 Generally, acting with competence and care will involve such things as:
- ensuring that work is carried out accurately, in line with instructions and to any agreed deadlines;
  - obtaining additional advice or training where a Member considers that it is required;
  - ensuring that adequate time is set aside to carry out a piece of work;
  - keeping users updated on the progress of the work as appropriate, including letting them know when there may be a problem meeting deadlines;
  - ensuring that work has been subject to an appropriate level of review; and

- communicating to users any limitations in the service that is being provided, as well as whether it is necessary to instruct any other professionals or experts in relation to the piece of work.

4.7 Competence can be achieved at any stage of a Member's career. For more experienced Members, acting with competence and care may involve ensuring that work is delegated to appropriately competent and experienced individuals and that the work delegated is ultimately performed to a satisfactory standard. For less experienced Members, acting with competence and care is likely to involve acting under the supervision of another Member who is taking professional responsibility for the work that is being carried out and ensuring that relevant advice and training is sought where they feel they do not have the necessary knowledge and skill to carry out the task being asked of them.

4.8 Acting with competence and care does not mean that a Member is prevented from branching out into new areas of practice. Members are encouraged to widen their professional knowledge and develop experience in new fields. In pursuing new areas of work, Members will be expected to ensure that they have the appropriate level of knowledge and training or are acting under the supervision of a suitably experienced individual. The onus is on the individual Member to determine what is appropriate in each case.

#### **Competence and care in non-actuarial roles**

4.9 Members are also expected to act with competence and care when carrying out non-actuarial roles (for example honorary, volunteer or business roles), where their conduct could reasonably be considered to reflect on the profession.

#### **Acting with relevant knowledge and skill**

4.10 The first amplification under the 'Competence and Care' principle provides that:

*"Members must ensure they have an appropriate level of relevant knowledge and skill to carry out a piece of work."*

4.11 This amplification is designed to prevent Members from acting outside the boundaries of their competence. This is because users and the public trust Members to be competent to perform the services they are engaged to perform.

#### **When you do not have an appropriate level of knowledge and skill**

4.12 If a Member decides that they do not have an appropriate level of knowledge and skill to carry out a piece of work, they will need to consider whether this can be resolved, for example by working as a team with a more experienced individual, or by obtaining further training, or whether the most appropriate course of action would be to inform the user that they are unable to take on the piece of work and recommend that the user instructs a more experienced or more suitably qualified person.

4.13 It is important Members are honest with users about the level of expertise and experience that they have.

## **What constitutes an appropriate level of knowledge and skill?**

- 4.14 What constitutes an “appropriate level of relevant knowledge and skill” will depend on the nature and scope of the instruction. An actuarial student, for example, would not necessarily be expected to be able to carry out a piece of work that would normally be carried out by a Fellow.

## **Developing knowledge and skills and compliance with CPD requirements**

- 4.15 The maintenance of professional competence requires a commitment to CPD and an ongoing awareness and understanding of relevant technical, professional and business developments. It is not enough simply to achieve competence and then do no further training. In order to maintain competence, Members are expected to keep abreast of any developments affecting their particular practice area as well as anything which has the potential to directly or indirectly impact the interests of users for which a Member carries out work. An example of this would be developments in approaches to risk management and application of new modelling techniques.
- 4.16 Members have a duty to keep their competence up to date through CPD. CPD is learning that is relevant to a Member’s work or role and addresses a personal development need. The IFoA operates a mandatory CPD scheme, and it is the responsibility of individual Members to ensure that they comply with the requirements set by the IFoA. These are a mandatory minimum requirement, and Members are expected to consider whether, in order to carry out their work, they need to undertake additional CPD.
- 4.17 The CPD that a Member is required to carry out is set out in the IFoA’s CPD Scheme and is dependent on the category of membership held by an individual. It is up to individual Members to take responsibility for ensuring that any CPD undertaken is relevant to the nature of their work and addresses a personal development need.
- 4.18 Further information about the IFoA’s CPD Scheme can be found on the IFoA’s website.<sup>1</sup>

## **Ensuring that work is appropriate to the needs and instructions of users**

- 4.19 Amplification 2.3 provides that:

*“Members must ensure their work is appropriate to the needs and, where applicable, instructions of user(s)”.*

- 4.20 To be able to meet this requirement, Members are expected, as a starting point, to ensure they have a clear understanding of the scope and intended purpose of the proposed work before taking on an instruction or carrying out a piece of work. This applies regardless of the environment in which Members work. It is as important to have sufficient clarity on the scope

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<sup>1</sup> <https://www.actuaries.org.uk/learn-and-develop/continuing-professional-development-cpd-and-professional-skills-training>

of work, whether users are within a Member's employer organisation, external clients of a consultancy firm or other types of user.

#### **Taking reasonable steps to understand user needs**

- 4.21 In certain situations, the user's needs may not be apparent. Where this is the case, Members are expected to take reasonable steps to gain an understanding of the user's needs in order to ensure they are able to comply with the requirements in amplification 2.3. Taking reasonable steps in this context may mean speaking to the user directly to determine the purpose of the actuarial services that have been instructed. In situations where it is not appropriate for the Member to contact the user directly, this may involve speaking to a colleague or manager or whoever it is that is ultimately responsible for the piece of work being carried out.
- 4.22 Where a Member is carrying out a piece of work under the instruction of another Member as part of a larger project, they are expected, as appropriate, to discuss at an early stage the scope and intended purpose of the proposed work with that Member to agree who ought to be regarded as the user and ensure sure they understand how the work they are contributing fits into the larger project.

#### **When user instructions do not accord with user needs**

- 4.23 In certain situations, a user's instructions might not accord with the user's needs. Members will need to use their judgment in determining whether a user's instructions have the potential to result in adverse consequences for the user, or for others, and communicate any such concerns to the user before deciding whether they are able to accept an instruction. This applies both to actuaries working in a consulting environment with an external client and to those working for a user within their own organisation.

#### **When user instructions conflict with user needs**

- 4.24 Members will need to ensure that they do not accept instructions from a user where the instructions are in direct conflict with the user's needs. For example, a Member would be expected to refuse an instruction from a user to dis-apply the requirements of the FRC's TASs to a particular piece of UK work, or an instruction to ignore the requirements of a local financial services regulator. That would also be supported by the compliance principle under the Code.

#### **Costs**

- 4.25 Cost will often be an important issue for users and can often drive the scope of the work actuaries are engaged to perform. In circumstances where cost is a particular issue, this can be addressed by ensuring that the basis of remuneration in respect of the agreed scope of work is agreed with users before commencing an appointment or instruction. This is particularly key when users are charged directly for a piece of work (rather than the work being carried out as part of an employed role). If there is an arrangement for remuneration which is more 'open ended' then keeping users regularly informed as to costs will be important. Open communication with users about the basis for remuneration for professional work is key to ensuring the ongoing trust between the user and the Member.

- 4.26 It is important, however, that issues of cost and a limited budget are not allowed to prevent a Member from complying with the Code's requirements relating to competence and care. Fee structures are not an excuse to provide incomplete or unbalanced advice. Once the scope of work is agreed, a Member must carry it out competently and with care. This may lead to situations where a Member has to refuse to carry out a piece of work (if they are unable to do so while still complying with the Code).
- 4.27 In addition to agreeing the basis for remuneration with users before commencing an appointment or instruction, it is also important that users are made aware of any issues at the outset which may impact on a Member's ability to deliver the work that they have been instructed to carry out within any agreed time scales. This includes any limitations to the availability or expertise of internal resources (especially where a Member is working in an in-house setting) or any adverse cost implications associated with a piece of work.
- 4.28 Often, during the course of an appointment or instruction, the scope of a piece of work can change; a project might suffer setbacks and be delayed, or additional work might be required that was not originally anticipated. Members are encouraged, therefore, to ensure that any agreements for remuneration are kept under review and that they are prepared to communicate to users at the earliest opportunity any material change to the scope of an existing appointment or instruction.

#### **Obtaining input from other professionals or specialists**

- 4.29 From time to time Members may need to take advice or seek information from other professionals (both actuaries and non-actuaries) and/or experts who may have particular expertise in an area which might be required for a piece of work, and which the Member might not be qualified to advise on. Members will need to consider whether taking advice is necessary and appropriate; good practice probably entails taking advice when in doubt about this.
- 4.30 In such circumstances, Members might use their actuarial skills to instruct such professionals, either to advise the Member directly or to commission supplementary work that is needed by the ultimate user. In certain situations it may involve the Member advising the user to take separate advice from someone else independently from the Member.
- 4.31 In such circumstances, care will need to be taken to ensure that the instructions so issued are consistent with the needs of the ultimate user of the advice.
- 4.32 It is expected that users will be made aware when input has been obtained from other professionals and/or experts, including when advice has been received from external actuaries and has been summarised by the member for the benefit of the user.