



LATVIAN ACTUARIAL  
ASSOCIATION

## PROFESSIONAL CODE OF ETHICS OF ACTUARIES

### *Terms*

#### *Actuary*

Professional actuary is a person who is working in an insurance company, bank or other financial structure, State institution or sphere of education and is the member of the Latvian Actuarial Association.

The profession of the actuary is a profession with the following characteristic features:

- high mastery in mathematical skills, which should be used in order to define, analyze and solve financial and social problems;
- high professional working experience;
- the responsibility towards the society in general in addition to those responsibilities, which he/she has towards the client or the employer;
- objective opinion;
- rendering of services, taking into account high standards of professional behavior and performance of the services.

#### *Professional services*

The professional services are any services that require special knowledge and skills of actuary and are carried out by a professional actuary. It is advising, giving recommendations and opinions that are substantiated by actuarial assumptions and contain other services as well, which the actuary renders the client or the employer.

#### *Report of the actuary*

The report of the actuary is an article or a report on any matter that is related to the performance of the professional services.

#### *Client*

Client is a person; organization or institution the actuary has entered with into a contract on fulfillment of some specific task or work.

The term "client" always applies to a person or an institution that uses the services of the actuary or uses the services of the company or enterprise that employs the actuary.

#### *Employer*

Employer is an organization or institution that the actuary has entered with into a continuous labour contract.

The term "employer" is used in a situation when the actuary is employed by an insurance company or other institution.

#### *Society*

Society is the client, the employer, as well as clients of the client and the employer.

#### *Direct compensation*

Direct compensation is material compensation, which is provided for by the labour contract and is paid for the professional services rendered by the actuary.

#### *Indirect compensation*

Indirect compensation is any material compensation paid exceeding the limits of business relations, which is received for the professional services rendered by the actuary.

### *Confidential information*

Confidential information is the information that is not a public property and which the actuary has obtained during rendering the professional services to the client or the employer. It may be patented information, information that is limited by Law, or the information about which the actuary has reasonable grounds consider that the client or the employer does not want to disclose.

### *Advertisement and announcements*

Advertisement and announcements contain all means of communication, including oral communication, which may directly or indirectly influence any person or organization, in order to choose the corresponding person company, which will render the services of the actuary.

### *Title*

Title means any title that has been awarded by the Association of Actuaries of Latvia in relation to the adequate position in the Association. "Designation" means special reference to the status of the actuary in the Association of Actuaries of Latvia.

The following four documents is an integral part of the Professional Code of Ethics of Actuaries (hereinafter referred to as the Code of Ethics):

### *Standards of Practice*

A document elaborated by the Association of Actuaries of Latvia and adopted by the General Meeting, that determines how the actuary has to perform the work.

### *Qualification Standards*

A document elaborated by the Association of Actuaries of Latvia and adopted by the General Meeting, that determines requirements of actuary's qualification.

### *Standards of Disciplinary Procedures*

A document elaborated by the Association of Actuaries of Latvia and adopted by the General Meeting, that determines when and for what offences and how the actuary may be inflicted a punishment upon.

### *Disciplinary Commission of Actuaries*

A commission approved by the Association of Actuaries of Latvia that controls whether the work and behavior of the actuary correspond to the Professional Code of Ethics, reviews complaints.

## *Introduction*

The Code of Ethics determines the professional and ethical standards and basic principles that should be observed by actuaries. The actuary should comply with the regulations of the Code of Ethics and should follow all the recessions to these regulations when rendering the professional services.

The regulations of the Code of Ethics are equally applied to all professional actuaries in the Republic of Latvia.

The Code of Ethics is based on an assumption that the aim of the actuarial profession is to work in accordance with the best professional standards, in order to attain higher level of rendering of the services and generally satisfy interests of the society.

## *Contents*

**Professional Integrity**

**Qualification Standards**

**Standards of Practice**

**Payment**

**Conflict of Interests**

**Use of Work Product**

**Confidentiality**

**Rendering of Services and Co-operation**

**Advertisement and Announcements**

**Titles and Designations**

**Disciplinary Procedures**

**Elaboration of Reports**

**Foreign Practice**

**Objectivity**

## **Professional Integrity**

***The actuary should always act honestly and so that the reputation of the profession of actuaries is heightened and the obligations of the profession towards the society are fulfilled.***

The actuary should honestly use the whole totality of the information that he/she knows as a professional actuary.

The professional actuary, assuming the work, should be independent in fact and without seeming suspicion about lack of independence.

The actuary should avoid financial engagements with the client that may directly influence the independence of the professional actuary. Such engagements may arise in various ways, such as:

- direct financial interests in relation to the client;
- loans to the client or borrowings from the client or any official, director or main shareholder of client's enterprise (it does not apply to the loans to banks and borrowings from banks or other similar financial institutions, in case it is done by means of normal procedures, terms and requirements of receiving the loan);
- financial interest in such enterprise that is not a client but in respect to the client is the capital investor (in the enterprise of the client) or an enterprise with (client's) capital investments.

The Report of the Actuary should be drawn, based on the available information, without hiding anything.

***The actuary should perform the professional services honestly, knowingly and precisely.***

## **Qualification Standards**

***The actuary may carry out the professional duties only in case he/she is qualified and corresponds to the necessary Qualification Standards.***

The actuary should comply with the Qualification Standards and should follow all the recessions to these Standards.

Professional actuaries should refrain from rendering such professional services that they are not able to do without assistance and advice of other persons, in order to ensure that these services are rendered satisfactorily. In case a professional actuary is not enough competent in order to carry out some specific part of professional services he/she may address the experts in order to receive technical advises, for example, other professional actuaries, accountants, lawyers, property evaluator etc.

When the professional actuary agrees to render professional services he/she indirectly approves that he/she is enough competent to carry out these services and that he/she will use his/her knowledge, skills and experience with appropriate accuracy and diligence.

***The professional actuary should perform the professional duties with appropriate accuracy, competence and diligence. He/she should keep his/her knowledge and skill in such level, which ensures that the client or the employee receives competent professional services that are based on modern practice, valid legislation and modern technologies.***

### **Standards of Practice**

**The actuary should ensure that the professional services, which he/she has carried out himself/herself or he/she has carried them out upon instruction of other actuary, comply with the necessary Standards of Practice.**

*The actuary should comply with the standards of practice existing in the country where he/she renders the professional services.*

### **Payment**

***The actuary may not receive the indirect compensations.***

The actuary, which is non-financially, and organizational independent in respect to any matter that is the subject of actuarial activity, should, in case it is not clearly obvious, inform about any connection to this matter.

The actuary who is working in several places has to inform about all eventual sources of compensation that he/she receives in connection with the rendering of the professional services by carrying out specific task to the client irrespective of the place where such compensation has been received.

In order to avoid any misunderstandings in respect to the compensation for the rendered services, it is within the interests of the professional actuary and the client before starting the contractual work to clearly, preferably in writing, to determine on what basis the compensation will be calculated and how it should be paid.

Without agreement of the other actuary the professional actuary may not use the material prepared by another actuary in order to receive compensation.

### **Conflict of Interests**

The actuary may carry out the professional services by being involved in the Conflict of Interests in case:

- 1) the actuary is able to work fair;
- 2) all known direct users have been informed about the existing conflict and
- 3) all known direct users have clearly agreed upon the fact that the services will be carried out by the respective actuary.

The client or the employer is the direct user of the actuary's services. When the direct user has the possibility to choose the actuary, he/she may directly contact the actuary in order to obtain the information about qualification, working experience and recommendations.

If the actuary knows about some substantial conflict between the interests of the client or the employer and the third party, he/she should advise the client or the employer in relation to the conflict and should give the corresponding evaluation or conclusions in the report of the actuary.

A professional actuary should always feel the situation and beware the factors that could cause conflict of interests. It should be noted that different viewpoints of the professional actuary and some other party itself is not a subject of ethics.

A professional actuary should refrain from relations or interests that could unfavorably influence or endanger his integrity.

### **Use of Work Product**

The material prepared by the actuary may be used by another party to influence the activity of the third party. The actuary should be aware of the risk of misquotation, misinterpretation of such material or other misuse of the said material and should carry out adequate measures in order to ensure that the material is clear and can be fully understood and that it is indicated that the actuary is its developer.

If the client has intent to publish the report of the actuary about the entrepreneurship of the client the professional actuary should ascertain that the character and meaning of the report in the context of the planned publication is not possible to misunderstand and the society will not be misled. In such circumstances the professional actuary should explain the client that there may not be made any alterations to the report without prior co-ordination with the actuary.

### **Confidentiality**

*The actuary may not disclose any third party any confidential information that has been obtained by performing the professional work in the interests of the client or the employer if only the client or the employer has not authorized to do that or it is not required by law.*

The duty of a professional actuary is always observe confidentiality about the information, which he/she has obtained during performing his/her professional services. The obligation to observe the confidentiality continues also after termination of business relations between the professional actuary and the client or the employer. Confidentiality is not only the matter of non-disclosure of the information; it also requires that the professional actuary during performance of his/her duties prevent its use in the interests of any third person.

The professional actuary should always observe confidentiality, except for the cases when he/she has special powers or legitimate or professional rights or obligation to disclose the information.

The duty of a professional actuary is ensure that the staff or persons under his/her control form, which he/she asks for advice and assistance, also observe the principle of confidentiality.

If the actuary needs to consult with another actuary, the consultation should be agreed with the employer or the client.

### **Rendering of Services and Co-operation**

*The actuary should honestly, professionally, carefully and kindly carry out the professional services and avoid unjustifiable or inadequate critics of other actuaries and should co-operate with other actuaries in the interests of the client or the employer.*

The actuary may not act against the interests of the society.

Differences in viewpoints among actuaries could arise in the result of choice of different assumptions and methods of calculation. During the discussions about such differences either directly among the actuaries or by elaborating a report on the work of the other actuary, the actuary should be objective and polite.

The actuary during the process of the work may reach a situation when in the interests of the client or the employer he elaborates better alternative report, also giving explanation about factors that has caused the elaboration of the other report on the same theme about which another actuary had already elaborated a report. In such case no punitive sanctions may not be used in order to prevent the auditor to express an alternative opinion to the client or the employer.

In case the actuary has been invited to advise the client or the employer and he knows that some other actuary is doing exactly the same or has been recently doing that, then for purposes of precaution he/she should in advance consult with the other actuary in order to prepare adequate evaluation and to find out whether there exist

any circumstances for potential transgression of the Professional Code of Ethics which could influence the performance and approval of the work. The actuary that takes over a work should ask the client or the employer for the agreement for such additional consultations. When the client or the employer has expressed the agreement the actuary who has elaborated the first report may ask for a just compensation for the work in order to collect and hand over to the other actuary the essential information - suitable data, working documents and other documents.

### **Advertisement and Announcements**

***The actuary may not be involved in any activities of advertisement or business offers if false or misleading information is given or the given information has an unfavorable effect to the profession or the competence and integrity of any other actuary.***

Restriction of advertisement and announcements should be observed in cases, when:

- *special assignments are carried out or there exist outstanding achievements in the professional activity.* In such case it is in the interests of the society and the profession of actuaries that the participation of professional actuaries in nationally significant or local activities, or conferring a distinction would be published as well as his/her membership to the Association of Actuaries is mentioned. However the professional actuary may not use the aforesaid aspects or activities in order to gain himself/herself any personal professional advantages.
  
- *information is placed in address books, telephone directory and other reference books.* A professional actuary may place information about himself/herself in a reference book taking into consideration that neither the reference book nor this information should be considered as an advertisement. The information should consist only of the name, address, phone number, professional description and other information that is necessary for the user of the reference book in order to find the respective person or enterprise.
  
- *books, articles are -written, interviews are given, lecturing is done, appearance is made in radio and TV broadcasts.* Professional actuaries which are the authors of books or articles on professional matters may inform their name and professional qualification and give the respective details of his/her enterprise or organization, but may not give any information concerning the services rendered by this enterprise or organization. The same rules apply to the participation of the actuary in lectures, radio and TV broadcasts on professional matters. That what is said or written by a professional actuary may not be an advertisement of himself/herself or his/her company but it should be an objective professional opinion on the discussed theme. It is the responsibility of professional actuaries with the best efforts to ensure that the information, which in the final result becomes know to society, complies with the aforesaid requirements.
  
- *training courses, seminars etc. are organized.* A professional actuary may invite clients, staff or other professional actuaries to attend courses or seminars organized for training of the staff. It would not be advisable to invite at such courses or seminars to participate other persons except for those, which are invited in response to the voluntary request. Such request should not by any means prevent professional actuaries from rendering the services of training to other professional organizations, associations or educational institutions, which organize courses to their members or students or auditors of other courses.

### **Titles and Designations**

*The actuary may use the titles and designations of the Association of Actuaries of Latvia only when their use is connected with his./her activity in the Association or professional activity.*

The member of the Association of Actuaries of Latvia may add his/her name the following initials in the Latvian and the English languages:

1) in the Latvian language:

Aktuaru Asociācijas Biedrs - A.A.B.

Asocietais Aktuaru Asociācijas Biedrs - A.A.A.B.

2) in the Latvian and the English language

Fellow of the Association of Actuaries - F.A.A. Associate of  
the Association of Actuaries - A. A. A.

### **Disciplinary Procedures**

**The actuary in his/her work should comply with the Standard of the Disciplinary Procedures.**

**The actuary should comply with the procedures provided for by the Standard of the Disciplinary Procedures in case he/she has got to know incontrovertible information about failure by another actuary to comply with the rules of the Professional Code of Ethics of Actuaries, Standards of Practice or Qualification.**

The actuary that has any questions concerning the essence and meaning of the rules of the Professional Code of Ethics of Actuaries or Standards of Practice in special cases may confidentially consult with the Chairperson of the Association of Actuaries of Latvia.

### **Elaboration of Reports**

**The actuary when drawing up his/her report on performance of services should indicate the client or the employer for which this report is prepared and should indicate what duties (assignments) the actuary is carried out.**

The actuary must ensure that each reader of the report completely understands the context of the report and the objective why such report has been prepared.

In the report the obtained results should be clearly described to allow the client or the employer to conclude how it will influence the financial result of the company, so that the report is comprehensible to a persons who is not an actuary.

**The report elaborated by the actuary should contain the information about the used data, indicating the source, actuarial methods and assumptions.**

The actuary should clearly explain his/her viewpoint or obtained data by indicating that it is his/her viewpoint or data prepared by him/her. If it is necessary the actuary should be able to give additional explanations.

The actuary should ensure that any calculations made or recommendations given by him/her or under his/her supervision whenever possible are based on sufficient and reliable information and that any assumptions are adequate and suitable, and the methods comply with the Standards of Practice of actuaries which have been introduced as precedents or generally accepted in the profession of actuaries.

**The actuary, if required by the client or the employer, should prepare an investigation on the matter**

**where to his/her opinion exist deviances from the introduced precedents or generally accepted practice or is based on insufficient or doubtful information, including any final report, announcement or certificate with clear evaluation of his/her revelation.**

### **Foreign Practice**

**The professional actuary, which has qualified in one country, may live in or visit another country in order to render there the professional services upon informing Association of Actuaries.**

The professional actuary in all circumstances should carry out the professional services with the respective Standards of Practice and Qualification, Standards of Disciplinary Procedure and requirements of the Code of Ethics.

In case the professional actuary renders the services abroad and there exist differences in any aspects between the requirements of the ethics in the country where the actuary has qualified and the respective foreign country the following considerations should be observed:

- in case the requirements of the ethics in the country where the professional services are rendered are less strict than in provided for by the Professional Code of Ethics of Latvian Actuaries the requirements of this Code should be complied with;
- in case the requirements of the ethics in country where the professional services are rendered are more strict than the requirements of the Professional Code of Ethics of Latvian Actuaries, the requirements of the ethics of the country where the professional services are rendered should be complied with.

### **Objectivity**

**The actuary who prepares the report in accordance with the legislation of the Republic of Latvia or for the local needs of the employer or the client (society) shall render services irrespective of personal considerations or any influence, interests or relations with the client or the employer that could affect his/her professional evaluation or objectivity.**

The principle of objectivity obliges all professional actuaries to be just, honest and free from the conflicts of interests.

**The actuary may not render professional services if he/she has the reason to consider that they will be used in order to mislead the society or to trespass against the law or evade the law.**