



## APS X5: – COMPENSATION FOR PROFESSIONAL SHORTCOMINGS

**Version:** 1.0, effective from 20 November 2020

**Purpose:** The purpose of this **APS** is to set out requirements for **Members** that are **Principals** in **Organisations** that provide **Actuarial Work** to external **Clients**, to have in place measures relating to compensation of **Clients**, or alternative arrangements relating to liability, for loss caused by professional shortcomings relating to that actuarial work.

### 1. Appropriate Arrangements

1.1. A **Member** who is a **Principal** in an **Organisation** that provides actuarial services to external **Clients** must consider the potential for those **Clients** to suffer reasonably foreseeable loss, whether direct or indirect, caused by negligence, breach of duty of care or equivalent legal liability in relation to the **External Actuarial Work** provided and ensure that **Appropriate Arrangements** are in place in relation to compensation for such loss.

2. A **Member** who is a **Principal** in an **Organisation** that provides actuarial services to external **Clients** must ensure that they are in a position to justify the **Appropriate Arrangements** they have in place in relation to 1.1, if reasonably called upon to do so to.

### 3. Interpretation and application

3.1. A failure to comply with this **APS** may result in a finding of misconduct in terms of the **IFoA's Disciplinary Scheme**.

3.2. This **APS** uses the word “must” to mean a specific mandatory requirement.

3.3. In the event of any inconsistency between this **APS** and the **Actuaries' Code**, the **Actuaries' Code** prevails.

#### 4. Definitions

<b>Term</b>	<b>Definition</b>
<b>Actuarial Work</b>	Work undertaken by a <b>Member</b> in their capacity as a person with actuarial skills on which the intended recipient of that work is entitled to rely. This may include carrying out calculations, modelling or the rendering of advice, recommendations, findings, or opinions.
<b>Actuaries' Code</b>	The ethical professional code for <b>Members</b> issued by the Institute and Faculty of Actuaries.
<b>APS</b>	Actuarial Profession Standard issued by the Institute and Faculty of Actuaries.
<b>Appropriate Arrangements</b>	<p>These are not prescribed and may take one or many forms, depending upon the particular circumstances and taking into account any relevant legal duties. They might include, for example:</p> <ul style="list-style-type: none"><li>• the scope and extent of professional indemnity insurance (PII) applicable to the <b>Organisation's Actuarial Work</b></li><li>• the terms of the contract between the <b>Client</b> and the <b>Member</b> and/or his or her employer;</li><li>• the resources available to the <b>Member's</b> employer; and/or</li><li>• the personal financial resources of the <b>Member</b>.</li></ul>
<b>Client</b>	The person, including a corporate entity, for whom the <b>Actuarial Work</b> is produced
<b>External Actuarial Work</b>	<b>Actuarial Work</b> provided to a <b>Client</b> that is external to the <b>Organisation</b> .
<b>IFoA</b>	The Institute and Faculty of Actuaries.

<b>IFoA's Disciplinary Scheme</b>	The currently in force Disciplinary Scheme of the Institute and Faculty of Actuaries, as may be amended from time to time.
<b>Member</b>	A member of the Institute and Faculty of Actuaries.
<b>Organisation</b>	A corporate entity, including, for example, companies, partnerships and Sole Traders.
<b>Principal</b>	A Member who is responsible for, or has material input into, determining any measures taken by that Member's <b>Organisation</b> to compensate <b>Clients</b> for loss caused by professional shortcomings, or deciding alternative arrangements in relation to liability.

NOT YET IN FORCE