

REGULATIONS FOR THE PROFESSIONAL CERTIFICATION OF ACTUARIES

CONTENTS

- PRESENTATION.
- ACTUARY CERTIFICATION. PREAMBLE.
- REGULATIONS FOR THE PROFESSIONAL CERTIFICATION OF ACTUARIES.

PRESENTATION:

Aware of the urgent need of guaranteeing that actuaries that practice their profession in Mexico render first quality services based on high professional practice standards, the members of the governing and administrative bodies of the National College of Actuaries (*Colegio Nacional de Actuarios, A.C.*) decided to adopt a Professional Certification Process for actuaries that render services to Insurance and Bonding Institutions that operate in Mexico, as well as those that offer actuarial consulting services, actuarial audit or valuation of labor contingent liabilities, or act as experts for several purposes and legal instances.

As a result thereof, fundamental bases are established so that, year after year, actuaries have the possibility of being better prepared to face this century's challenges: globalization, competition, quality and professional excellence.

ACTUARY CERTIFICATION. PREAMBLE

The profession of Actuary, as in the case of all professions in Mexico, is exercised by means of the obtainment of a professional exercise license or patent which is granted by the **Administrative Office for Professions**, which depends on the **Secretary of Public Education**, to those persons that prove compliance with the requirements set forth to this effect, in accordance with the provisions, as of 1945, of the Regulatory Law of Constitutional Article 5 related to the exercise of professions in the Federal District.

During the past 50 years, significant progress has been observed in the development of education in our country which, within the specific scope of Actuary, has given rise to the current existence of 13 higher education institutions which include approximately 3,300 students in the career.

Given the variety of institutions and the lack of uniformity in the programs and study plans of those institutions that offer the Actuary Career, as well as the existence of several mechanisms for the obtainment of Professional Degrees in each educational institution, there are differences that may be decisive for academic readiness and accreditation of new professionals, which makes indispensable the adoption of mechanisms focused on the achievement of congruence and consistency within the actuarial practice.

Irrespective of this situation, the **North American Free Trade Agreement (TLCAN)** subscribed by Mexico with the United States and Canada, as well as the international commercial treaties in progress, contemplate reciprocity concepts in professional services by means of the establishment of norms and criteria, mutually acceptable between the professional organisms of each country for purposes of the granting of licenses and certificates to actuary professionals, as the stipulated requirements are met.

In view of the foregoing, it is indispensable that the actuarial profession have a quality control process that sustains the validity and duration of the theoretical and practical knowledge necessary to practice the profession, as well as the expertise required for the development of some professional activities.

The **National College of Actuaries (Colegio Nacional de Actuarios, A.C. CONAC)** is the institution in charge of developing and regulating the exercise of the Actuary Profession in Mexico; for this purpose, its main objectives include the design and instrumentation of professional practice standards, accreditation programs and continuous education, ethical codes and disciplinary measures, as well as several norms and procedures, that each of its affiliates should meet during its professional performance.

The **CONAC** is the main professional organization that represents the Mexican actuarial profession with the governmental authorities, business organizations and international professional associations such as: **the International Association of Actuaries (*Asociación Internacional de Actuarios IAA*)**, **the Consultation Group (*Groupe Consultatif*)**, **the North American Actuarial Council (NAAC)**, **the American Academy of Actuaries (AAA)**, **the Society of Actuaries (SOA)** and **the Casualty Actuarial Society of the United States**, **the Canadian Institute of Actuaries (*Instituto Canadiense de Actuarios CIA*)** and **the Fund for Actuarial Education and Research (*Fondo para la Educación e Investigación Actuarial AERF*)** among others. Further, it maintains a close link and communication with several international institutions.

Actuarial organizations of North America began to work in matters of mutual interest as a result of the meeting convened by the Mexican authorities in Cancun in September 1992. For purposes of coordinating efforts, several organizations agreed that the **Canadian Institute of Actuaries (CIA)** would represent Canadian actuaries, the **National College of Actuaries (CONAC)** would act in representation of the three associations of Mexican actuaries and that the **American Academy of Actuaries (AAA)** would do the same in respect of associations of the United States. The first fruits of these tasks were the incorporation of the **CONAC** into the **Working Agreement Task Force – WATF** – in 1993 and the creation of two trilateral working groups. The first one, to analyze matters related to the professional education of actuaries in the three countries and how to coordinate an accreditation system; and the second, to review the codes of conduct, disciplinary measures and professional practice principles of the several organizations for purposes of guaranteeing that such codes would not present conflicts for the application thereof in the three jurisdictions.

At the **WATF** meeting held in April 1994 in Orlando Florida, the accreditation and certification working group submitted its conclusions for the consideration of the Board of Directors. **Two levels** of actuarial practice were identified:

The first level for professionals that carry out remunerated actuarial activities in any of the other two countries, with the following requirements:

- Canadian residents should be members of the Canadian Institute of Actuaries (CIA) and have the fellow accreditation thereof. United States residents should be members of the American Academy and have the fellow accreditation of the Society of Actuaries (SOA) or the Casualty Actuarial Society (CAS).

- Mexican professionals, due to the need of symmetry, should be members of the National College of Actuaries and have an Actuary Degree issued by a higher education institution, as well as the respective professional license.

The second level, for actuaries whose professional activities require their certificate and signature as a responsible party, who should comply, in addition to the requirements established for the first level, with the following:

- They should have a 3-year-experience in the area of specialty in the country of origin.
- They should take an exam of the specialty in the host country, which reflects the local knowledge (laws and regulations related to the practice) the Code of Conduct and language.
- Comply with the continuous education program of the organization to which they belong.

At a trilateral level, it was agreed to develop a practice exam for each specialty to be recognized for purposes of the certification, as well as a course of ethics in order for actuaries of the three countries to be acquainted with the principles of the practice and the disciplinary methods to which they will be subject during their professional performance.

On September 6, 1994 the **Committee for the International Practice of Actuary (COMPIAC)** was integrated with the participation of the **CONAC**, the **Mexican Association of Actuaries (AMA)** and the **Mexican Association of Consulting Actuaries (AMAC)** chaired by a General Coordinator. The Committee operates through the following Sub-committees: Code of Conduct, Disciplinary Measures and Professional Practice Standards and Accreditation and Certification.

For purposes of studying, evaluating and issuing recommendations on the professional training and performance of actuaries in our country, and in response to the invitation of the **General Directorate of Professions (DGP)** of the Secretary of Public Education, actuary associations integrating the **COMPIAC** promoted the establishment of the **Actuary Technical Consulting Commission**, which was created in December 1999 and that has been working henceforth in several projects through different commissions, with the participation of representatives of professional organizations, universities, the **National Evaluation Center for Higher Education (CENEVAL)**, representatives of service users and, of course, the General Directorate of Professions for which this Commission operates as a consulting body. It is within this forum, that the **DGP** has stated the urgent need of establishing several mechanisms for the certification of every profession in order to sustain the terms of the **TLCAN** and other international agreements, irrespective of seeking “per se” a sound and responsible professional performance.

As of the second quarter of 2002, once the Reform to the General Act on Mutual Insurance Institutions and the Federal Act on Bonding Institutions took place, in which certification requirements are established for actuaries responsible for the functions of Developing Technical Notes for Products, Valuation of Technical Reserves and Actuarial Audits (opinion reports on the situation and sufficiency of technical reserves), the **CONAC**, based on the most transcendental portion of this historic background establishes, as a priority project, the Professional Certification Process, whose objective consists of **Creating the infrastructure necessary to implement and maintain a Permanent Program for the Professional Certification and Continuous Education of**

Actuaries, based on professional development objectives and compliance with legal requirements and international agreements.

The purpose of the process for the professional certification of actuaries is, in first instance, to certify the technical quality of actuaries to persons and public or private organizations, validating and certifying that the Certified Actuary has the sufficient knowledge and necessary experience to carry out the activities related to its profession and to sign as responsible party with the users of its services and the respective authorities.

In second instance, the purpose of the certification concerns the concept of globalization, which implies more competition inside and outside the country, therefore, a constant search for greater quality and productivity as indispensable elements in order for the actuary to be able to remain technically in effect and professionally competitive, within the national and international scope. In this manner, the reciprocity bases for professional practice between countries with which international commercial treaties have been executed may be established.

In order to obtain the certification, actuaries must submit the corresponding application and comply with the requirements established in the related regulations, as well as taking and approving the Certification Exam (**EXC**) which has been designed by the National College of Actuaries (**CONAC**).

REGULATIONS FOR THE PROFESSIONAL CERTIFICATION OF ACTUARIES

Article 1. These regulations are issued in accordance with the by-laws of the National College of Actuaries (Colegio Nacional de Actuarios, A.C.)

Article 2. For purposes of these regulations, it shall be understood as:

CONAC	National College of Actuaries.
CPC	Permanent Certification Committee.
EXC	Certification Exam.
CDC	Governing Council of the CONAC.
PEC	Continuous Education Program.
PPC	Professional Practice in the Field.
ACTC	Certified Actuary(ies).

Article 3. Every actuary that aspires to obtain the Professional Certificate should file the corresponding application with the CPC, considering one or several of the following fields:

- Life**
- Life Annuities (Pensions)**
- Accidents, Disease and Health**
- Damages**
- Bonds**
- Contingent Labor Liabilities**

Once the basic certificate is obtained, the candidate may opt for the accreditation as an Actuarial Auditor; therefore, certificates may be granted in the following modalities:

- a) Certified Actuary
- b) Certified Actuary and Actuarial Auditor

For purposes of obtaining the certificate, all applicants, with no exception, should take and approve the exam on knowledge/skills in the practical application of actuarial standards, as well as in the methodology and rules related to the areas subject to be certified, in compliance with the requirements set forth in these regulations.

In the case of applicants aspiring for the accreditation as Actuarial Auditor, irrespective of complying with the requirements established by the authorities for purposes of the respective registration, it will be necessary that they have previously obtained the category of Certified Actuary in the basic field in question. In the event that the applicant so requests, it may take at the same time both exams in order to obtain the basic Certificate and the Actuarial Auditor Certificate. Applicants for Certified Actuary in Contingent Labor Liabilities should pass the applicable exams and comply with the requirements established to this effect in the Regulations related to Actuary Certified in Contingent Labor Liabilities.

Article 4. In order to take the exam referred to in the preceding article applicants should submit to the CPC the following documentation:

- 4.1 Written application ratified by three certified actuaries.
- 4.2 Copy of the Professional Degree and License (accreditation of the SOA, CAS, CIA or equivalent institution in the event of a CONAC member with studies abroad).
- 4.3 Proof of validity of the CONAC membership.
- 4.4 Professional Curriculum.
- 4.5 Certificate or documentary evidence to prove three years of verifiable experience in activities related to the technical-actuarial field. In the case of Actuarial Audit, it will be necessary to prove five years of experience in the field in question.
- 4.6 Payment receipt of the applicable fees related to the certification exam.

ON THE PERMANENT CERTIFICATION COMMITTEE (CPC)

Article 5. It is the CONAC body responsible for the certification process, which will be comprised of:

- The CONAC president.
- The AMA president.
- The AMAC president.
- At least six actuaries with a recognized academic and/or professional background, appointed by the membership of certified actuaries and selected by the CONAC Board of Directors, who will be in charge of integrating and coordinating the activities of the work groups in each field of certification.
- The president of the Permanent Certification Committee, who should be a certified actuary and be appointed for its position by the CONAC president.

- The president of the Continuous Education Committee.

The CONAC, AMA and AMAC presidents in function will cease belonging to the CPC upon the termination of their term.

The remaining members – the President of the Certification Committee, the President of the Continuous Education Committee and the 6 actuaries which are members of the CPC- will be renewed every two years, at the middle of the management period of the Board of Directors in turn.

For purposes of guaranteeing the progress and continuity of the certification process, the President of the Certification Committee will be elected by the CONAC President, preferably among the 6 actuaries that will no longer be part of the CPC. In this respect, the parties in charge of integrating and coordinating the activities of the new work groups in each field of certification will be elected preferably among the members that will be leaving such groups.

The CPC will be in charge of designing, coordinating and supervising the certification process, and maintaining in effect the knowledge evaluation and accreditation systems; further, it will be in charge of establishing, renewing and supervising, in coordination with the CONAC Continuous Education Committee, the continuous education programs related to the certification process.

The main obligations of the CPC are the following:

- a) Grant, deny or annul the certificate or, if applicable the corresponding ratification in accordance with the provisions set forth herein.
- b) Design and implement the mechanisms that are necessary for the structuring, application, evaluation and rating of the **EXC**.
- c) Develop the policies and procedures for the review and periodic updating of the EXC.
- d) Hire the personnel and external services that are necessary for the **EXC** administration, in accordance with the procedures established by the **CONAC**.
- e) Maintain an updated registry of the Certified Actuaries, which may be consulted by any interested party, with the prior written request submitted to the CONAC.
- f) Design, implement and monitor, in coordination with the CONAC Continuous Education Committee, the Continuous Education Programs related to the certification process.

ON THE CONAC BOARD OF DIRECTORS (CDC)

Article 6. Although the Board of Directors is the **CONAC** highest governance body, for purposes of the Professional Certification Process, it will only act as an advisory body of the CPC, to which it will submit its commentaries, observations and suggestions in order that, if applicable, they be incorporated into the Professional Certification Program.

ON THE CERTIFICATION EXAM (EXC)

Article 7. The **EXC** referred to in these regulations will be prepared and approved by the **CPC**. It will be convened and applied at least twice a year with the possibility of determining additional periods when the **CPC** deems it necessary. Applicants may take the **EXC** at the place previously stipulated in the call and will abide by the rules and instructions that are published.

Article 8. In order to pass the **EXC**, the applicant must achieve a minimum score of 70% in the global exam. Additionally, it must achieve a minimum score of 67.5% in the Development of Technical Notes for Products, as well as the Valuation of Technical Reserves.

Article 9. Once the **EXC** is passed, the **CONAC**, through the **CPC**, will deliver to the applicant a **Certificate** that certifies its professional capacity in the applicable field, indicating, for purposes of its registration with the National Insurance and Bonding Commission, the specific functions included in the certificate: 1. Development of Technical Notes for Products, 2. Valuation of Technical Reserves and 3. Actuarial Audit.

Article 10. For all other cases, in first instance, the **CPC** will review the application and the professional and academic background, verifying that there is no legal or professional impediment and, in accordance with the rules set forth herein, it will determine whether the applicant may proceed to take the exam or whether it may be postponed until the basic requirements are met. After the review and initial acceptance, the applicant will take the exams that are determined to be applied for each of the certification areas in question.

In the event that the applicant fails to comply with the requirements or fails the exam, it may aspire to a new opportunity when it is considered that it has the required experience and knowledge.

ON THE CERTIFICATION

Article 11. The certification will be granted or, if applicable, ratified by the **CONAC**, through the Permanente Certification Committee (**CPC**), once the stipulated requirements are met.

The certification or ratification will be valid for two years and will be renewed by means of compliance and accreditation of the Continuous Education Program (**PEC**) which is specifically established by the **CPC** in accordance with the provisions of the following article, as well as the accreditation of the Professional Practice in the Field (**PPC**) or by means of taking new exams.

Certified Actuaries (**ACTC**) that intend to ratify their certification and continue as active members of the **CONAC** should file with the **CPC** an application together with the **PEC** accreditation certificates, issued by the College itself or by

institutions recognized by the latter to this effect, as well as those of the PPC, in accordance with the stipulated requirements.

In the event that at the time of the ratification, the **ACTC** fails to comply with the **PEC** and/or the **PPC**, or if it no longer belongs to the CONAC, it will automatically lose its certification. Subsequently, if it so desires, it may take the **EXC** once again, in compliance with all the initial requirements established in these regulations.

Certified Actuaries (**ACTC**) with an accreditation of Actuarial Auditor and/or Certified Actuaries in Contingent Liabilities in addition, should comply with the specific requirements established in the applicable **PEC** in order to be able to ratify it.

ON CONTINUOUS EDUCATION

Article 12. Continuous Education Programs established by the **CPC**, in coordination with the CONAC Continuous Education Committee, should consider at least:

- a. Thirty two hours, on a yearly basis, intended to attend courses and seminars that have the purpose of updating knowledge and professional enrichment, including a specific updating course on regulatory matters, with a minimum duration of six hours. In all cases, it will be necessary to have an evaluation of the body that gave the course (exam or equivalent) and the applicant must obtain a minimum score of 70%.
- b. Eight hours, on a yearly basis, intended to attend courses and seminars and trade association events that have the purpose of updating knowledge and professional enrichment, that do not contemplate a formal evaluation, as well as activities related to teaching, research and publication of specialized articles, book chapters or books.

Due to the fact that the granted certification is valid for two years, in accordance with the provisions of these Regulations, it may be accepted that the eighty biannual hours that are required, be covered in such a manner that, in any of the two years, a minimum of twenty five hours and a maximum of up to fifty five hours be accredited, and the rest in the other year, complying with 12 hours of legislation biannually, which may be covered in such a manner that, in any of the two years, a minimum of 4 hours and a maximum of up to 8 hours be accredited, and the rest in the other year.

ON SITUATIONS UNFORESEEN IN THESE REGULATIONS

Article 13. Any situation unforeseen in these regulations should be resolved by the **CPC** which, in turn, will obtain the agreement of the **CDC**. **In the event of a disagreement between them, the situation will be submitted by the CPC and the CDC to the CONAC Board of Honor, whose decision will be definitive and non-appealable.**

