



Actuarial Professionalism

**NAIC Summer 2012 National Meeting
Academy's Council on Professionalism
August 11, 2012 – Atlanta, GA**



AMERICAN ACADEMY *of* ACTUARIES

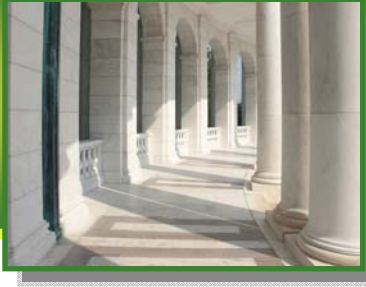
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Panelists

- Nancy A. Behrens, MAAA, FSA, member of the Actuarial Board for Counseling and Discipline (ABCD);
- John Gleba, MAAA, FCAS, Academy's VP of Professionalism and member of the Committee on Qualifications;
- Curtis E. Huntington, FSA, MAAA, FCA, MSPA, member of the ABCD;
- Sheila J. Kalkunte, Esq., Academy Assistant General Counsel and Professionalism liaison;
- Patricia E. Matson, MAAA, FSA, member of the Actuarial Standards Board (ASB).

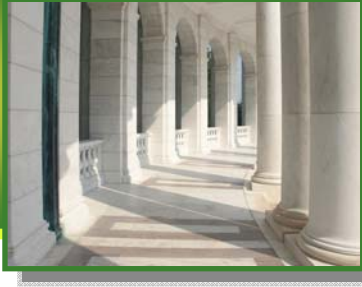




Disclaimer

- Please be advised that the statements and opinions expressed by any panel member are those of the individual panelists and do not represent the statements or opinions of any Academy board or committee, including the ASB and ABCD.





Academy Mission

The Academy's mission is to serve the public and the United States actuarial profession. To accomplish this, the Academy, among other things:

- Provides for the establishment, maintenance, and enforcement of high professional standards of actuarial ***qualification, practice, and conduct.***

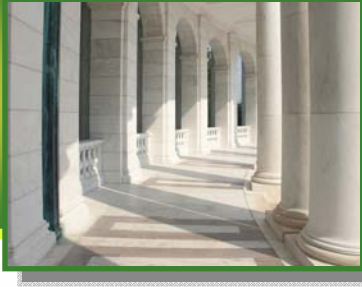




Academy Mission

- The Academy fosters its professionalism mission through the following:
 - Promulgation and review of the profession's *Code of Professional Conduct* (Code) by the Academy's Joint Committee on the Code;
 - Promulgation of the U.S. Qualification Standards through the Academy's Committee on Qualifications (COQ) for basic and continuing education and experience;
 - Creation in the Academy Bylaws of two autonomous boards housed within the Academy whose primary purposes are to develop and maintain actuarial standards of practice, and provide counseling and recommend discipline when necessary:
 1. Actuarial Standards Board (ASB)
 2. Actuarial Board for Counseling and Discipline (ABCD)





Code of Professional Conduct

- The Code sets forth professional/ethical standards for actuarial members of the five U.S.-based actuarial organizations.
- The revised Code was adopted by the five U.S.-based actuarial organizations (Academy, ASPPA, CAS, CCA, & SOA) and took effect January 1, 2001.
- Credentialed actuaries who commit material violations of the Code are subject to counseling or discipline based upon recommendations from the Actuarial Board for Counseling and Discipline.

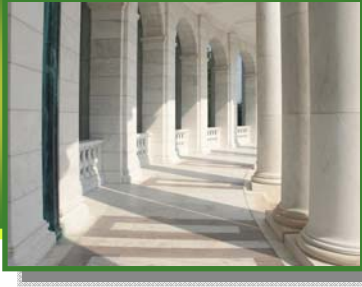




Code of Professional Conduct (cont'd)

- The Code contains 14 Precepts, along with annotations, providing further guidance on adhering to the Precepts.
- The Precepts are standards that must be followed by credentialed actuaries whose member organizations require such members to follow the Code.
- In the event that any Precept conflicts with applicable law one should always follow the law.
- In particular Precept 2 of the Code deals with qualification standards, and Precept 3 of the Code deals with actuarial standards of practice.



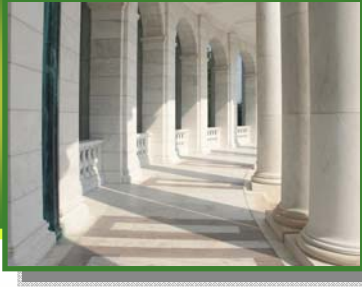


U.S. Qualification Standards

Qualifications Arise Under Precept 2

- Perform professional services only when qualified to do so AND in compliance with applicable Qualification Standards:
 - Know and follow applicable Qualification Standards, which, in U.S., are published by the Academy (Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States).
 - The absence of a Qualification Standard in your jurisdiction does not relieve you of the duty to comply.





U.S. Qualification Standards (cont'd)

- Two separate and distinct aspects to this Precept:
 1. “Look in the mirror” test (do you believe you are qualified to perform the actuarial services); and
 2. Satisfaction of the US Qualification Standards.

Examples of violating the U.S. Qualification Standards include failure to meet annual CE requirements, or failure to meet three-year experience requirement prior to issuing SAOs.





Committee on Qualifications

- The Academy's Committee on Qualifications is charged with considering issues with respect to the minimum requirements necessary to qualify members to perform actuarial work in the United States. It recommends to the Academy Board of Directors minimum qualification standards, including continuing education requirements, and counsels members on questions relating to individual qualifications.
- The COQ is comprised of seasoned volunteers representing each traditional area of practice, each of the U.S. based actuarial organizations, and government regulators.
- In 2008 the COQ revising the existing U.S. Qualification Standards and broadened their scope and the number of required CE hours, among other things (see http://dev.actuary.org/files/qualification_standards.pdf).





Committee on Qualifications

- The U.S. Qualification Standards apply to all credentialed actuaries **regardless** of whether they are members of the Academy.
- Since 2008 the Academy's Committee on Qualifications has answered hundreds of questions submitted by actuaries and regulators about the U.S. Qualification Standards as part of its continuing charge.
- The COQ is in the process of revising the FAQ page to include some of the more common questions that have arisen over the years.
- Questions may be submitted at <http://dev.actuary.org/content/qualification-standards-1>



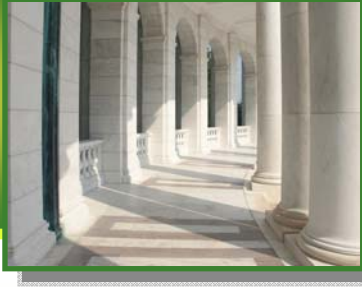


Actuarial Standards of Practice

ASOPs Arise Under Precept 3

- Make sure that work performed by you, or under your direction, meets applicable standards of practice:
 - Know and follow applicable standards, which, in the U.S., are the Actuarial Standards of Practice (ASOPs) promulgated by the Actuarial Standards Board.
 - When applying standards, use professional judgment.
 - Be prepared to disclose and justify deviations.

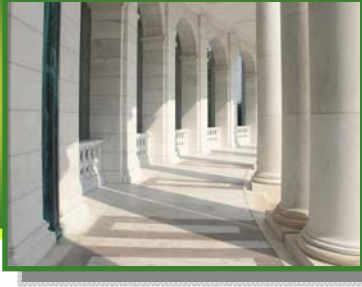




Actuarial Standards of Practice (cont'd)

- Refer to Applicability Guidelines, revised and published by the Academy's Council on Professionalism.
- This Precept incorporates into the Code all of the Standards of Practice issued by the ASB (or by some other body if practicing outside the U.S.). An allegation of bad actuarial work will usually involve an alleged violation of one or more ASOPs. This precept **REQUIRES** you to know about the applicable standards and that your work is in compliance with them.

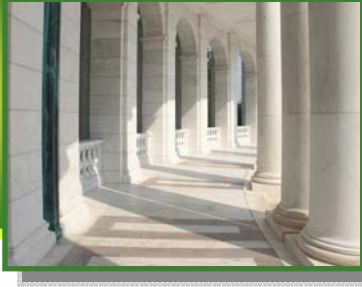




Actuarial Standards Board

- The ASB is an entity established within and managed with the support of the American Academy of Actuaries staff. It operates independently in establishing standards.
- It was established in 1988 as the single board that promulgates standards of practice for the entire actuarial profession in the United States.
- The ASB was founded with the sole authority to develop, obtain comment upon, adopt, and continuously review actuarial standards of practice.



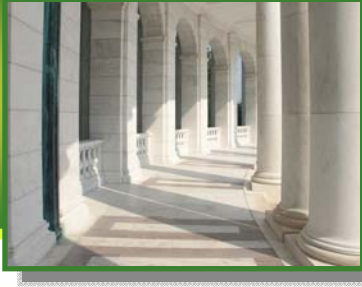


Actuarial Standards Board

(cont'd)

- The ASB establishes and improves standards of actuarial practice.
- ASOPs identify what the actuary should consider, document, and disclose when performing an actuarial assignment.
- The ASB's goal is to set standards for appropriate actuarial practice in the U.S.





Composition of the Actuarial Standards Board

- Nine members
- 3-year terms
- One-third of the Board appointed each year
- One can serve no more than 2 consecutive terms
- Broadly representative of all areas of practice
- Appointed by Council of U.S. Presidents (CUSP)





Operating Committees

Actuarial Standards Board

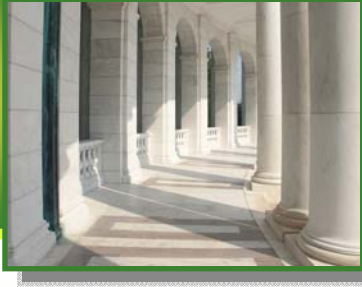




ASB Operating Committees

- Members are selected to represent a broad spectrum of expertise within each practice area.
- Members are proposed by the Committee Chairs and are approved by the ASB.
- Each Operating Committee has a Primary and a Secondary Liaison representative from the ASB.

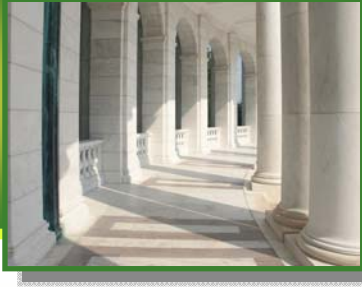




Process To Develop An ASOP

- Anyone may submit a proposal to the ASB, describing why a new ASOP is needed and what it would cover.
- After reviewing and evaluating current and emerging practices, the ASB may:
 - Approve the proposal and refer it to the appropriate Operating Committee to develop an Exposure Draft; or
 - Decline to approve it.

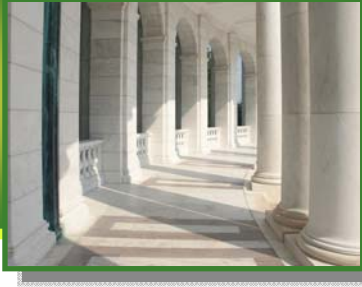




Process To Develop An ASOP (cont'd)

- A proposal sent to an Operating Committee may be assigned to a designated Task Force, resulting in a proposed Exposure Draft being sent to the ASB for review.
- After the Exposure Draft is reviewed, edited and ultimately approved by the ASB, it is distributed to the profession and other interested parties for comment.
- At the conclusion of the specified comment period, the Operating Committee/Task Force reviews all the comments received and makes modifications as deemed appropriate.





Process To Develop An ASOP (cont'd)

- The Operating Committee then submits a Final Draft of the ASOP to ASB for approval.
- The ASB reviews the proposed ASOP and may
 - Approve the New/Revised ASOP; or
 - Re-expose it, depending on the materiality of changes from existing exposure draft.
- Contact the ASB at
www.actuarialstandardsboard.org





ABCD Background

The ABCD, which became effective January 1992, was established as a single body in the United States:

- To investigate actuaries' compliance with the Code of Professional Conduct (including conduct, qualifications, and practice);
- To counsel actuaries in good professional practice; and
- To mediate disputes between actuaries and others.



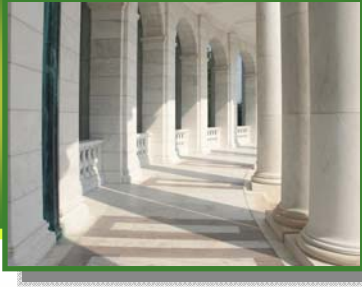


Jurisdiction

The ABCD investigates cases (except in Canada) involving members of the following:

- The American Academy of Actuaries;
- The American Society of Pension Professionals and Actuaries (actuarial members – ACOPA);
- The Canadian Institute of Actuaries (in the U.S.);
- The Casualty Actuarial Society;
- The Conference of Consulting Actuaries; and
- The Society of Actuaries.





Composition of the ABCD

- The ABCD is composed of nine persons representing the four traditional practice areas.
- The ABCD members are appointed by CUSP.
- Each ABCD member is appointed to a three-year term, with terms staggered such that one-third of the board may be appointed each year.
- No ABCD board member is permitted to serve more than two consecutive terms.





Requests for Guidance

- Actuaries seeking guidance on an actuarial matter that they believe may affect their obligations under the Code should consider contacting the ABCD for a confidential “Request for Guidance.” This may be done by using a link on the ABCD website, or telephoning or emailing the ABCD staff liaison, contacting any member of the ABCD, or writing a letter to the ABCD office.
- An individual member of the ABCD or the whole ABCD may respond to the inquiry with confidential advice on good professional practice.
- Requests for Guidance are not a substitute for peer review.
- Last year alone, the ABCD addressed 55 RFGs.





Request For Guidance (cont'd)

- An actuary may contact the ABCD with a request for guidance (or other question) in a number of ways:

Telephone: 202-223-8196

Facsimile: 202-872-1948 (c/o Brian Jackson)

Email: guidance@abcdboard.org

US Mail: 1850 M Street NW
Washington, DC 20036

- The RFG is circulated to appropriate ABCD members who contact the actuary to discuss the issue.
- In the alternative, an actuary may request that the entire ABCD vet the particular issue.





The Investigative Process

- The ABCD learns of alleged Code violations through (a) a complainant; (b) receipt of information; or (c) other means such as newspaper articles, etc.
- The ABCD sends the complaint to the actuary being investigated (the “subject actuary”) and asks him or her to submit a preliminary response.
- The ABCD Chairperson and Vice Chairpersons preliminarily review the matter and decide to (a) dismiss the case (with or without guidance); (b) investigate further; or (c) refer the case for mediation.
- If they decide to investigate further, the ABCD notifies the subject actuary and appoints an investigator to review the matter further.





The Investigator

- The subject actuary is given the investigator's name and offered an opportunity to object to such investigator for good cause; otherwise, the investigator:
 - Contacts the complainant, the subject actuary, and any other necessary persons;
 - Gathers documents and data related to the allegations;
 - Writes a report of the facts and circumstances surrounding the matter for the ABCD to review.

- The subject actuary is then provided with the investigator's report and given the opportunity to reply in writing to the ABCD if desired.





Response to Investigator's Report

Upon review of the investigator's report and the subject actuary's response, the ABCD may decide to do any of the following:

- Obtain additional information;
- Dismiss the case;
- Confidentially counsel the subject actuary; or
- Schedule an investigative hearing if there appears to be a breach that warrants a hearing.





The Investigative Hearing

- The investigative hearing is not a criminal trial and does not have formal rules of evidence.
- At the hearing the subject actuary has the right to:
 - Appear and speak directly to the ABCD;
 - Have counsel present for advice (but counsel may not testify);
 - Question the investigator and/or any other witnesses;
 - Submit documentation to the ABCD to support his or her case.



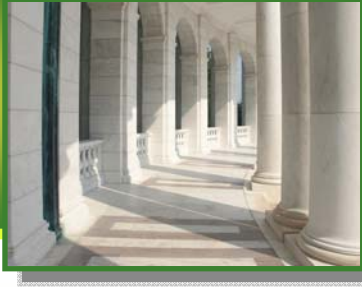


The Investigative Hearing

(continued)

- After the hearing, the ABCD decides whether to (a) request additional information; (b) dismiss the case; (c) confidentially counsel the subject actuary; or (d) recommend that the subject actuary be disciplined.
- The ABCD does not impose any discipline on actuaries; when it believes discipline is warranted, it recommends a course of discipline to the subject actuary's membership organization(s) and each organization determines whether to follow the ABCD's recommendation, impose some other discipline, or disregard the ABCD's discipline recommendation.
- Disciplinary recommendations may include private or public reprimand, suspension or expulsion from membership (i.e. losing one's actuarial credentials).

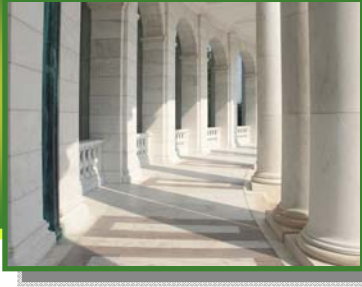




Council On Professionalism

- The Academy serves as a primary source of information on actuarial professionalism in the United States on behalf of the entire actuarial profession.
- The Academy established the Council on Professionalism to review professionalism issues facing actuaries, address possible solutions to these issues, and coordinate professionalism activities.

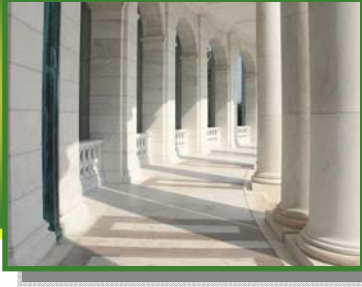




Council on Professionalism (continued)

- Council members are comprised of liaisons from CAS, CCA, ASPPA/ACOPA, SOA, and the Academy. Representatives from ASB and ABCD also serve on the Council. Council members also have liaisons from the five Academy practice councils (life, health, pension, casualty, risk management and financial planning), and regulatory at large members.

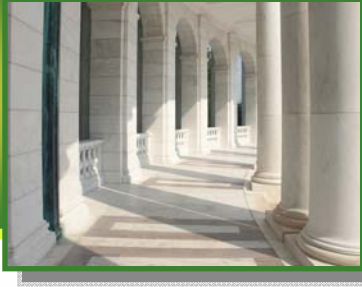




Council on Professionalism (continued)

- The Council has over the years sponsored many low cost and high quality professionalism webinars to assist the entire actuarial community to meet the professionalism requirements under the U.S. Qualification Standards and maintains a library of these free of charge to members at <http://www.actuary.org/professionalism-webinars>.
- The Council has also published over the years discussion papers on various professionalism topics that cut across practice areas located at <http://www.actuary.org/discussion-papers>.





Council on Professionalism Committees

Committees of the Council on Professionalism

- **Committee on Actuarial Public Service** - Emphasizes the importance of actuaries working in the public sector and develops statements and policies on issues affecting public-sector actuaries. Responsible for nominating candidates for the Robert J. Myers Public Service Award.
- **Committee on Professional Responsibility** - Promotes knowledge of standards of conduct, qualification, and practice within the profession and develops discussion papers, articles, and presentations on professionalism topics to support membership.





Council on Professionalism Committees

- **Joint Committee on the Code of Professional Conduct -** Maintains and makes recommendations if necessary for amendments to the Code of Professional Conduct on behalf of all five U.S. actuarial organizations.
- **Life and Health Qualifications Seminar Committee –** Organizes, administers, and conducts the annual Academy seminar designed to help actuaries meet eligibility requirements for issuing annual statement reserve opinions for life and health insurers.
- **Committee on Qualifications –** Considers issues arising with respect to the minimum requirements necessary to qualify members to perform required actuarial functions in the United States. It recommends to the Academy Board of Directors minimum qualification standards, including continuing education requirements, and counsels members on questions relating to individual qualifications.





Questions?

