

Professionalism: The Role of the ABCD

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AMERICAN ACADEMY of ACTUARIES

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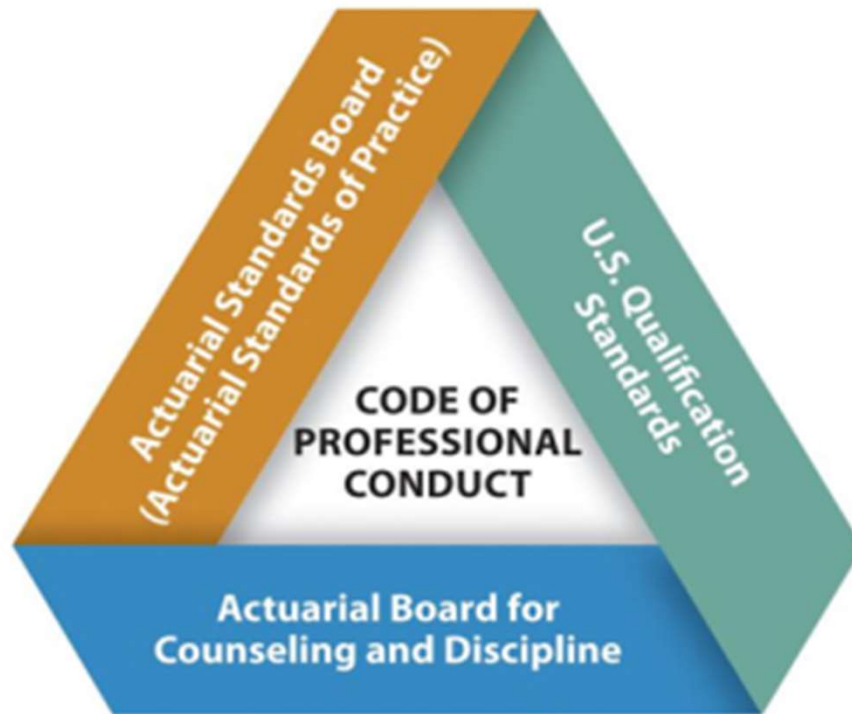
ASNY– May 13, 2019

Disclaimer

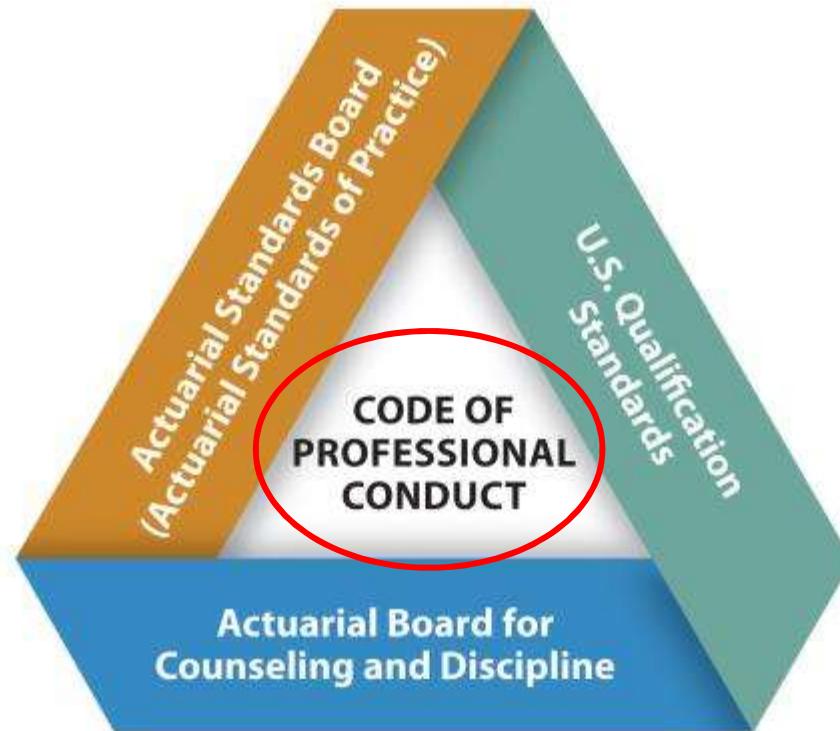
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Professionalism

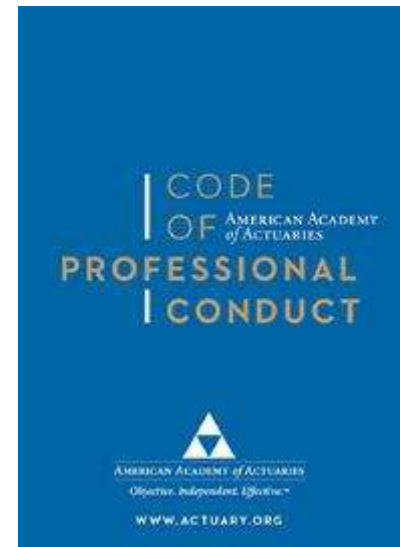


Code of Professional Conduct



The Actuary as a Professional

- “The *Code of Professional Conduct* sets forth what it means for an actuary to act as a professional. It identifies the **responsibilities** that actuaries have to the **public**, to their **clients** and **employers**, and to the actuarial **profession.**”



Code of Professional Conduct

- Individually adopted by the five U.S.-based actuarial organizations (*Academy, ASPPA, CAS, CCA, and SOA*) and took effect Jan. 1, 2001
- Sets forth professional/ethical standards
- Actuaries who commit material violations of the Code are subject to counseling or discipline

Professional Integrity

Precept 1

- An Actuary shall act **honestly, with integrity and competence**, and in a manner to fulfill the profession's responsibility to the public and to uphold the reputation of the actuarial profession.



Qualification

Precept 2

- An Actuary shall perform Actuarial Services only when the Actuary is qualified to do so on basis of basic and continuing education and experience, and only when the Actuary satisfies applicable qualification standards.

Standards of Practice

Precept 3

- An Actuary shall ensure that Actuarial Services performed by and under the direction of the Actuary satisfy **applicable standards of practice.**



Other Precepts

- Communications and Disclosure: Precepts 4, 5, and 6
- Conflict of Interest: Precept 7
- Control of Work Product: Precept 8
- Confidentiality: Precept 9
- Courtesy and Cooperation: Precept 10
- Advertising: Precept 11
- Titles and Designations: Precept 12
- Violations of the Code of Professional Conduct: Precepts 13 and 14



Key Ethical Concerns Facing the Actuarial Profession

Issue	Rank

From *Key Ethical Concerns Facing the Actuarial Profession – American Academy of Actuaries (April 2015)*

Key Ethical Concerns Facing the Actuarial Profession

Issue	Rank
Misrepresenting or concealing limitations in one’s abilities to provide services	5

From *Key Ethical Concerns Facing the Actuarial Profession* – American Academy of Actuaries (April 2015)



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Key Ethical Concerns Facing the Actuarial Profession

Issue	Rank
Conflicts of interest between opportunities for personal financial gain (or other personal benefits) and proper performance of one's responsibilities	4
Misrepresenting or concealing limitations in one's abilities to provide services	5

From *Key Ethical Concerns Facing the Actuarial Profession* – American Academy of Actuaries (April 2015)

Key Ethical Concerns Facing the Actuarial Profession

Issue	Rank
Failure to take appropriate action when another actuary misrepresents information	3
Conflicts of interest between opportunities for personal financial gain (or other personal benefits) and proper performance of one's responsibilities	4
Misrepresenting or concealing limitations in one's abilities to provide services	5

From *Key Ethical Concerns Facing the Actuarial Profession* – American Academy of Actuaries (April 2015)



Key Ethical Concerns Facing the Actuarial Profession

Issue	Rank
False or misleading representation of products or services in marketing, advertising, or sales efforts	2
Failure to take appropriate action when another actuary misrepresents information	3
Conflicts of interest between opportunities for personal financial gain (or other personal benefits) and proper performance of one's responsibilities	4
Misrepresenting or concealing limitations in one's abilities to provide services	5

From *Key Ethical Concerns Facing the Actuarial Profession* – American Academy of Actuaries (April 2015)



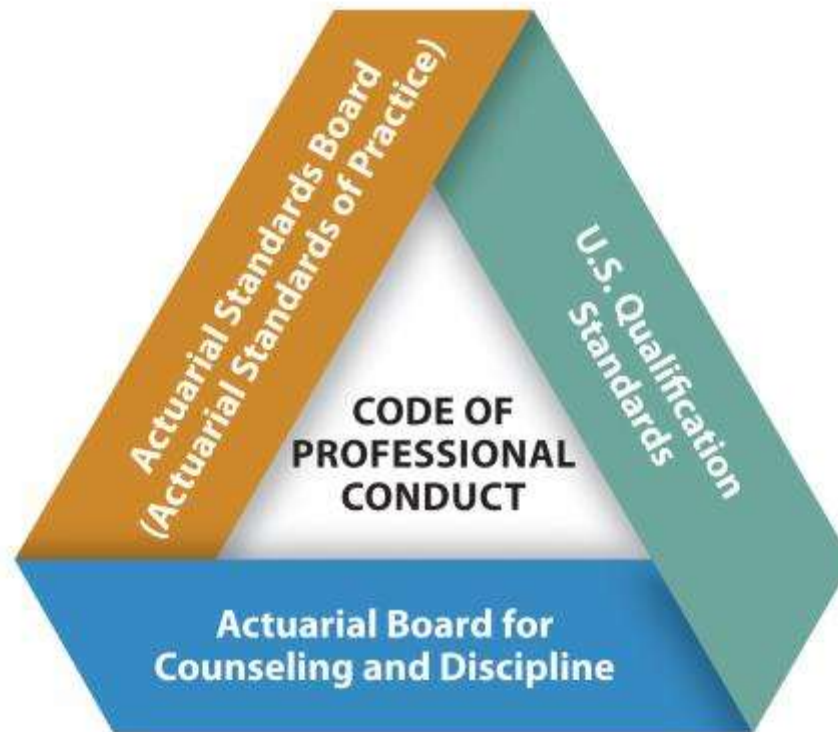
Key Ethical Concerns Facing the Actuarial Profession

Issue	Rank
Responding to pressure from principals and/or management to select inappropriate assumptions used in pricing or reserving	1
False or misleading representation of products or services in marketing, advertising, or sales efforts	2
Failure to take appropriate action when another actuary misrepresents information	3
Conflicts of interest between opportunities for personal financial gain (or other personal benefits) and proper performance of one's responsibilities	4
Misrepresenting or concealing limitations in one's abilities to provide services	5

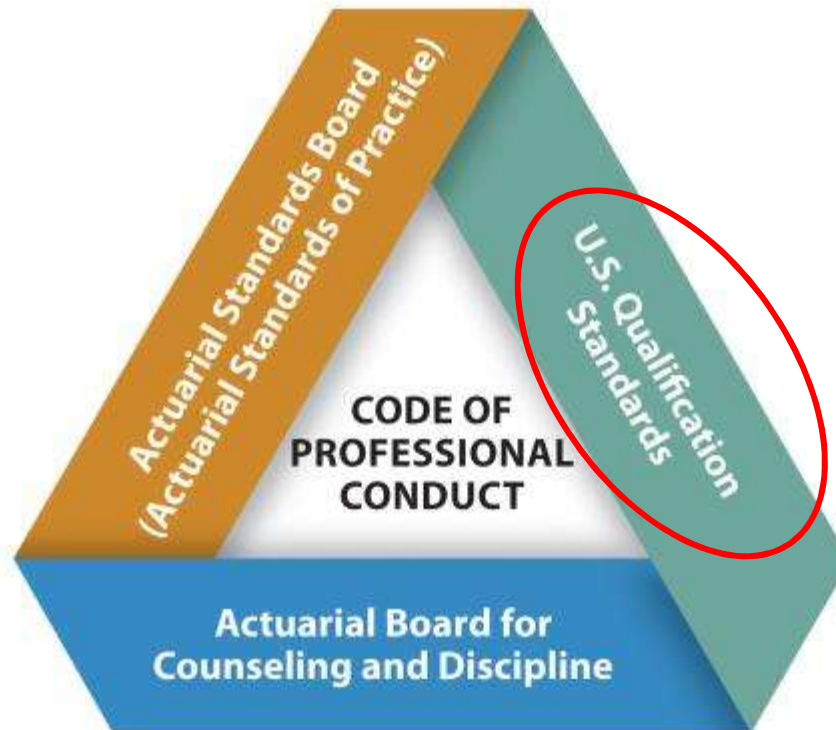
From *Key Ethical Concerns Facing the Actuarial Profession* – American Academy of Actuaries (April 2015)



Professionalism



U.S. Qualification Standards



Qualification Requires

- A minimum level of technical skill.
- Practical real-world experience.
- Familiarity with all the laws, regulations, and standards of practice that apply.
- Keeping up with new techniques, rules, and market developments.



Rooted in Precept 2

- ▣ “It is the professional responsibility of an Actuary to **observe applicable qualification standards** that have been promulgated by a Recognized Actuarial Organization for the jurisdictions in which the Actuary renders Actuarial Services and to keep current regarding changes in these standards.” *[emphasis added]*
(Annotation 2-1)

USQS—SAO

- Academy Board adopted the current *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States* (USQS) in 2008.
- USQS defines a Statement of Actuarial Opinion (SAO) as having two components:
 - (i) an opinion expressed by an actuary in the course of performing actuarial services; and
 - (ii) an opinion that is intended by the actuary to be relied upon by the person or organization to which it is addressed.

Scope of USQS

- Three essential components in USQS:
 - ▣ Basic education
 - ▣ Experience
 - ▣ Continuing education
- When you issue SAOs in the U.S, Precept 2 of the Code requires you to meet the USQS.
- If you render actuarial services outside the U.S., the Code requires you to observe the applicable qualification standards for that jurisdiction.



USQS: Section 2

Basic Education and Experience Requirements

- Must be (at least) one of the following:
 - ▣ an Academy member,
 - ▣ a Fellow or Associate of the SOA or the CAS,
 - ▣ a Fellow of the CCA,
 - ▣ a Member or Fellow of ASPPA, or
 - ▣ a fully qualified member of another IAA-member organization.
- Must have 3 years of responsible actuarial experience; and
- Must be knowledgeable through examination or documented professional development of the Law applicable to the SAO.

USQS: Section 2

General Continuing Education (CE) Requirements

- 30 hours of relevant CE annually
 - At least 6 hours on “Organized Activities”
 - At least 3 hours on Professionalism topics
 - General business subjects
 - not required under the USQS
 - capped at 3 hours annually

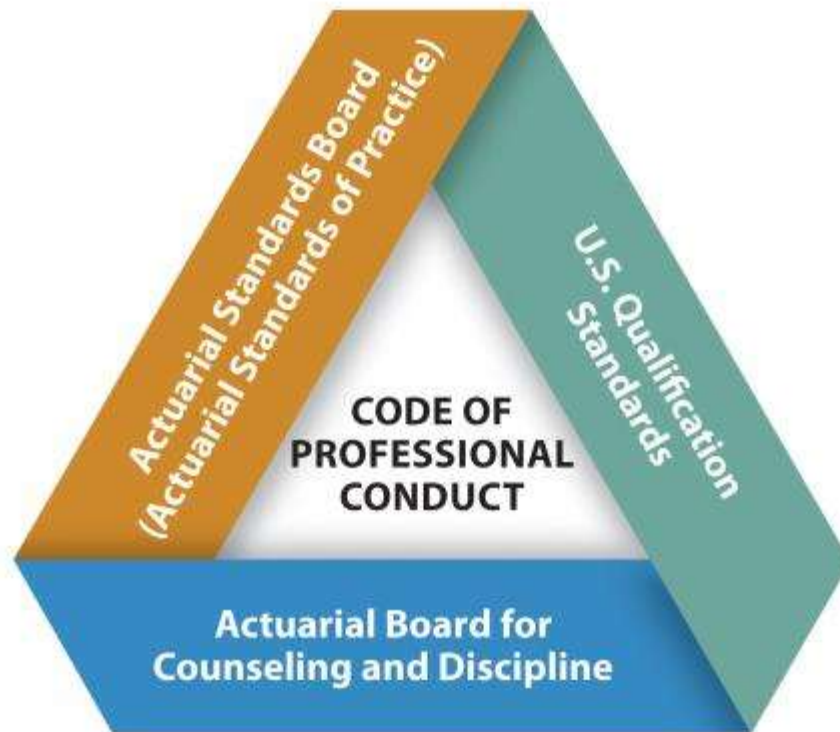


USQS: Section 3

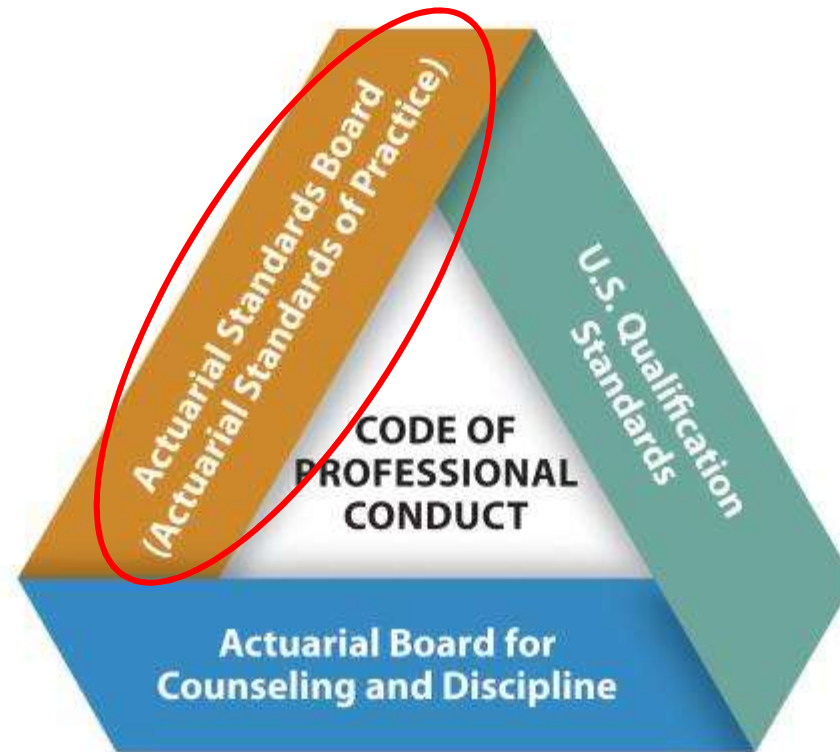
Additional Specific Qualification Standards

- Apply to actuaries who issue the following SAOs:
 - ▣ NAIC Life and A&H Annual Statement
 - ▣ NAIC Property and Casualty Annual Statement
 - ▣ NAIC Health Annual Statement

Professionalism



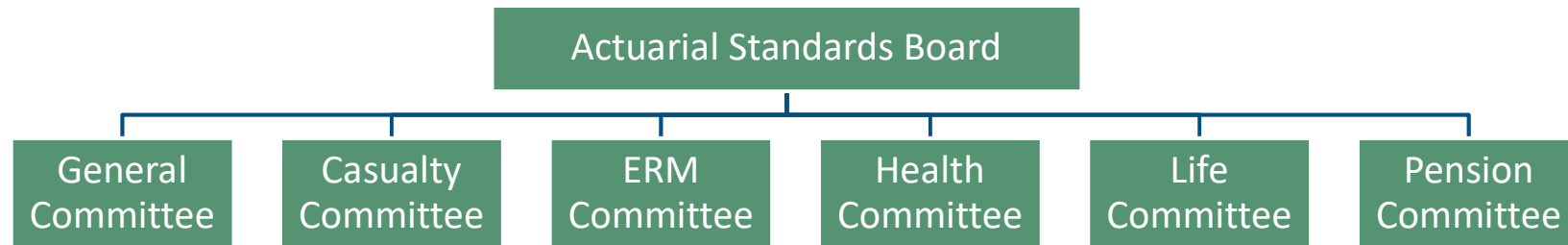
Actuarial Standards of Practice (ASOPs)



Actuarial Standards of Practice (ASOPs)

- *“ASOPs describe the procedures an actuary should follow when performing actuarial services and identify what the actuary should disclose when communicating the results of those services.”*
- Principles-based, not prescriptive
- ASOPs are intended to provide guidance for **appropriate practice**, not merely to codify current practice or best practice.

ASB Structure



- The ASB's 9 members represent of all areas of actuarial practice.

Structure of ASOPs

Cross-Practice ASOPs

ASOP 1 Introductory ASOP

ASOP 41 Actuarial Communication

ASOP 12	Risk Classification
ASOP 17	Expert Testimony by Actuaries
ASOP 21	Responding to or Assisting Auditors...
ASOP 32	Social Insurance

ASOP 23	Data Quality
ASOP 25	Credibility Procedures
Exposure	Modeling
Exposure	Assumptions

Practice-Specific ASOPs

Casualty

ASOP 13, 19, 20,
29, 30, 36, 38,
39, 43

ERM

ASOP 46, 47

Health

ASOP 3, 5, 6, 8,
11, 18, 19, 22,
26, 28, 42, 45,
49, 50

Life

ASOP 2, 7, 10,
11, 15, 19, 22,
24, 33, 37, 40,
48

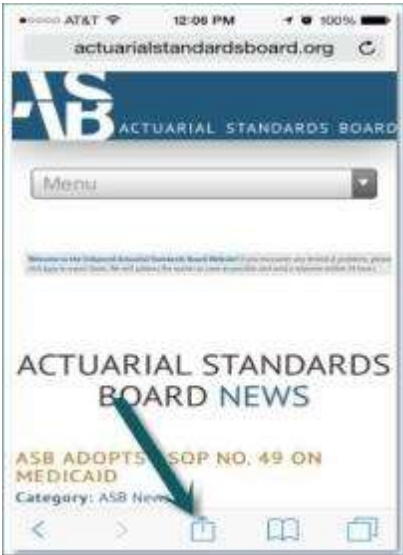
Pension

ASOP 4, 6, 27,
34, 35, 44

Tools for the Actuary: ASB Mobile-Friendly Website

- For **iPhones**: Add an icon to your device's home screen for quick access to the mobile site.

1



2



3



Tools for the Actuary: ASB Mobile-Friendly Website

- For **Androids**: Add an icon to your device's home screen for quick access to the mobile site.

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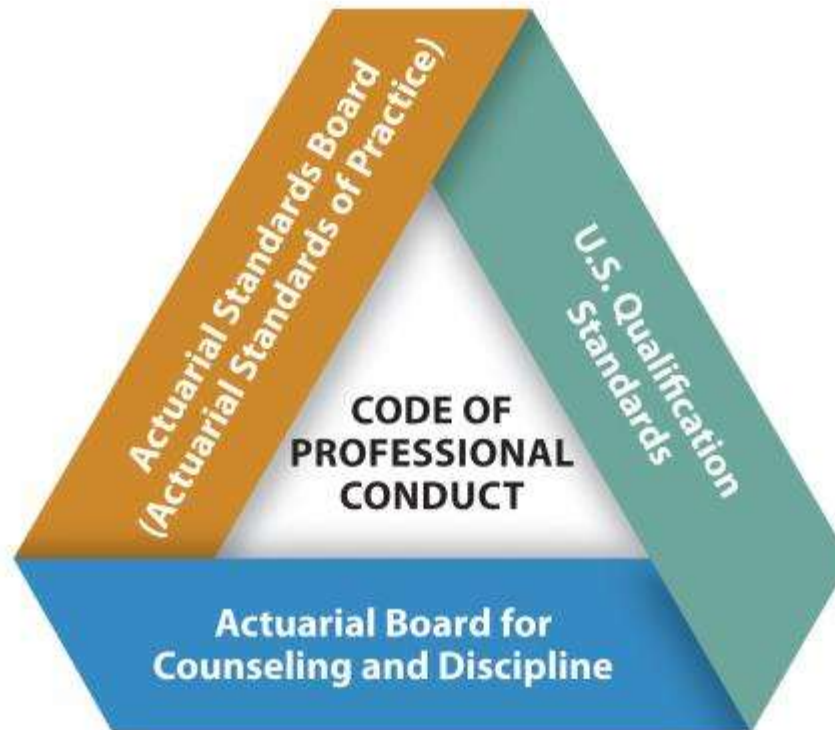
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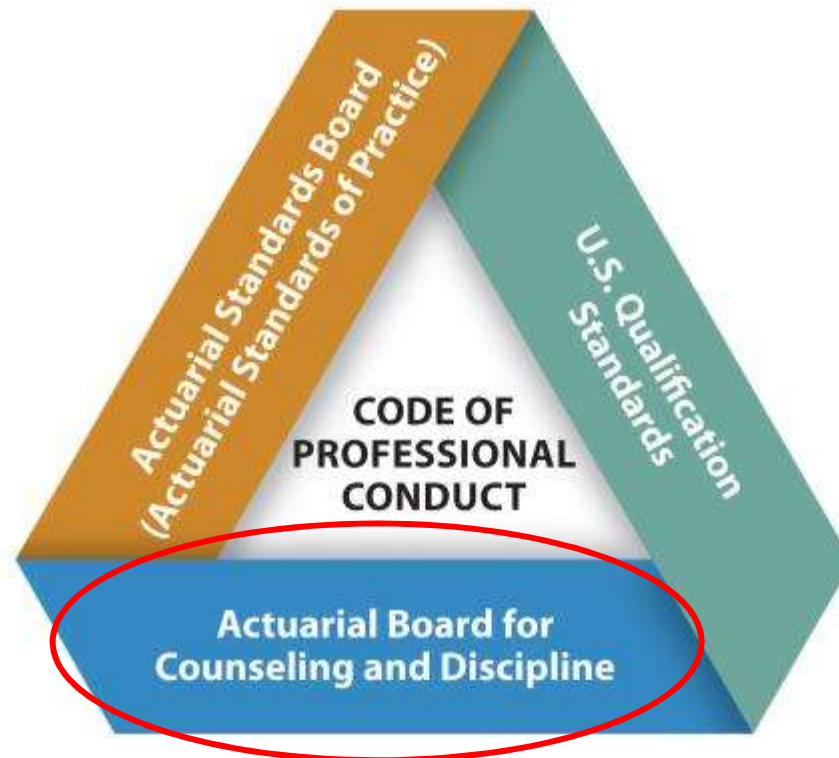
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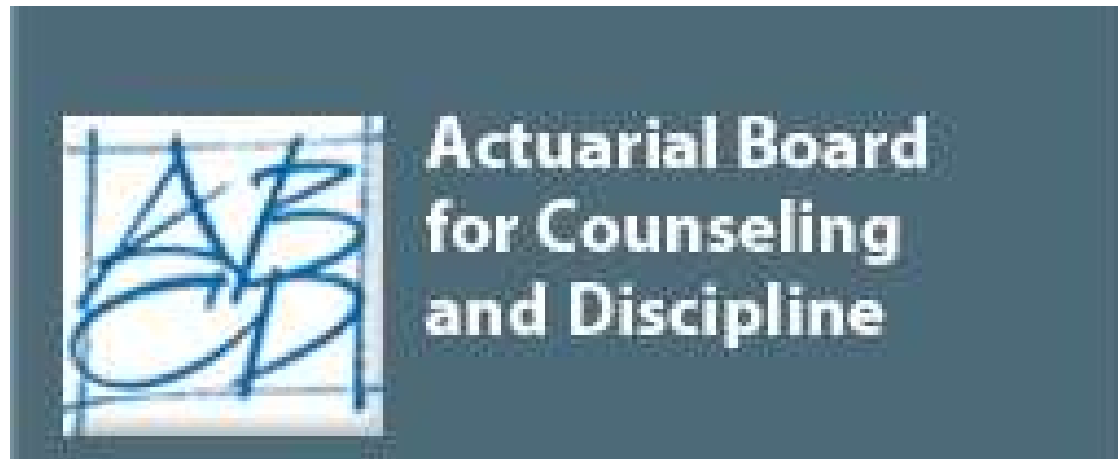
Professionalism



Actuarial Board for Counseling and Discipline



Actuarial Board for Counseling and Discipline



The ABCD

- Two primary functions:
 - ▣ Respond to **Requests For Guidance** (RFGs) on professionalism issues.
 - ▣ Consider **Complaints** about possible violations of the Code.

Complaints

- ❑ Inquiries into possible material violations of the Code can be initiated by:
 - ❑ a complainant (actuary or non-actuary), or;
 - ❑ receipt of outside information (i.e., court cases, newspaper articles, etc.).



ABCD Complaint Process

- ABCD chairperson and vice chairs perform preliminary review and decide whether to
 - ▣ dismiss the case (with or without guidance),
 - ▣ refer the case for mediation, or
 - ▣ investigate further.



ABCD Complaint Process

- If the decision is to continue, the complaint is sent to the Subject Actuary (SA) for a response.
- Based upon that response, if decision is made to conduct further investigation, the ABCD appoints an investigator and informs SA.
 - ▣ SA can object to the investigator for good cause.

ABCD Investigation and Hearing

- Investigator obtains relevant materials and has discussions with SA and others as appropriate.
- An ABCD hearing is held with SA (and counsel if desired), the investigator, and court reporter.
- Investigator presents a report and takes questions from ABCD and SA.
- SA is questioned by ABCD.

Findings and Recommendation

After hearing, ABCD decides whether to:

Request Additional Information	Dismiss
Confidentially Counsel	Recommend Discipline

Findings and Recommendation

- If decision is to recommend discipline, ABCD prepares a Findings and Recommendation report.
 - ▣ Disciplinary recommendations may include private or public reprimand, suspension, or expulsion from membership.
- ABCD does *not* impose discipline.
- ABCD sends findings and recommendations to the appropriate membership organizations.

Member Organization

- If discipline is recommended by ABCD:
 - A Committee of the Member Organization conducts a hearing according to its rules for discipline.
 - The Member Organization Committee may decide to:
 - Impose recommended discipline
 - Impose greater level of discipline
 - Impose lower level of discipline
 - Not impose any discipline

Member Organization

- If the SA disagrees with the discipline, he/she can appeal:
 - ▣ There is another hearing with a completely new panel to hear the appeal;
 - ▣ The primary purpose is to make sure the original discipline panel followed procedures – not a time to bring forth new evidence.

Notice

Once a final determination of discipline has been determined, public notice is provided to membership and other interested parties.



Academy Public Discipline Notices

- ▣ Describe behavior provoking discipline.
- ▣ List Precepts of the Code of Professional Conduct violated.
- ▣ Prominently display public notice permanently on website.

Academy Public Discipline Notices

The screenshot shows the website for the American Academy of Actuaries. At the top left is the logo, a triangle with three smaller triangles inside, and the text "AMERICAN ACADEMY of ACTUARIES" and "Objective. Independent. Effective.™". To the right are links for "Member Login" and "Contact", and a search bar with a "SEARCH" button. Below the header is a navigation bar with "PUBLIC POLICY" and "PROFESSIONALISM". A secondary navigation bar includes "ABOUT US", "MEMBERSHIP", "NEWSROOM", "INTERNATIONAL", and "PUBLIC DISCIPLINE". The main content area is titled "Public Discipline" and includes a link for a "Printer-friendly version". A paragraph explains that the following persons have been publicly disciplined, with the date of the discipline action. A table lists four individuals who were expelled. On the right side, there are logos for the "Actuarial Board for Counseling and Discipline" and the "Actuarial Standards Board", and a "QUICK LINKS" section with links to "Find an Actuary" and "Academy Committees".

Public Discipline

[Printer-friendly version](#)

The following persons have been publicly disciplined by the American Academy of Actuaries. The date following each name is the date of the *Actuarial Update* issue in which the discipline action was publicized to Academy members or the effective date of the discipline action.

Expelled	
Beecher, Paul	August 1985
Boatright, David J.	July 1997
Coate, Larry D.	April 1997
Lederman, Charles M.	May 2009

Actuarial Board for Counseling and Discipline

Actuarial Standards Board

QUICK LINKS

- ▶ Find an Actuary
- ▶ Academy Committees

Requests for Guidance

- You seek guidance on an actuarial matter that you believe may affect your obligations under the Code.
- Confidential and can be made anonymously.
- An individual member of the ABCD or the whole ABCD may respond with confidential advice on appropriate professional practice.
- Contact information is on the ABCD website:
(www.abcdboard.org)

Actuarial Board for Counseling and Discipline

HOME ABOUT US STANDARDS & GUIDANCE COMPLAINTS PRESENTATIONS RESOURCES

About Us

About Us

Responsibilities

ABCD Members

ABCD Staff

Contact Us

The Actuarial Board for Counseling and Discipline (ABCD) was established by the U.S. actuarial organizations to strengthen members' adherence to the recognized standards of ethical and professional conduct.

The Board has two primary functions:

- It responds to actuaries' request for guidance on professional issues.
- It considers complaints about possible violations of the actuarial Code(s) of Professional Conduct.

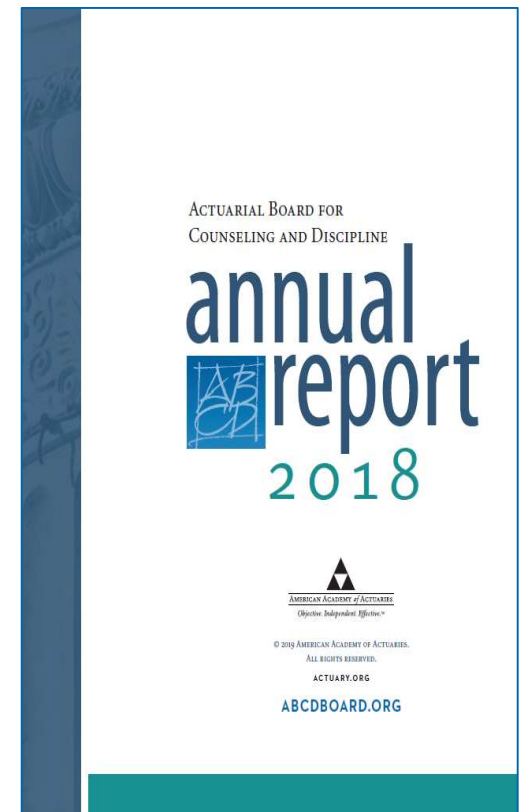
The ABCD's members also conduct educational outreach efforts, which include making oral presentations and writing magazine articles to help actuaries, regulators, and other stakeholders become more familiar with the ABCD's work.

Examples of Requests for Guidance

- ❖ How do I know if I'm qualified to perform an actuarial service?
- ❖ Can I do a job that involves more than one area of expertise?
- ❖ How much reliance can I place on the work of my staff?
- ❖ How much documentation should I save if I leave my job?
- ❖ Should I refuse this assignment?
- ❖ Is this action a material violation of the Code?

ABCD Annual Report

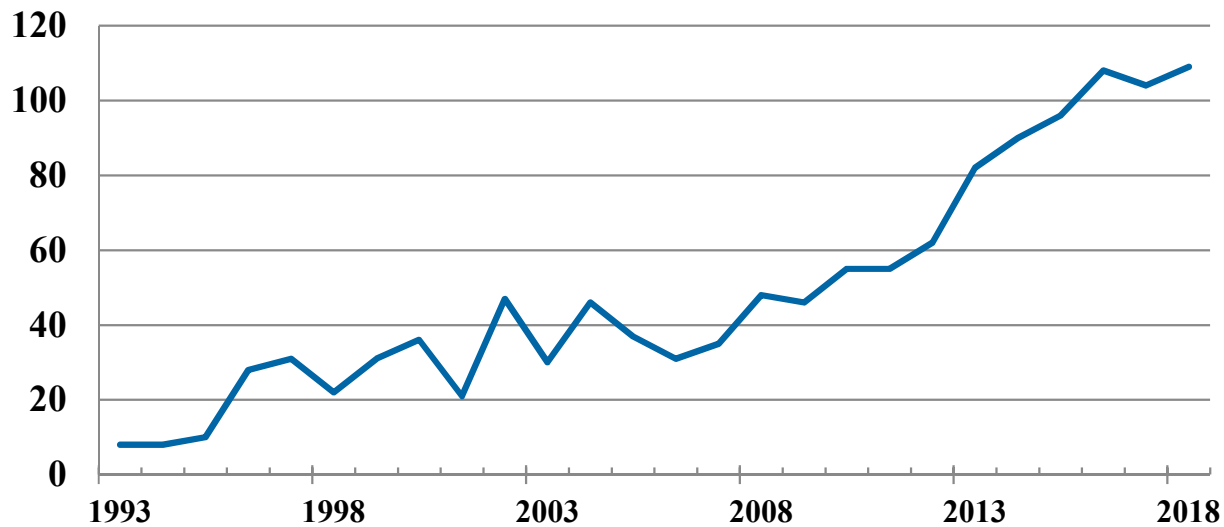
- Beginning in 2013, the ABCD significantly expanded its annual report with greater details on requests for guidance and complaints.



ABCD Requests for Guidance

- A significant increase in RFGs over the last 25 years.

Requests for Guidance, 1993-2018



ABCD Requests for Guidance

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Pension	30	27	26	28	24
Health	19	22	25	35	32
Life	17	19	23	13	15
Casualty	20	23	28	24	27
Other	4	5	6	4	11
Total	90	96	108	104	109

Complaints



ABCD Case Dispositions

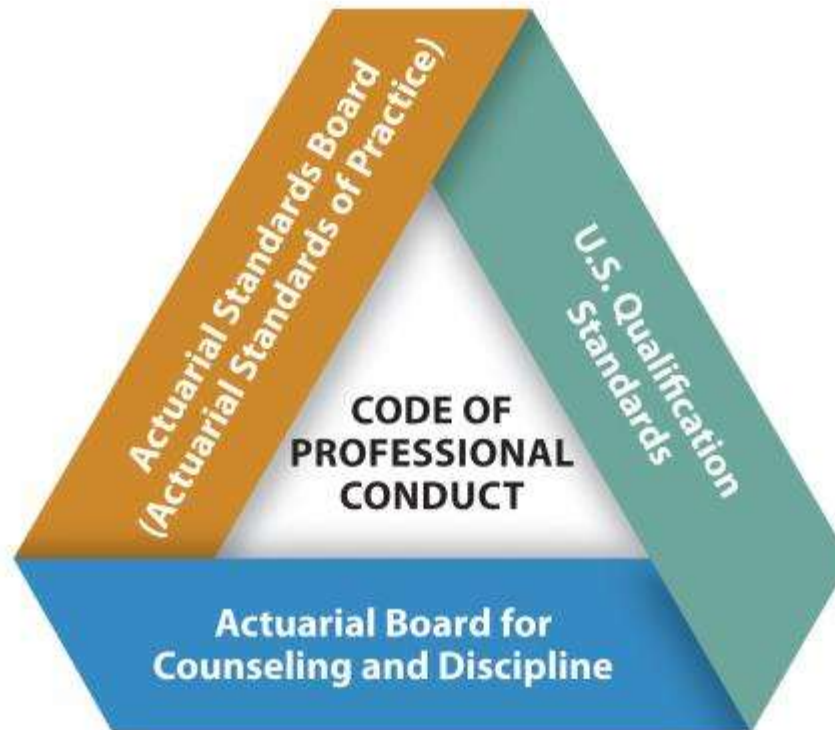
	2014	2015	2016	2017	2018
Dismissed	19	11	9	9	6
Dismissed with Guidance	1	2	1	2	10
Counseled	4	3	2	1	7
Mediated	0	0	0	0	0
Recommended Private Reprimand	0	0	0	0	0
Recommended Public Discipline	4	1	2	3	2
TOTAL	28	17	14	15	25



ABCD 1993 -2018

Complaint Dispositions		
Dismissed	339	60.2%
Dismissed with Guidance	90	16.0%
Counseled	73	13.0%
Mediated	12	2.1%
Recommended Private Reprimand	6	1.1%
Recommended Public Discipline	43	7.6%
Total Complaint Dispositions	563	100.0%

Professionalism



Professionalism Resources

- Academy Professionalism webpage
<http://www.actuary.org/content/professionalism>
 - * Code of Conduct
 - * Qualification Standards
 - * Standards of practice (ASB)
 - * Counseling and discipline (ABCD)



Thank You

