
Overview of Actuarial Professionalism

Sheila J. Kalkunte, Esq.
Assistant General Counsel
American Academy of Actuaries

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Academy Mission

The Academy's mission is to serve the public on behalf of the United States actuarial profession. To accomplish this, the Academy:

- Provides independent and objective actuarial information, analysis, and education for the formation of sound public policy;
- Proactively identifies and addresses issues on behalf of the public in matters where actuarial science provides a unique understanding;
- Increases the public's understanding and recognition of the value of the actuarial profession;



Academy Mission

(continued)

- Facilitates and coordinates issues of common interest among the U.S.-based actuarial associations;
- Provides for the establishment, maintenance, and enforcement of high professional standards of actuarial **qualification, practice, and conduct**; and
- Coordinates the representation of the U.S. profession globally.



Actuarial Conduct



Overview of the Code of Professional Conduct

- The revised Code took effect January 1, 2001 and was adopted by the five U.S.-based actuarial organizations (Academy, ASPPA, CAS, CCA, & SOA).
- The Code sets forth professional/ethical standards for actuarial members of the five U.S.-based actuarial organizations.
- Actuaries who commit material violations of the Code are subject to counseling or discipline as described herein.



Overview of the Code of Professional Conduct

(continued)

- The Code contains 14 Precepts, along with annotations providing further guidance on adhering to the Precepts.
- The Precepts are the equivalent of standards that must be followed by practicing credentialed actuaries in the U.S.
- In the event that any Precept conflicts with applicable law, follow the law.



Professional Integrity

Precept 1

- Act honestly, with integrity and competence, and in a manner that fulfills the profession's responsibility to the public and upholds its reputation, including:
 - Perform professional services with skill and care;
 - Refuse to provide professional services that would violate or evade the law, or damage the profession's reputation;



Professional Integrity

(continued)

- Do not abuse professional relationships; and
- Do not engage in professional conduct that involves dishonesty, fraud, deceit, deception, or misrepresentation, or act in a way that will reflect adversely on the actuarial profession.



Qualification Standards

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.
 - Revised Qualification Standards became effective January 1, 2008 (discussed later).
 - The absence of a Qualification Standard in your jurisdiction does not relieve you of the duty to comply.



Standards of Practice

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.



Communications and Disclosure

Precept 4

- Take appropriate steps to ensure that communications are clear, appropriate to the circumstances and intended audience, and comply with ASOPs, as applicable:
 - Identify yourself as the person responsible for your communications;
 - Indicate your availability to provide supplemental information.



Communications and Disclosure (continued)

Precept 5

- As appropriate, identify your principal(s) and the capacity in which you serve.



Communications and Disclosure (continued)

Precept 6

- Make timely disclosure to Principal of all known direct and indirect sources of compensation related to an assignment:
 - Disclose any relationships that are pertinent but may not be apparent;
 - This applies to all such compensation, wherever received within your firm.



Conflict of Interest

Precept 7

- Do not knowingly provide professional services involving a real or potential conflict of interest unless:
 - Your ability to act fairly is unimpaired;
 - There has been disclosure of the conflict to all known affected Principals; and
 - Such Principals have expressly agreed to your performing the professional services.



Control of Work Product

Precept 8

- Take reasonable steps to ensure that your services will not be used to mislead other parties:
 - Recognize the risk of misuse;
 - Present your work clearly and fairly;
 - Set appropriate limits on the use and distribution of your work.



Confidentiality

Precept 9

- Do not disclose confidential information to another party unless authorized by the Principal or required to do so by law.



Courtesy and Cooperation

Precept 10

- Perform services with courtesy and professional respect and cooperate with others in the Principal's interest:
 - You should discuss differences of opinion objectively and with courtesy and respect;
 - You may agree to represent, in the same matter, another actuary's current or former Principal;



Courtesy and Cooperation (continued)

- You may issue an alternative opinion to one issued for a Principal by another actuary;
- You may wish to consult with a prior actuary - get the Principal's consent first;
- You should cooperate with an actuary who takes over a Principal's account, unless you have a pre-existing agreement with the Principal to the contrary.



Advertising

Precept 11

- Do not engage in advertising or business solicitation that is false or misleading in any medium:
 - Includes any communication that may directly or indirectly influence a person's or organization's decision whether, and from whom, to obtain actuarial services.



Titles and Designations

Precept 12

- Use membership titles and designations only as authorized by your organizations:
 - A “title” is a position (e.g., committee chairperson);
 - A “designation” is a class of membership (e.g., ASA, FSA, or MAAA).



Violations of the Code

Precept 13

- An actuary who knows of an apparent, unresolved, material breach by another actuary should consider discussing the matter with the other actuary to obtain a resolution.
- Otherwise, report such behavior to the ABCD, unless prohibited by law or confidentiality agreement.



Violations of the Code (continued)

- Pursuant to Annotation 13-1, material violations are those deemed to be important or to affect the outcome of a situation, as opposed to a violation that is trivial, does not affect an outcome, or is merely of form.



Violations of the Code (continued)

Precept 14

- Respond promptly, truthfully, and fully in writing to the ABCD's request for information.
- Cooperate fully with an ABCD investigation, subject to applicable restrictions on confidential information, or those otherwise imposed by law.



Actuarial Practice



Overview of Standards of Practice

- Description of the Actuarial Standards Board (ASB):
 - The ASB creates, revises, amends, and repeals, as necessary, Actuarial Standards of Practice that guide all actuaries practicing in the United States.
 - Composed of nine members of the actuarial profession, selected by the Academy's Selection Committee (CUSP).



Overview of Standards of Practice

(continued)

- ❑ CUSP is made up of the presidents and presidents-elect of the five U.S.-based actuarial organizations.
- ❑ ASB has members representing each traditional practice area.
- ❑ Each ASB member serves no more than two consecutive three-year terms.



ASB Operating Committees

- ASB develops standards of practice via five primary operating committees:
 - General/Casualty/Health/Life/Pension;
 - Committee members are from different types of employment with expertise in the major markets and/or types of services provided within their practice area.



Actuarial Standards of Practice

- ASOPs provide
 - Guidance to practicing U.S. actuaries when they provide actuarial services; and
 - Documentation of “then” current practice, often cited by legal counsel.
- Purpose of guidance is to give the intended users of the actuarial work product assurance as to its quality and suitability.
- “Intended users” are an important part of our audience.



Drafting ASOPs

- The ASB drafts ASOPs to provide guidance.
- ASOPs are generally not prescriptive.
- The ASB generally avoids endorsing one method (or approach) over other competing methods unless there exists a wide consensus that one method is preferable to the others and is the only appropriate method.



Developing New ASOPs

- Proposals submitted to the ASB describe why a new ASOP is needed and what such ASOP would cover.
- Any person or group may submit a proposal.
- The ASB may approve and refer such proposal to an Operating Committee (which may request creation of Task Force).
- The ASB may decline to approve a proposal.



Developing New ASOPs

(continued)

- A proposed exposure draft is reviewed by the ASB.
- If approved for exposure, the draft is distributed to the profession and other interested parties for comment (usually 60 days).
- Comments are posted on the ASB website for a period of time.
- The relevant Operating Committee and/or Task Force reviews comments and makes appropriate modifications.
- The ASB reviews and edits revised ASOPs.



Developing New ASOPs

(continued)

- The ASB then decides to adopt or re-expose the draft depending on the materiality of the changes from the prior exposure draft.
- The ASOP generally becomes effective several months after adoption by the ASB.
- The process for repeal of an ASOP is similar (except repeal, after exposure and comment, is immediate).



Conclusion on ASOPs

- ASOPs provide the actuary with an analytical framework for exercising professional judgment, identifying factors that the actuary typically should consider when faced with a particular type or aspect of professional service.
- Applicability Guidelines for ASOPs are a useful tool to help you find relevant ASOPs.
- To contact the ASB please go to:
<http://www.actuarialstandardsboard.org/>



Actuarial Counseling and Discipline



Overview of the Actuarial Board for Counseling and Discipline (ABCD)



ABCD Background

The ABCD, which became effective January 1, 1992, was established to provide 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;
- 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
- The Canadian Institute of Actuaries (in the U.S.)
- The Casualty Actuarial Society
- The Conference of Consulting Actuaries
- The Society of Actuaries



Composition of the ABCD

- The ABCD is composed of nine persons representing the four traditional practice areas.
- 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.



The Investigative Process

- The ABCD learns of alleged Code violations by (a) a complainant; (b) receipt of information; or (c) other means such as newspaper articles, etc.
- The complainant need not be an actuary and may provide documents for use in any investigation.
- Any person or group may contact the ABCD to allege a complaint against an actuary under the jurisdiction of the ABCD.
- The ABCD maintains the confidentiality of any investigation, or counseling, except for disclosures described in the Rules of Procedure for the ABCD.



The Investigative Process

(continued)

- 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 board notifies the subject actuary and appoints an investigator to review the matter further.



The Investigator's Tasks

- 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 provided with the investigator's report and given the opportunity to reply in writing to the ABCD if desired.



ABCD 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;
 - 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 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 recommendation, impose some other discipline, or disregard the ABCD's discipline recommendation.
- Disciplinary recommendations may include public or private reprimand, suspension or expulsion from membership (i.e. losing one's actuarial credentials).



Requests for Guidance

- Actuaries seeking guidance on an actuarial matter that he or she believes may affect his or her obligations under the Code, may contact the ABCD for a confidential “Request for Guidance” 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.



Requests for Mediation

- Actuaries sometimes get involved in disputes with clients, employers, or other actuaries.
- If all parties are agreeable, the ABCD is available to mediate these disputes on a confidential basis.
- While mediation cases are rare, please keep in mind that the ABCD may be an inexpensive and confidential way to resolve disputes.
- To contact the ABCD, please go to:
<http://www.abcdboard.org/>



Actuarial Qualifications



History

- In fulfilling its professionalism mission, one of the American Academy of Actuaries' tasks is to promulgate and monitor the *Qualification Standards (QS)* for basic education and experience and continuing education.
- The Academy's Committee on Qualifications (COQ) is charged with promulgating, and revising, as necessary, the Qualification Standards.



Background on Revisions

- In November 2002, the COQ exposed a discussion paper which proposed expanding the scope of the qualification standards; the distinction being as follows:
 - 2002 QS proposal - applied to all actuaries issuing statements of actuarial opinion in the United States, regardless of whether prescribed by law or otherwise.
 - 2001 QS - applied to actuaries issuing prescribed statements of actuarial opinion required by laws, rules, and regulations.



Background on Revisions

(continued)

- In May 2004, the COQ issued an exposure draft of the qualification standards revised from the 2001 version.
- The responses from actuaries that commented on this first exposure draft were largely in favor of the expansion of the scope of the qualification standards.



Background on Revisions

(continued)

- In January 2006, the COQ issued its second exposure draft with one of the significant changes being an increase in the total CE requirement from 24 hours every two-year period to 30 hours annually.
- The COQ received over 200 comments from various groups and individuals on this second exposure draft, primarily concerned about the increased CE requirements.



Background on Revisions

(continued)

- On May 23, 2007 the Academy Board of Directors adopted the recommendations of the COQ subject to minor clarifications which were completed in June 2007.
- The revised Qualification Standards became effective January 1, 2008.



New Structure

The revised Qualification Standards are set out as follows:

- Introduction (including definitions)
- General Qualification Standard
 - Basic Education and Experience Requirements
 - Continuing Education Requirements
- Specific Qualification Standards (when necessary)
- Changes in Practice and Application (general and specific)
- Acknowledgement of Qualification (suggested language)
- Recordkeeping Requirements



Scope Expanded

- The prior Qualification Standards applied more restrictively to “Prescribed” Statements of Actuarial Opinion (PSAO). The revised Qualification Standards expand applicability of the Qualification Standards to all actuaries issuing Statements of Actuarial Opinion in the United States.
- The revised Qualification Standards (including CE requirements) do not apply to you if you do not issue Statements of Actuarial Opinion.



SAO Defined

- “Statement of Actuarial Opinion” is defined in the revised Qualification Standards as “an opinion expressed by the actuary in the course of performing Actuarial Services and intended by that actuary to be relied upon by the person or organization to which the opinion is addressed.”
- “Actuarial Services” are defined in the *Code of Professional Conduct* as “[p]rofessional services provided to a Principal (client or employer) by an individual acting in the capacity of an actuary. Such services include the rendering of advice, recommendations, findings, or opinions based upon actuarial considerations.”



SAO Defined

(continued)

- Appendix 1 to the revised Qualification Standards sets forth various examples of what constitutes an SAO and what does not constitute an SAO.
- Section I(b) of Appendix 1 of the revised Qualification Standards states the following:
 - A draft of an actuarial opinion that has not been provided to an actuary's Principal who requested the opinion is not an SAO.
 - A draft of an actuarial opinion that has been provided to an actuary's Principal who requested the opinion is an SAO unless the document is clearly marked that it should not be relied upon.



SAO Defined

(continued)

- ❑ If there is a reasonable likelihood that the Principal will rely on the draft regardless of intent, that is an indication that the draft is an SAO.
- ❑ If the Principal is not subsequently sent a final report within a reasonable time frame, that is an indication that the draft report is an SAO. The actuary should communicate to the Principal that the final report replaces the draft report.
- ❑ There may be instances where the actuary sends the Principal a draft report that clearly indicates it should not be relied upon (a document that is not an SAO according to the above definition) and the actuary and Principal subsequently agree that a final report will not be issued. In this case, the draft report is not an SAO.



Basic Education and Experience

Before issuing an SAO, an actuary must meet the following three criteria:

- Be a Member of the Academy, 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; and
- Have three years of responsible actuarial experience, which is defined as work that requires knowledge and skill in solving actuarial problems; and
- Be knowledgeable, through examination or documented professional development, of the Law applicable to the statement of actuarial opinion.



Additional BEE For Specialty Tracks

The standards also require the actuary to satisfy one of the 3 requirements below to issue SAOs in a practice area covered by SOA specialty tracks, or CAS or ASPPA exams:

- ❑ Attain the highest possible actuarial designation in an IAA full-member organization (other than the Academy) and complete a specialty track in the area of actuarial practice relevant to the subject of the SAO; or
- ❑ Attain the highest possible actuarial designation in an IAA full-member organization (other than the Academy) and have a minimum of one year of responsible actuarial experience in the area of actuarial practice relevant to the subject of the SAO under the review of an actuary who was qualified to issue the SAO at the time the review took place under standards in effect at that time; or
- ❑ Have a minimum of three years of responsible actuarial experience in the area of actuarial practice relevant to the subject of the SAO under the review of an actuary who was qualified to issue the SAO at the time the review took place under standards in effect at that time.



Additional BEE For Specialty Tracks

(continued)

- Once an actuary is qualified to issue an SAO, the actuary's basic education and experience requirement is met "forever"; future changes to these requirements do not apply retroactively.
- Consequently, people who were qualified under the pre-2008 standards for basic education and experience meet the basic education and experience requirements under the revised Qualification Standards (i.e. grandfather clause).



BEE and Enrolled Actuaries

- Qualified Enrolled Actuaries (EAs) are deemed to meet the basic education and experience requirement in the pension practice area only.



Three-Year Experience Requirement

- ❑ The revised Qualification Standards contain a **new** provision that requires “three years of responsible actuarial experience” to be deemed to be qualified.
- ❑ There may be situations where, for example, an ASA has not yet met the three-year experience requirement and may be preparing SAOs for another actuary in the organization. In these situations, it will be necessary for a qualified actuary to review the work of such actuary and take responsibility for that work.



Continuing Education

- **30 CE Hours** – Actuaries subject to the revised Qualification Standards must complete and document at least **30 hours** each calendar year of relevant CE.
- **Organized Activity Requirement** – At least six (6) hours must be from “Organized Activities.”
- **Professionalism Requirement** – At least three (3) hours must be on professionalism topics.
- **Cap on General Business Courses** - General business courses are limited to three (3) hours per year.



Continuing Education

(continued)

- The CE requirement will typically be met in the calendar year preceding the year in which the actuary issues the SAO.
- If, however, an actuary fails to meet the CE requirement in the preceding year, the shortfall may be earned in the year the SAO is issued, but must be met before the SAO is issued.
- A CE hour is defined as 50 minutes.



CE Transition Rules

- For 2008 SAOs, the pre-2008 CE rules apply.
- For 2009 SAOs, the total number of CE hours that should be earned in 2008 is 24 rather than 30.
- For SAOs issued in 2010 and later, the 30-hour annual CE requirement applies.
- Excess CE hours earned in 2007 may be carried forward to 2008 if such CE meets the definitions under the revised Qualification Standards (including “organized activities” and professionalism).



Relevant Continuing Education

- Continuing education is “**relevant**” if
 - (1) it broadens or deepens an actuary’s understanding of one or more aspects of the work an actuary does;
 - (2) the material expands an actuary’s knowledge of practice in related disciplines that bear directly on an actuary’s work; or
 - (3) it facilitates an actuary’s entry into a new area of practice.



Organized Activities

- “Organized activities” involve interaction with actuaries or other professionals working for different organizations.
- Examples of organized activities include, but are not limited to, conferences, seminars, webcasts, in-person or online courses, or committee work that is relevant CE.
- In-house meetings can constitute “organized activities” by using outside speakers, otherwise in-house meetings without an outside speaker could qualify as an “other activity” for CE credit purposes.
- “Outside speaker” does not include someone employed by a company working at a different location.



Other Activities

- **“Other activities”** – include, but are not limited to:
 - reading actuarial literature, statutes or regulations,
 - reading other books, papers or articles on relevant technical or professional topics,
 - writing professional papers or articles,
 - listening to tapes of actuarial meetings or other relevant seminar or conferences,
 - in-house meetings,
 - studying for actuarial exams,
 - drafting actuarial exam questions, and
 - preparing to speak or lead a discussion at a continuing education activity.



Professionalism Topics

- **Professionalism topics** – include, but are not limited to, the following:
 - studying, reviewing, or providing input on an Exposure Draft of an ASOP;
 - studying or reviewing the Code of Professional Conduct; or
 - serving on the ASB or a professionalism committee.
- The professionalism component may be satisfied by either organized activities or other activities.
- Excess professionalism credits may be carried forward if the annual CE requirement has been met and exceeded.



General Business Skills

- General business and consulting courses under the qualifications standards may count towards your annual CE requirements but are capped so that no more than 3 CE hours may be attributable to general business courses.
- General Business and Consulting Skills -include, but are not limited to, the following:
 - client relationship management;
 - presentation skills;
 - communication skills;
 - project management; and
 - personnel management.



Continuing Education Determination

- Ultimately, it is an actuary's responsibility to make a reasonable, good-faith determination of what continuing education opportunities will enhance an actuary's ability to practice in a desired field.



No More Approved Providers

- The revised qualification standards have done away with the approved provider program contained in the pre-2008 qualification standards; therefore there is no longer an approved provider list at the Academy website.
- Each actuary will be required to determine whether the event or activity they attend constitutes “relevant continuing education” that will satisfy the qualification standards.
- This does not effect the JBEA’s regulation regarding EA’s obtaining CE from an approved sponsor of CPE approved by the Joint Board.



CE and Enrolled Actuaries

- Under the pre-2008 Qualification Standards an Enrolled Actuary was deemed to meet the continuing education requirements under the qualification standards for the issuance of PSAOs in the pension practice area if he or she complied with regulations issued by the Joint Board for the Enrollment of Actuaries.



CE and Enrolled Actuaries

(continued)

- Under the revised Qualification Standards, Enrolled Actuaries who issue Statements of Actuarial Opinion “related to retirement plans to which ERISA applies” will be deemed to meet the new Qualification Standards requirements for continuing education if they satisfy the Joint Board CE requirements, but only through 2010.
- Commencing in 2011, this exemption will apply only to Form 5500 Schedule B certifications and other government-required forms. For any other SAO, Enrolled Actuaries must meet all of the revised CE requirements including 30 hours annually.



Specific Qualification Standards

- The requirements for the Specific Qualification Standards have not substantially changed.
- They primarily 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



Specific Qualification Standards

(continued)

- The only change to the basic education section is the addition of reinsurance on the property/casualty list.
- The continuing education requirements increased from 12 to 15 CE per calendar year.
- The CE requirements of the Specific Qualification Standards also satisfy the General Qualification Standards CE requirements and are not in addition to the 30 hour requirement.



Frequently Asked Questions

- **What are the CE (continuing education) requirements for actuaries who issue Statements of Actuarial Opinion (SAOs) in 2008?**
- **Under the revised standards, what does the "grandfather" clause for basic education and experience mean for actuaries?**
- **Under the new Qualification Standards, in-house meetings can qualify as organized CE activities only if outside speakers are invited. To what extent must the outside participant be involved in the meeting?**



For more FAQs about the Revised
Qualification Standards please see:

<http://www.actuary.org/qualstandards/qualfaqs.asp>

