Introduction to the ABCD

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SEAC Fall Meeting 2026

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"We could **regulate** ourselves or wait for the government to do it for us."

— Tom Wildsmith, Former Academy President

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Disclaimer

Please note: My statements and opinions are my own and do not represent the official statements or opinions of the American Academy of Actuaries, any boards, councils, or committees of the ABCD, the Academy, nor the Actuarial Standards Board (ASB).

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Case:

- Christopher Moltisanti, ASA, MAAA, is an actuary at Bada Bing Consultants, LLC, a pension actuarial firm.
- One day, Christopher's supervisor, Anthony "Tony" Soprano, tells Christopher that a top corporate client, New Jersey Industries, is contemplating the acquisition of a major competitor, Waste Management.

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Case:

- Tony asks Christopher to prepare estimates of the impact on:
  - New Jersey Industries' pension-related financial statement entries,
  - required cash contributions to pension plans, and
  - required PBGC premiums

  of acquiring Waste Management and merging its pension plan with that of New Jersey Industries'.
- New Jersey Industries and Waste Management are both publicly traded companies.

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Case:

- During happy hour, Christopher casually mentions the contemplated “acquisition of a large trash company by a long-term client headquartered here in Jersey” to his frienemy & former co-worker, Paulie Walnuts, who is now a successful day trader. Paulie quickly ascertains who the target company is & promptly buys $100,000 worth of Waste Management stock.
- A few weeks later, when New Jersey Industries’ bid for Waste Management is made public, Paulie’s investment triples in value and he sells for a large gain.
- **Has Christopher violated the Code of Professional Conduct? If so, which Precept(s) has he likely violated?**

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Case:

- 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.
- Precept 9: An Actuary shall not disclose to another party any Confidential Information unless authorized to do so by the Principal or required to do so by Law.

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Case: A Different Twist

- Christopher does not tell Paulie Walnuts about the contemplated acquisition but leaves paperwork related to the project all over his kitchen table.
- Paulie sees this when visiting Christopher.
- Does this change your answer to the questions posed earlier?

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Dear ChatGPT…

"Which U.S. professions are purely self regulated?"

"In the U.S., **very few professions are *purely* self-regulated** in the strict sense (i.e., no state licensure, no statutory authority, no government enforcement). Most professions that appear "self-regulated" actually operate under **delegated authority** or **hybrid models** where the government ultimately retains oversight (e.g., lawyers & doctors).

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Dear ChatGPT…

"Professions that are *closest* to purely self-regulated

1. Actuaries. This is the best example.

- No state or federal license required to practice as an actuary. Regulation is handled by:
  - The **Code of Professional Conduct**
  - **ASOPs** (Actuarial Standards of Practice) (& **USQS**)
  - Enforcement via the **ABCD**

- **Actuaries are widely regarded as the only major U.S. profession that is genuinely self-regulated."**

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ABCD Purpose

The ABCD started on January 1, 1992, to provide **a <u>single body</u>** in the U.S. to:

- **Investigate** actuaries' compliance with **the Code of Professional Conduct** (and by extension applicable **USQS** and **actuarial standards of practice "ASOPs"**)
- **Counsel** actuaries on good professional practice
- Mediate disputes between actuaries and others/public

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ABCD Membership

- Appointed by Selection Committee
- 9 members total (3 pension, 2 life, 2 P&C, 2 health):
    - A chairperson
    - Two vice-chairpersons
    - 6 regular members
    - **Experience matched by fairness & sense of duty**

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ABCD Processes

- Article X of the Academy Bylaws
- ABCD Rules of Procedure – **Balance between need for thorough inquiry & due process rights of subject actuary**
- ***Confidential*** unless:
    - Actuary or Complainant makes public
    - Court requires disclosure

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An ABCD Inquiry

The ABCD investigates cases (except in Canada & Mexico) involving members of:

- The American Academy of Actuaries
- The American Society of Enrolled Actuaries
- The Canadian Institute of Actuaries **(in the U.S.)**
- The Casualty Actuarial Society
- The Colegio Nacional de Actuarios, A.C. (CONAC), the Asociación Mexicana de Actuarios, A.C. (AMA), and the Asociación Mexicana de Actuarios Consultores, A.C. (AMAC) (collectively "the Mexico-based organizations") **(in the U.S.)**
- The Conference of Consulting Actuaries
- The Society of Actuaries

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An ABCD Inquiry

- Is a fact-finding effort, **not** adversarial
- Examines whether or not an actuary **materially violated** the Code of Professional Conduct
- **Does not** administer discipline, but may recommend a level of discipline to an actuary's membership organization(s) – "Can accept, amend, or decline"

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ABCD Inquiries

1	2022	2023	2024	2025
Cases in Progress as of Jan. 1	9	8	6	5
New Cases During Year	13	14	6	19
Cases Resolved During Year	**14**	**16**	**7**	**9**
• Dismissed	4	11	2	1
• Dismissed with Guidance	6	3	2	5
• Counseling	2	1	2	1
• Recommended Public Discipline	**2**	**1**	**1**	**2**
Cases at the End of Period	8	6	5	15

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ABCD Inquiries

Primary Practice Area of Subject Actuaries

	2022	2023	2024	2025
Casualty	9	7	1	5
Health	5	7	4	2
Life	3	4	4	6
Pension	5	4	3	11

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Initiation of Inquiry

- A. Complaint received from another actuary or non-actuary
  - Reviewed by ABCD Counsel for **completeness & validity**
- B. Information based (public information, court decision, news article, SAOs/filings, **anonymous**)
  - Chairs review document(s) and decide to proceed
- Sent to Subject Actuary (SA) for response

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ABCD Inquiry Process

1 1st Evaluation: Chairs' Review

- Chairs evaluate complaint and response for possible material violation (**monthly conference call**)
- Chairs decide whether to:
  - Seek additional information
  - **Dismiss the complaint**
  - Refer the case for mediation
  - **Commence investigation**

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ABCD Inquiry Process

Notification

- Notify Subject Actuary and complainant (**not the reasoning or substance of decision — confidentiality**), if any, of chairs' decision
- **Actuarial Complainants are fulfilling their obligation under the Code (Precept 13) = Treated w/ "R.E.S.P.E.C.T." & Appreciation**

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ABCD Inquiry Process

Investigation

- Appoint investigator, subject to challenge by the Subject Actuary — **can't be biased against or for subject actuary or complainant**
- Investigator
  - Obtains and reviews documents
  - **Interviews individuals involved**
  - Prepares report of results, i.e., facts as investigator understands them
  - Does not offer opinions or conclusions
- **Report sent to SA for response (30 days to respond)**

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ABCD Inquiry Process

2 2nd Evaluation: ABCD Consideration

- All documents sent to ABCD members prior to meeting
- Case discussed at ABCD quarterly meeting
- ABCD decides whether to
  - Seek additional information
  - Dismiss (with/without guidance)
  - **Counsel the Subject Actuary**
  - **Conduct a hearing**

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ABCD Inquiry Process

Notification

- Notify Subject Actuary, complainant (**just the decision**), and investigator of decision
- Schedule hearing if so decided

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ABCD Inquiry Process

3

3rd Evaluation: Hearing (not a trial)

- Conduct fact-finding hearing attended by
  - Investigator
  - Subject Actuary **(SA may have own attorney present)**
  - Witnesses
- Hearing is recorded by a court reporter
- Investigator presents results
  - **ABCD and SA question investigator**
- Subject Actuary presents case
  - ABCD questions Subject Actuary

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ABCD Inquiry Process

Deliberations

- ABCD discusses hearing and documents
- Decides whether to:
  - **Dismiss**
  - **Counsel**
  - **Recommend discipline**
    - **Private reprimand**
    - **Public reprimand**
    - **Suspension**
    - **Expulsion (e.g., insider trading, serious criminal conviction, complete disregard for Code, etc.)**
  - **Obtain more information, re-open hearing**

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ABCD Inquiry Process

Notification

- Notify Subject Actuary and complainant and investigator of decision
- If discipline is recommended, transmit to appropriate organization(s)
  - Statement of ABCD findings
  - All documents used by ABCD
  - Transcript of hearing

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CASE

What to do with Christopher?



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Request for Guidance

Private guidance by ABCD Member

- **Vast majority of RFGs; favorite activity of members**

RFGs completed: **114** in 2025
96 in 2024
119 in 2023
96 in 2022
116 in 2021

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Request for Guidance

Example of RFG Topics

- **How do I know if I'm qualified?**
- **How can I become qualified?**
- How can I do a job that involves more than one area of expertise?
- **Management is pressuring me to change assumptions**
- How much documentation of my work should I save? What if I leave my company?
- **When should I refuse an assignment?**
- **When should I make a complaint about another actuary?**
- When is a violation of the Code material?
- When is a violation of the Code resolved?

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Request for Guidance

Actuaries can request confidential guidance by:

- Contacting the ABCD office by phone or e-mail and requesting assistance
- Website: actuary.org/professionalism/actuarial-board-of-counseling-and-discipline/

Contact:

Ed Lee
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lee@actuary.org

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Final Reminders

- **Precept 2**: Before starting/accepting a project, confirm that you are qualified.
- **Precept 3:** Next identify the relevant ASOPs and review them to ensure compliance.
- **Precepts 3, 4, & 5:** Communicate clearly and make appropriate disclosures.
- **Precept 8:** Take reasonable steps to control the work product.

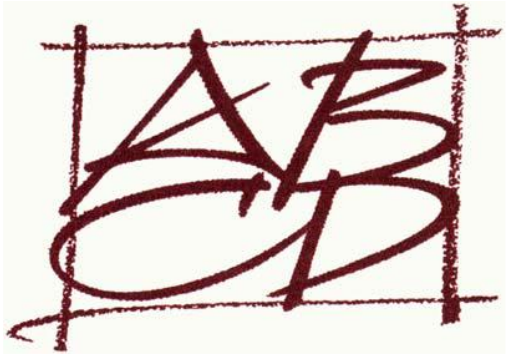
When in doubt on any professionalism question, you can contact ABCD for confidential guidance.

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Advice & Questions?

My advice: Consistently review the Code, USQS, and ASOPs during enjoyable, quiet times!







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Academy Professionalism Resources

- Professionalism Webpage
- actuary.org/professionalism
  - Code of Professional Conduct
  - ASOPs
  - U.S. Qualification Standards
  - Discussion papers
  - Applicability Guidelines
  - Professionalism Counts



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