

On her Majesty's Secret Service - NOT



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Actuarial Professionalism

Godfrey Perrott

Actuarial Clubs of Boston and Hartford

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Zoom Videoconference



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Disclaimer

Please note: The statements and opinions I express are my own and do not necessarily represent the official statements or opinions of the ABCD, ASB, any boards or committees of the American Academy of Actuaries, or any other actuarial organization.



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Overview of Presentation

- **Professionalism**
- **Professional standards**
- **Actuarial standards**
- **Actuarial Board for Counseling and Discipline (ABCD)**
- **Discussion**
- **Kahoot Quiz Game**



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Professionalism

- **What is a profession**
- **Why is professionalism important**
- **A question to ponder**



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Professions - Dictionary.reference.com

learned profession

- any of the three vocations of theology, law, and medicine, commonly held to require highly advanced learning.

profession

- a vocation requiring knowledge of some department of learning or science: the profession of teaching.



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Professions - Wikipedia

- Professions enjoy a high social status, regard and esteem conferred upon them by society.
- This high esteem arises primarily from the higher social function of their work, which is regarded as vital to society as a whole and thus of having a special and valuable nature.
- All professions involve technical, specialized and highly skilled work often referred to as "*professional expertise.*"



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A profession arises

when any trade or occupation transforms itself through

- *the development of formal qualifications based upon education, apprenticeship, and examinations,*
- *the emergence of regulatory bodies with powers to admit and discipline members, and*
- *some degree of monopoly rights.*

Alan Bullock & Stephen Trombley,
The New Fontana Dictionary of Modern Thought.



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Professions

- Specialized training/skill/knowledge
- Service in the public's interest
- Independent judgment
- Code of ethics
- Self-policing



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Question to Ponder

- An actuary is generally seen as a professional.
- A plumber is generally viewed as a tradesman
- What is the difference (other than white vs blue collar)



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Professional Standards

- What are professional standards
- Hippocratic oath
- Three pillars of Actuarial Standards
- How do standards help you?
- How are standards developed?



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What are Professional Standards

- Accepted Wisdom for High Quality Work
- Address
 - Integrity (professions must earn and retain public trust)
 - Qualification (when are professionals properly prepared)
 - Practice (what professionals do)
- With respect to actuaries
 - Code of Professional Conduct
 - Qualification Standards
 - Actuarial Standards of Practice



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Hippocratic Oath

We all know this one, Right?

“First do no harm”



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Hippocratic Oath

- **Original Oath is Greek c. 420 BC**
- **Attributed to Hippocrates (460–370 BC)**
- **“First do no harm” was probably written in about 1650 CE (in Latin)**



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Hippocratic Oath (~420 BC)

- I will prescribe regimens for the good of my patients according to my ability and my judgment, and never do harm to anyone. **Put my patients' wellbeing first**
- I will not cut for stone, even for patients in whom the disease is manifest; I will leave this operation to be performed by practitioners, specialists in this art. **Do only what I am qualified to do**
- In every house where I come I will enter only for the good of my patients, keeping myself far from all intentional ill-doing and all seduction and especially from the pleasures of love with women or men, be they free or slaves. **Act professionally and not take advantage of my position**
- All that may come to my knowledge in the exercise of my profession or in daily commerce with men, which ought not to be spread abroad, I will keep secret and will never reveal. **Respect confidentiality**



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US Actuarial Organizations

- American Academy of Actuaries (Academy)
- American Society of Enrolled Actuaries (ASEA)
- Casualty Actuarial Society (CAS)
- Conference of Consulting Actuaries (CCA)
- Society of Actuaries (SOA)



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Why Care about Standards?

- Standards give end users confidence
- Professional standing
- Personal accomplishment
- Standards help to reduce litigation risk and complaints



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Development of Actuarial Standards

- Three Different Standard Setters
 - Joint Committee on Code (Code)
 - Actuarial Standards Board – ASB (ASOPs)
 - Academy Committee on Qualifications – CoQ (Qual Standards)
- Each Standard Setter has Rules of Due Process
 - Differ slightly between Standard Setters
 - Primarily cover Exposure and Treatment of Comments
 - Focus on Transparency and Buy-in



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US Code of Conduct (history)

Prior to 1992	Various – each US organization had its own
January 1, 1992	A single code with variations by organization
January 1, 1994	A single uniform code
January 1, 2001	A revised single uniform code

Note that Canada and Mexico have extremely similar codes
(by design)



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Code of Professional Conduct

- Has been adopted by each of the five organizations
- Language is identical for all five
 - Took a lot of work to accomplish
 - Each Board wanted slight variations
 - Was finally accomplished
- Why we are subject to Professional Standards



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Code of Professional Conduct

- 14 Precepts covering (my characterizations):
 - Integrity (1, 5 – 7, 9)
 - Work product (2 – 4)
 - Professional Conduct (8, 10 – 14)
- You committed to abide by the Code when you applied for membership in any of the five US Actuarial Organizations



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Code of Professional Conduct

- Precept 1 – Integrity - 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 2 - An Actuary shall perform Actuarial Services only when the Actuary is qualified to do so **(Qualification Standards)**
- Precept 3 - An Actuary shall ensure that Actuarial Services performed by or under the direction of the Actuary satisfy applicable standards of practice **(ASOPs)**



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Qualification Standards (US)

Before 1981	No Standards – Actuary determined own Qualification
October 1981	Qualification Standards for Statements of Actuarial Opinion on NAIC Annual Statement Blanks
January 1991	Qualification Standards for “Public” Statements of Actuarial Opinion
September 1991	Mandatory Continuing Education Added
1993	Expanded to include FASB and GASB statements
January 1, 2008	Qualification Standards for any Statements of Actuarial Opinion



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CoQ Structure

- Committee of the Academy
- Overseen by the Academy Council on Professionalism
- Membership from each actuarial organization
- Any changes to the Qualification Standards must be adopted by the Academy Board



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US Actuarial Standards of Practice

Before 1972	No standards – Actuaries used their own judgement
1972 - 1985	Recommendations, Guides and Compliance Guidelines published by the Academy
1985 - 1988	Interim Actuarial Standards Board (IASB)
1988 and on	Actuarial Standards Board (ASB)



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ASB Structure

- Actuarial Standards Board (9 members)
- Standing Committees
 - Casualty
 - ERM
 - General
 - Health
 - Life
 - Pension
- Task Forces
 - Permanent (e.g. Casualty Rate Filing)
 - Temporary (e.g. Modeling)



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Standards Development Process (ASB)

- Proposal to ASB for a new or amended ASOP
- Appointment of Task Force (ad hoc, or an Existing Body)
- Preparation of a summary of a proposed standard
- Preparation of exposure draft
- Release of the exposure draft to the actuarial community for comment and discussion
- Proposed final standard
- Adoption of final standard.



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Actuarial Board for Counseling and Discipline (ABCD)

- 9 Members (2 Health, 2 Life, 2 P&C, and 3 Pension)
- Charged to:
 - Provide guidance (Request for Guidance); and
 - To investigate complaints (Complaint Process)
 - Can dismiss complaint (no material violation of the Code found)
 - Can dispose of the complaint by counseling the subject actuary privately
 - Can recommend discipline (reprimand, suspension, or expulsion) to the organizations to which the subject actuary belongs.
- Not empowered to impose discipline itself.



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Request for Guidance

- Actuary submits request to ABCD Counsel (Ed Lee)
- Ed requests an ABCD member to respond
- ABCD member calls requestor and discusses request.
- Whole process is confidential
- Protected from Precept 13
- Opinion of ABCD member only (not of ABCD)



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Complaint Process

- Process is confidential
 - A complaint is submitted to the ABCD
 - Subject Actuary is notified and a response requested
 - Preliminary evaluation
 - Investigation
 - Reading (Subject Actuary not present)
 - Hearing (Subject Actuary, present and participating)
 - Decision of ABCD
- Process may end at any step



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Possible Outcomes

- Dismiss the case
- Dismiss the case with guidance
- Counseling
- Recommend Reprimand
- Recommend Suspension
- Recommend Expulsion



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A Few Statistics (per year)

- Over 100 Requests for Guidance
- Average just under 20 new complaints
 - About half of these are dismissed.



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ABCD Activity

Activity	2015	2016	2017	2018	2019
Cases in progress Jan. 1	10	14	19	26	17
New cases during period	19	19	22	13	17
Cases resolved during period	15	14	15	22	20
• Dismissed	11	9	9	6	12
• Dismissed with Guidance	0	1	2	7	1
• Counseling	3	2	1	7	5
• Recommended Public Discipline	1	2	3	2	2
Cases in progress Dec. 31	14	19	26	17	14

ABCD Complaints Considered Each Year

Primary Practice Area of Subject Actuaries					
	2015	2016	2017	2018	2019
Casualty	6	6	5	6	13
Health	5	3	6	9	3
Life	14	4	6	5	6
Pension	4	20	24	19	12
Total	29	33	41	39	34

Discussion?

- Your Turn
- Ask away
- No question out of bounds
- I do reserve the right not to respond.

Or by email godfrey@perrotts.com



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