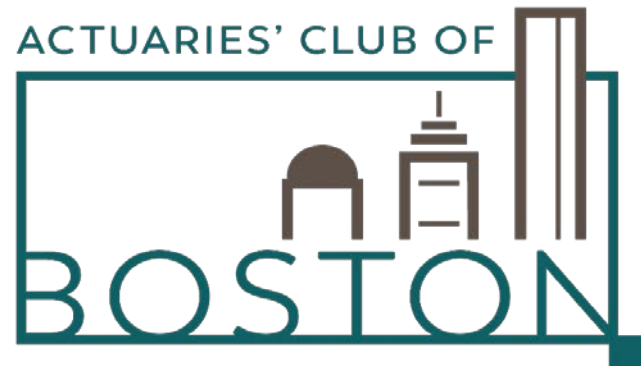


# Professionalism Update from the Academy

November 9, 2021



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# Professionalism Update from the Academy

Michael Ward, MAAA, FSA  
Member, Council on Professionalism



Actuaries' Club of Boston  
November 9, 2021

[actuary.org](https://actuary.org)

# Disclaimer

**Please note:** My statements and opinions are my own and do not necessarily represent the official statements or opinions of the American Academy of Actuaries, any boards, councils, or committees of the Academy, nor my employer.



# What Will We Cover Today?

## Four Primary Topics

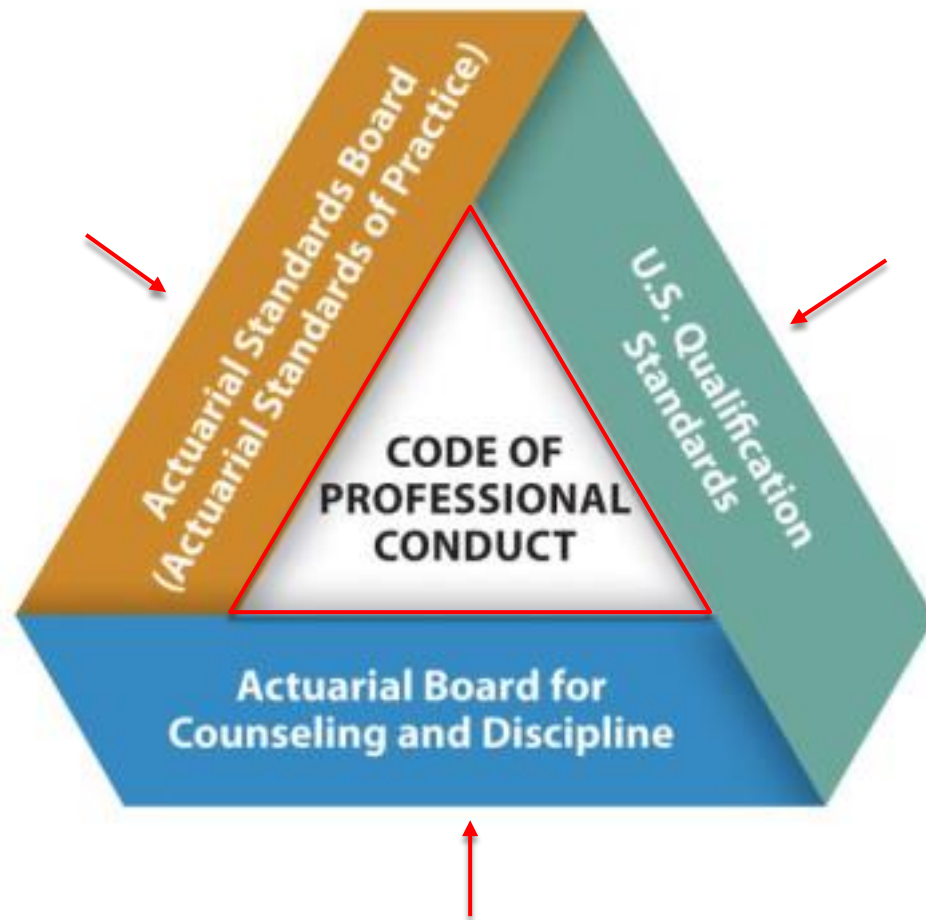
1. The Code of Professional Conduct
2. U.S. Qualification Standards
3. Actuarial Standards Board (ASB) and the actuarial standards of practice (ASOPs)
4. Actuarial Board for Counseling and Discipline (ABCD)

There is a resources section to which you might refer.

Hopefully, there will be time for questions and answers.



# Web of Professionalism: Basis of Self-Regulation



- ☐ The Code of Professional Conduct
- ☐ U.S. Qualification Standards (USQS)
- ☐ Actuarial standards of practice (ASOPs)
- ☐ Actuarial Board for Counseling and Discipline (ABCD)



# Code of Professional Conduct

Four Primary Topics for today

1. **The Code of Professional Conduct**
2. U.S. Qualification Standards
3. Actuarial Standards Board (ASB) and the Actuarial Standards of Practice (ASOPs)
4. Actuarial Board for Counseling and Discipline (ABCD)



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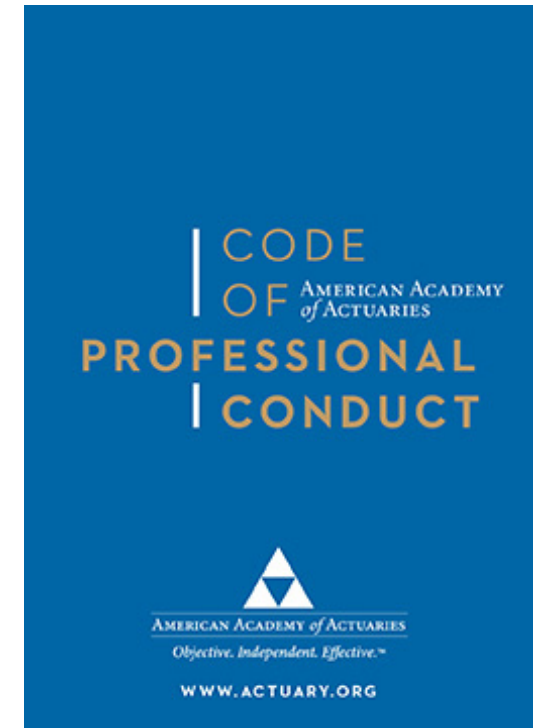
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# What Rules of Professional Conduct Apply?

## It All Starts With the Code

“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

- Actuaries may perform actuarial services only when qualified to do so (USQS)
- Actuaries must follow applicable standards wherever they practice (ASB/ASOPs)
- Actuaries who commit material violations are subject to counseling or discipline (ABCD)



# Self-Regulation (1)

- The U.S. actuarial profession is self-regulated.
- EVERY actuary is responsible for maintaining self-regulation.



# Self-Regulation (2)

The Academy issued a discussion paper in June 2020, *Self-Regulation and the Actuarial Profession.*



# Self-Regulation (3)

- Among the ways actuaries can fulfill their responsibility for preserving self-regulation is this ...

*“Monitor other actuaries—this is perhaps the most difficult aspect of a self-regulating profession, but it is of utmost importance.”\**

\*Discussion Paper: *Self-Regulation and the Actuarial Profession*, American Academy of Actuaries, June 2020



# New Discussion Paper

The Academy issued a discussion paper in May 2021,  
*Professionalism for the Solo Actuary.*

- <https://www.actuary.org/sites/default/files/2021-05/ProfessionalismForTheSoloActuary.pdf>



# Polling Question



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# U.S. Qualification Standards

Four Primary Topics for today

1. The Code of Professional Conduct
2. **U.S. Qualification Standards**
3. Actuarial Standards Board (ASB) and the Actuarial Standards of Practice (ASOPs)
4. Actuarial Board for Counseling and Discipline (ABCD)



# U.S. Qualification Standards (USQS)

- Precept 2 of our *Code of Professional Conduct* states in part that:
  - “An Actuary shall perform Actuarial Services
    - only when the Actuary is qualified to do so on the basis of basic and continuing education and experience and
    - only when the Actuary satisfies applicable **qualification standards.**”  
(emphasis and formatting added)
- The USQS applies to members of all five U.S.-based actuarial organizations (Academy, ASEA, CAS, CCA, and SOA)
- The USQS sets forth qualification requirements for actuaries practicing in the U.S.



# USQS Structure

- Section 1. Introduction (including definitions)
- Section 2. General Qualification Standard
  - ▣ Basic Education and Experience Requirements
  - ▣ Continuing Education Requirements
- Section 3. Specific Qualification Standards (when necessary)
- Section 4. Changes in Practice and Application
- Section 5. Acknowledgement of Qualification
- Section 6. Recordkeeping Requirements



# U.S. Qualification Standards—SAO

- 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.

**▲ PROFESSIONALISM COUNTS**

## *An SAO by Any Other Name*

By **ANDREA SWEENEY**  
Chairperson, Committee on Qualifications

I AM CERTAIN THAT WILLIAM SHAKESPEARE was not thinking about the U.S. Qualification Standards (USQS) or statements of actuarial opinion (SAOs) when he penned Juliet's famous line "What's in a name? That which we call a rose / By any other word would smell as sweet."<sup>1</sup> Neither was Gertrude Stein, when she declared in 1913 that a "Rose is a rose is a rose is a rose."<sup>2</sup> But the principle underlying these famously floral examples of the logical law of identity is one that actuaries can learn from: Whether an opinion expressed by an actuary is an SAO depends on the substance of the opinion, not on what the actuary calls it.

Precept 2 of the Code of Professional Conduct (Code) states that an actuary "shall perform Actuarial Services... only when the Actuary satisfies applicable qualification standards." According to the *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States*, "Actuaries who issue Statements of Actuarial Opinion when rendering Actuarial Services in the United States are required by the Code... to satisfy these Qualification Standards."<sup>3</sup> For this reason, any actuary who is subject to the Code should understand what an SAO is.

The USQS provides a two-prong definition of an SAO. It is (i) "an opinion expressed by an actuary in the course of performing Actuarial Services"; and is (ii) "intended by that actuary to be relied upon by the person or organization to which the opinion is addressed."<sup>4</sup> The USQS, and the answers to [Frequently Asked Questions](#) (FAQs) provided by the Academy's Committee on Qualifications (COQ), contain important information on how to identify the elements of the SAO.

How have these two prongs been interpreted?

First, an SAO "must be based on actuarial considerations,"<sup>5</sup> and not merely involve numbers or calculations. FAQ 17, for example, explains that if an actuary states "the health care trend you have experienced is 10 percent," based on compiled data alone without any actuarial considerations, the statement is not an SAO. By contrast, if an actuary states that "the expected health care trend for your commercial business for next year is 10 percent," the statement would likely be an SAO because it involves actuarial considerations.

Second, the actuary must intend for the opinion to be relied upon by the person or organization to which the opinion is addressed. If the actuary does not intend for the actuary's principal to rely upon the opinion, the actuary must clearly state this. However, even labeling an opinion "not to be relied upon" or a "draft" does not prevent reliance. Appendix 1 states, "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."<sup>6</sup> If an actuary holds a position that is "non-actuarial in nature" or has "non-actuarial aspects," the USQS are not intended to apply to oral or written statements issued "by virtue of the positions they hold and not because they are actuaries."<sup>7</sup>

As the parsing of the elements of an SAO illustrates, the definition of an SAO in the USQS is very broad. SAOs can be written or oral. They can include internal or external company communications. They can be provided for compensation or gratis. They do not depend upon the status of the actuary as "working" or "retired." Appendix 1 of the USQS describes SAOs and lists some examples of commonly issued opinions and work products and whether they are likely to be considered SAOs. Appendix 1 also describes generally what types of actuarial work involving government or other public sector actuaries may be considered SAOs.

As former Academy President Tom Wildsmith summarized: "Some might misunderstand this term [SAO] to be limited to a formal statement filed with a regulator—nothing could be further from the truth. A simple rule of thumb is that if I perform work that someone else relies on because I am an actuary, then the USQS likely apply."<sup>8</sup>

Given the breadth of the definition and the fact that issuing even a single SAO requires compliance with the USQS, actuaries should ensure that they meet the USQS requirements. As the COQ stated in FAQ 15 regarding the interpretation of "gray areas," "the Committee recommends that practicing actuaries endeavor to meet the USQS rather than expending time and energy trying to find interpretations that support exemption from the USQS." An SAO is an SAO is an SAO is an SAO. ▲

**FOOTNOTES**

<sup>1</sup> Romeo and Juliet, Act II, Scene 2.  
<sup>2</sup> From the poem "Sacred Emily."  
<sup>3</sup> USQS, Section 1.  
<sup>4</sup> USQS, Section 1.  
<sup>5</sup> Appendix 1, 1(d).  
<sup>6</sup> Appendix 1, 1(b).  
<sup>7</sup> USQS, Section 1.  
<sup>8</sup> Contingencies, September/October 2016, p. 24.

# Attestation Form

- ☐ [attest.actuary.org](https://attest.actuary.org)
- ☐ Show how you meet
  - ☐ General Requirements
  - ☐ Specific Requirements
- ☐ Printable
- ☐ Can complete multiple attestations for multiple SAOs
- ☐ Can download complete attestation package (form and attachments)



# Track Your CE



# U.S. Qualification Standards and Tools

**PUBLIC POLICY** **PROFESSIONALISM**

[ABOUT US](#) [MEMBERSHIP](#) [NEWSROOM](#) [INTERNATIONAL](#) [PUBLIC DISCIPLINE](#)

[Printer-friendly version](#)

## U.S. Qualification Standards

The U.S. Qualification Standards were revised effective Jan. 1, 2008, to broaden their scope and strengthen the CE requirements. The standards were developed by the Academy Committee on Qualifications and approved by the Board of Directors.

**[U.S. Qualification Standards](#)** ←  
(In effect as of Jan. 1, 2008)

**["Which CE Requirements Apply to Me?" Infographic](#)**  
(October 2013)

**[FAQs on the U.S. Qualification Standards](#)** ←

**[Submitting Additional Questions](#)** ←  
(use the online form to submit your additional questions about the U.S. Qualification Standards)

**Actuarial Board for Counseling and Discipline**

**Actuarial Standards Board**

**QUICK LINKS**

- ▶ [Find an Actuary](#)
- ▶ [Academy Committees](#)
- ▶ [Board Election Center](#)
- ▶ [Code of Professional Conduct](#)
- ▶ [U.S. Qualification Standards](#)
- ▶ [Volunteer](#)
- ▶ [Profession-wide Search](#)
- ▶ [Additional Links](#)

- ☐ CE Infographic
- ☐ 53 FAQs
- ☐ Submit Questions



# USQS Process to Update

- Committee on Qualifications prepares an update for exposure
- American Academy of Actuaries Board reviews and votes for exposure
- Exposure draft available for comment
- Comments will be reviewed and considered
  - Comments could range from editorial to substantive
  - Could relate to the specific updates or propose additional items
  - Submitted comments are published and linked to the USQS webpage
- Determination if new exposure draft or if sufficient to submit to Board for final approval



# FAQ Updated (1)

Committee on Qualifications recently clarified  
FAQ #48:

“How does diversity, equity, or inclusion (DE&I) training count toward professionalism topics and business and consulting skill topics under the continuing education (CE) requirements in the U.S. Qualification Standards (USQS)?”



# FAQ Updated (2)

DE&I training may count toward the *professionalism* or *business and consulting skills* topic categories, depending upon how the training fits into the definition of these categories in Section 2.2.7.

Submit questions about qualifications [online](#).



# Polling Questions



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# Actuarial Standards Board

## Four Primary Topics for today

1. The Code of Professional Conduct
2. U.S. Qualification Standards
3. **Actuarial Standards Board (ASB) and the Actuarial Standards of Practice (ASOPs)**
4. Actuarial Board for Counseling and Discipline (ABCD)



# Actuarial Standards of Practice (ASOPs)

- Precept 3 of the *Code of Professional Conduct* states in part that:
  - “An Actuary shall ensure that Actuarial Services performed by or under the direction of the Actuary satisfy **applicable standards of practice.**” (emphasis added)
- ASOPs provide:
  - ▣ Guidance to practicing U.S. actuaries when they do the work; and
  - ▣ Documentation of then-current practice in the event of a later dispute



# Structure of ASOPs

## Cross-Practice ASOPs

ASOP 1 Introductory ASOP

**ASOP 41 Actuarial Communication**

<b>ASOP 12</b>	<b>Risk Classification</b>
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
ASOP 56	Modeling
<b>Exposure</b>	<b>Setting Assumptions</b>
<b>ASOP 38</b>	<b>Catastrophe Modeling</b>

Red Font:  
New or Being  
Updated ;  
Bold:  
Updated but  
not yet  
effective;  
Both  
as of  
11/1/2021

## Practice-Specific ASOPs

### Casualty

ASOP **7**, 11, 13,  
19, **20**, **29**, **30**,  
**36**, **38**, 39, 43, 53

### ERM

ASOP **46**, **47**,  
55

### Health

ASOP **3**, 5, 6, **7**,  
8, **11**, **18**, 19, **22**,  
26, **28**, **32**, 42,  
**45**, 49, 50; **ACG**  
**4**, Reins Pricing

### Life

ASOP **2**, **7**, **10**, **11**,  
14, 15, 19, 22, **24**,  
33, 37, **40**, 48, 52,  
54, **ACG 4**; Reins  
Pricing

### Pension

ASOP **4**, 6, 27,  
34, 35, 44, 51



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# Soon-to-Be-Effective ASOPs (1)

Revision of Actuarial Standard of Practice No. 38, now titled *Catastrophe Modeling (for All Practice Areas)* (Effective for work performed on or after Dec. 1, 2021)



# Soon-to-Be-Effective ASOPs (2)

Revision of ASOP No. 28, *Statements of Actuarial Opinion Regarding Health Insurance Liabilities and Assets* (Effective for work performed involving SAOs regarding health insurance assets and liabilities issued on or after July 1, 2022)



# Soon-to-Be-Effective ASOPs (3)

Revision of ASOP No. 11, now titled *Treatment of Reinsurance or Similar Risk Transfer Programs Involving Life Insurance, Annuities, or Health Benefit Plans in Financial Reports* (Effective for financial reports issued on or after Dec. 1, 2022)



# Applicability Guidelines

**PUBLIC POLICY** **PROFESSIONALISM**

ABOUT US MEMBERSHIP NEWSROOM INTERNATIONAL PUBLIC DISCIPLINE

## Applicability Guidelines For Actuarial Standards Of Practice

[Printer-friendly version](#)

### Introduction to the Applicability Guidelines

The five U.S.-based actuarial organizations have Codes of Professional Conduct that require their members to satisfy applicable actuarial standards of practice (ASOPs) when providing actuarial services. ASOPs are authoritative guidance for actuaries practicing in the U.S. and are issued by the Actuarial Standards Board (ASB).

The guidelines are updated periodically. The actuary is responsible for keeping current with changes to the ASOPs and determining that professional services rendered by the actuary or under the actuary's supervision satisfy the current version of each applicable ASOP. Please send suggestions for improving these guidelines (such as additional areas of practice that might be covered) to the Council on Professionalism at [ApplicabilityGuidelines@actuary.org](mailto:ApplicabilityGuidelines@actuary.org).

• For the current Applicability Guidelines, click [here](#)

**QUICK LINKS**

- Find an Actuary

**The Social Security Game**

**Actuarial eLearning Center**

**PAL Pension Assistance List Volunteer**

**The Academy Celebrates 50 Years**

- Suggest which ASOPs might apply to common tasks
- Listed by practice area
- Nonbinding
- Access downloadable file at bottom of page

# Recent Exposure Drafts

- Proposed Revision of ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions* (Third Exposure Draft), comment deadline: Oct. 15, 2021
- Proposed Revision of ASOP No. 24, *Compliance with the NAIC Life Insurance Illustrations Model Regulation* (Exposure Draft), comment deadline: Sept. 30, 2021



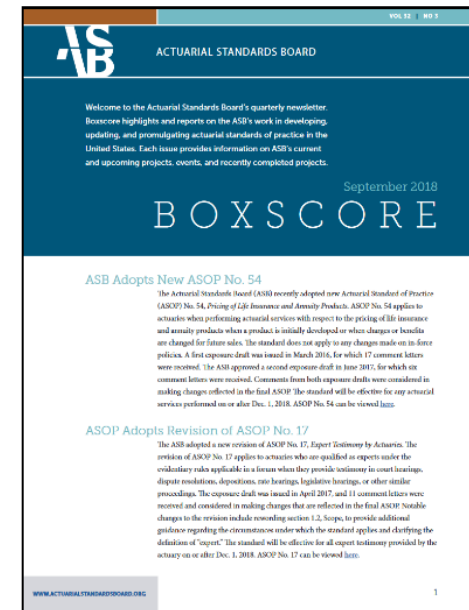
# Recent Exposure Drafts

- Proposed Revision of ASOP No. 18, *Long-Term Care* (Exposure Draft), comment deadline: Sept. 1, 2021
- *Setting Assumptions* (Third Exposure Draft), comment deadline: April 15, 2021
- Proposed Revision of ASOP No. 3, *Continuing Care Retirement Communities and At Home Programs* (Exposure Draft), comment deadline: Feb. 1, 2021



# ASB Annual Report and Boxscore

- ASB Annual Report
- *Boxscore*: ASB Quarterly Newsletter
  - Announcements of
    - Exposure drafts
    - Final standards
  - Status of ASOPs under revision
  - Meeting dates
  - Other ASB news



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# Polling Question



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# Actuarial Board for Counseling and Discipline

## Four Primary Topics for today

1. The Code of Professional Conduct
2. U.S. Qualification Standards
3. Actuarial Standards Board (ASB) and the Actuarial Standards of Practice (ASOPs)
4. **Actuarial Board for Counseling and Discipline (ABCD)**



# The Actuarial Board for Counseling and Discipline (ABCD)



- Two primary functions
  - ▣ Respond to requests for guidance (RFGs) on professionalism issues
  - ▣ Consider complaints about possible violations of the Code



# Request for Guidance

## □ Example RFG Topics

- How do I know if I am qualified?
- How can I become qualified?
- How can I do a job that involves more than one area of expertise?
- How much can I rely on my supervisor?
- How much can I rely on my staff?
- 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?



# Disposition of Matters Brought Before the ABCD

Since its inception in 1992, the ABCD has completed cases as follows\*

Dismissed	370
Dismissed with Guidance	93
Counseled	80
Mediated	12
Recommended Private Reprimand	7
Recommended Public Discipline	45
Request for Guidance	1,515
<b>Total</b>	<b>2122</b>

\*As of Dec. 31, 2020



# ABCD Cases by Practice Area

		2016	2017	2018	2019	2020
New	Casualty	3	5	1	8	2
	Health	0	5	5	1	5
	Pension	12	10	3	4	11
	Life	4	2	4	4	15
	Total	19	22	13	17	33
Resolved	Casualty	6	0	1	12	1
	Health	2	2	7	2	1
	Pension	6	8	11	2	10
	Life	0	5	3	4	12
	Total	14	15	22	20	24



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# Major Issues by Precept (2020) (page 1)

Major Issue Alleged	Discipline	Counsel	Dismiss	Total
Precept 1: Failure to act with integrity			17	17
Failure to perform services with competence		2	12	14
Failure to uphold reputation of profession	1	1	4	6
Precept 2: Performing work when not qualified			1	1
Precept 3: Work fails to satisfy an ASOP		2	8	10
Precept 4: Inadequate actuarial communication		1	4	5
Precept 5: Failure to identify Principal				



# Major Issues by Precept (2020) (page 2)

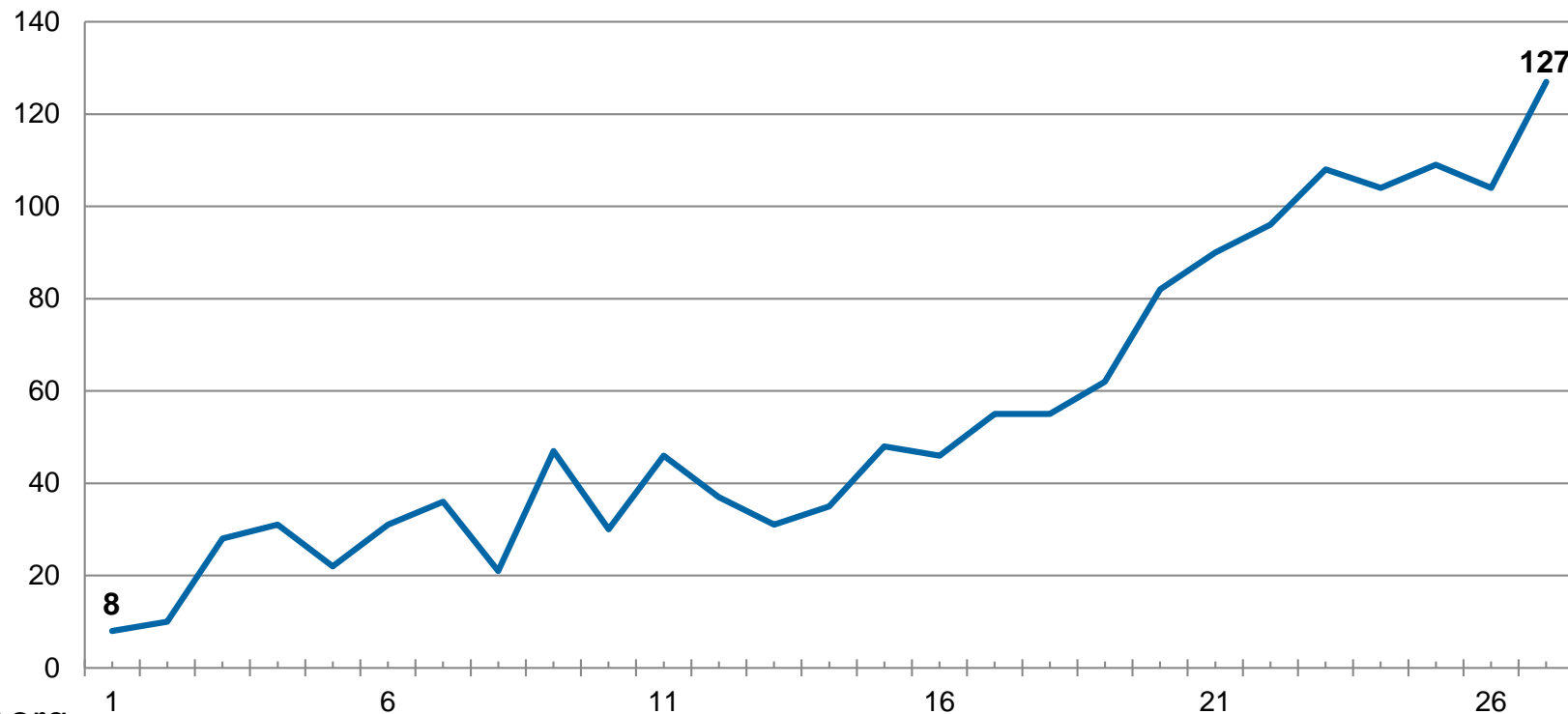
Major Issue Alleged	Discipline	Counsel	Dismiss	Total
Precept 6: Failure to disclose				
Precept 7: Conflict of interest			2	2
Precept 8: Failure to take reasonable steps to prevent misuse of work product			4	4
Precept 9: Disclosure of confidential information				
Precept 10: Failure to cooperate with other actuary			5	5
Precept 11: Improper advertising				
Precept 12: Improper use of designation				
Precept 13: Failure to report violation			2	2
Precept 14: Failure to cooperate with the ABCD				



# ABCD Requests for Guidance

- There has been a significant increase in RFGs over the years.

Requests for Guidance, 1992-2020



# ABCD Requests for Guidance

	2014	2015	2016	2017	2018	2019	2020
Pension	30	27	26	28	24	19	28
Health	19	22	25	35	32	33	40
Life	17	19	23	13	15	18	31
Casualty	20	23	28	24	27	27	28
Other	4	5	6	4	11	7	0
Total	90	96	108	104	109	104	127



# Academy Public Discipline Notices

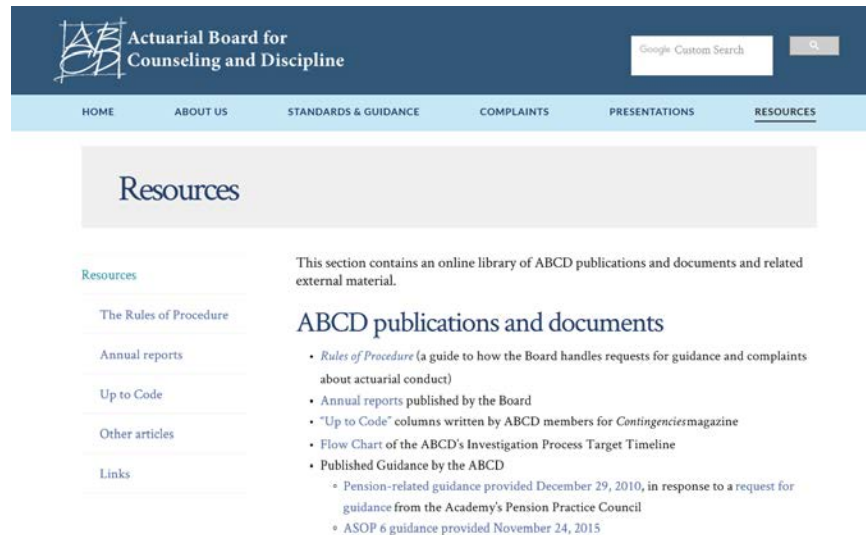
- The Academy's Public Discipline [webpage](https://www.actuary.org/content/public-discipline) contains information about persons who have been publicly disciplined by the Academy.
  - ▣ 13 expulsions
  - ▣ 10 suspensions
  - ▣ 14 public reprimands

<https://www.actuary.org/content/public-discipline>



# ABCD Publications and Documents

- 2020 Annual Report
- Rules, Articles, and Guidance
  - ▣ [www.abcdboard.org/resources](http://www.abcdboard.org/resources)



# Polling Question



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# Resources



# Professionalism Resources

- Professionalism webinar archive (free to Academy members) [www.actuary.org/professionalism-webinars](http://www.actuary.org/professionalism-webinars)
- Discussion papers on various professionalism issues [www.actuary.org/discussion-papers](http://www.actuary.org/discussion-papers)



# Professionalism Resources

## □ Academy Professionalism webpage

[www.actuary.org/professionalism](http://www.actuary.org/professionalism)

- \* Code of Professional Conduct
- \* Standards of practice (ASB)
- \* Discussion papers
- \* U.S. Qualification Standards
- \* Applicability Guidelines
- \* Webinars
- \* Recent Articles

## □ Academy's Professionalism First webpage

[professionalism.actuary.org](http://professionalism.actuary.org)

- \* Access “Professionalism Perspectives” blog and Academy’s podcast series “Actuary Voices” and MORE!



# Professionalism Webinars

- Quarterly webinars
- Most recently “U.S. Qualification Standards: Second Exposure Draft and More,” Aug. 12
- Archive of professionalism webinars available to Academy members



# Group Registration Option

- New group registration option for employers to accommodate remote access they provide to their employees.
- The registrant must be an Academy member.



# Academy Podcast

- Series features thoughtful conversations on the role of professionalism in our day jobs and the Academy's public policy work.
- Listen and subscribe at [www.professionalism.actuary.org/actuary-voices](http://www.professionalism.actuary.org/actuary-voices) or via the below podcast feeds.



# Questions?

Learn more anytime at [actuary.org](https://actuary.org).

