

Lights! Camera! Professionalism!



Brought to you by the CAS
Committee On Professionalism Education

This will be an interactive session so we will not release the actual presentation.

Instead, this document contains highlights of the code of conduct and applicable ASOPs.

It can be reviewed prior to the session to obtain additional CE credits or during the session to aid in the discussion.

For more detail, please see the ASB website:

<http://www.actuarialstandardsboard.org>



Also useful would be the CPCU Code of Professional Conduct.

The Code can be reviewed prior to the session.

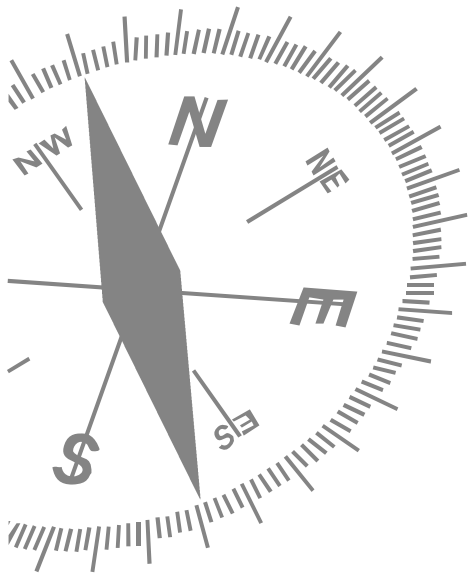
For information about the CPCU Code of Professional Conduct, see

<http://www.theinstitutes.org/doc/canons.pdf>

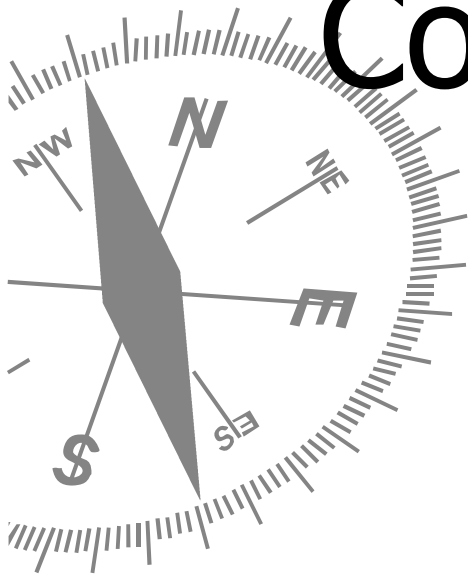


Disclaimer

The author(s) of these slides are not acting in an official capacity for the CAS, AAA, The Institutes, or their employers, etc.



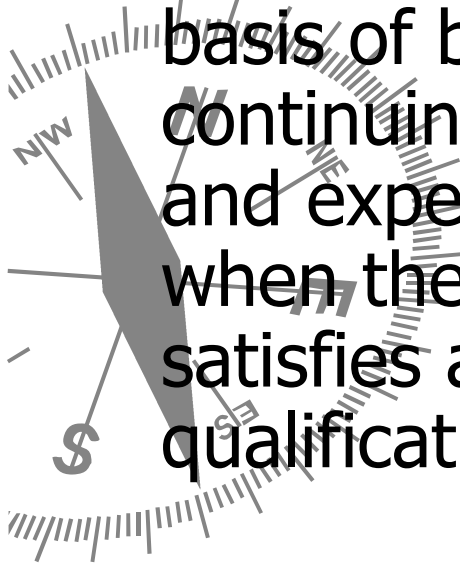
American Academy of Actuaries Code of Professional Conduct



Qualification Standards

PRECEPT 2:

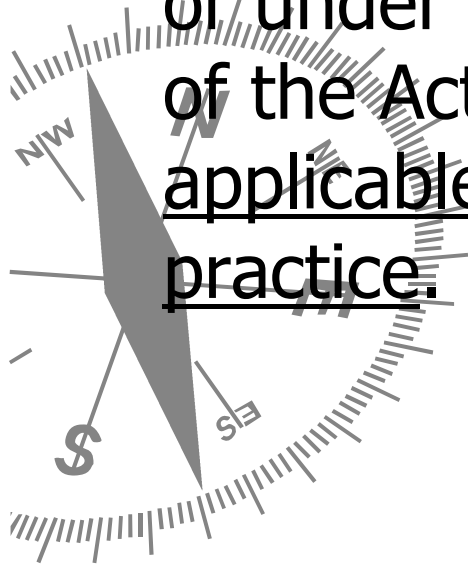
An Actuary shall perform Actuarial Services only when the Actuary is qualified to do so on the basis of basic and continuing education and experience and only when the Actuary satisfies applicable qualification standards.



Standards of Practice

PRECEPT 3:

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



Communications and Disclosure

PRECEPT 4:

An Actuary who issues an Actuarial Communication shall take appropriate steps to ensure that the Actuarial Communication is clear and appropriate to the circumstances and its intended audience and satisfies applicable standards of practice.



Communications and Disclosure

PRECEPT 5:

An Actuary who issues an Actuarial Communication shall, as appropriate, identify the Principal(s) for whom the Actuarial Communication is issued and describe the capacity in which the Actuary serves.



Communications and Disclosure

PRECEPT 6:

An Actuary shall make appropriate and timely disclosure to a present or prospective Principal of the sources of all direct and indirect material compensation that the Actuary or the Actuary's firm has received, or may receive, from another party in relation to an assignment for which the Actuary has provided, or will provide, Actuarial Services for that Principal. The disclosure of sources of material compensation that the Actuary's firm has received, or may receive, is limited to those sources known to, or reasonably ascertainable by, the Actuary.

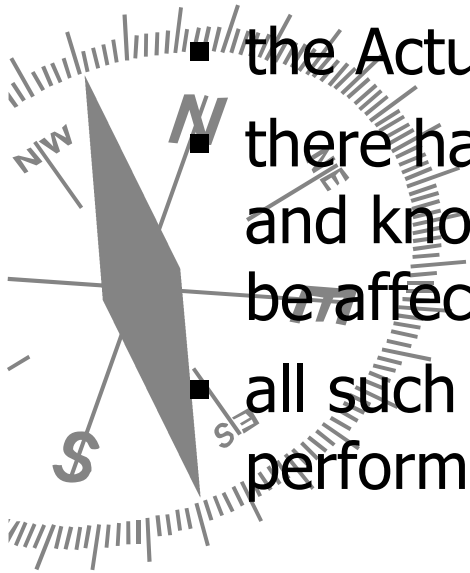


Conflict of Interest

PRECEPT 7:

An Actuary shall not knowingly perform Actuarial Services involving an actual or potential conflict of interest unless:

- the Actuary's ability to act fairly is unimpaired;
- there has been disclosure of the conflict to all present and known prospective Principals whose interests would be affected by the conflict; **and**
- all such Principals have expressly agreed to the performance of the Actuarial Services by the Actuary.



Control of Work Product

PRECEPT 8:

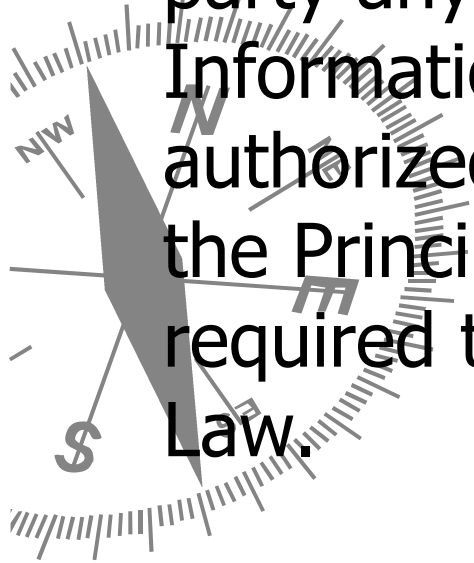
An Actuary who performs Actuarial Services shall take reasonable steps to ensure that such services are not used to mislead other parties.



Confidentiality

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.



Courtesy and Cooperation

PRECEPT 10:

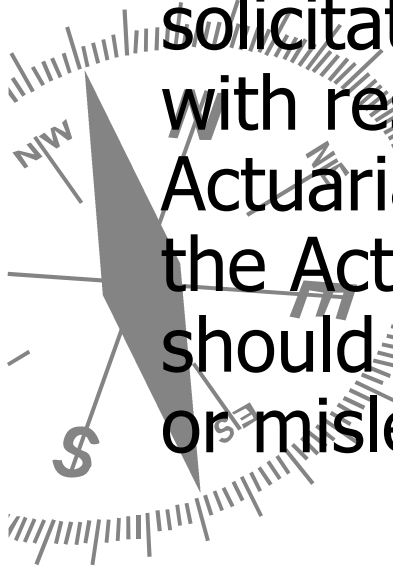
An Actuary shall perform Actuarial Services with courtesy and professional respect and shall cooperate with others in the Principal's interest.



Advertising

PRECEPT 11:

An Actuary shall not engage in any advertising or business solicitation activities with respect to Actuarial Services that the Actuary knows or should know are false or misleading.



Titles and Designations

PRECEPT 12:

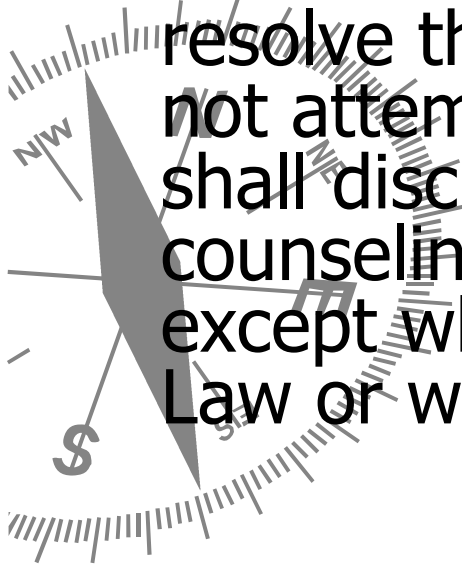
An Actuary shall make use of membership titles and designations of a Recognized Actuarial Organization only in a manner that conforms to the practices authorized by that organization.



Violations of the Code of Professional Conduct

PRECEPT 13:

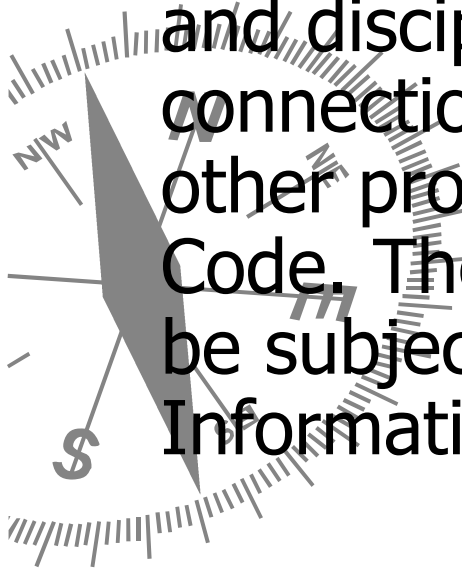
An Actuary with knowledge of an apparent, unresolved, material violation of the Code by another Actuary should consider discussing the situation with the other Actuary and attempt to resolve the apparent violation. If such discussion is not attempted or is not successful, the Actuary shall disclose such violation to the appropriate counseling and discipline body of the profession, except where the disclosure would be contrary to Law or would divulge Confidential Information.



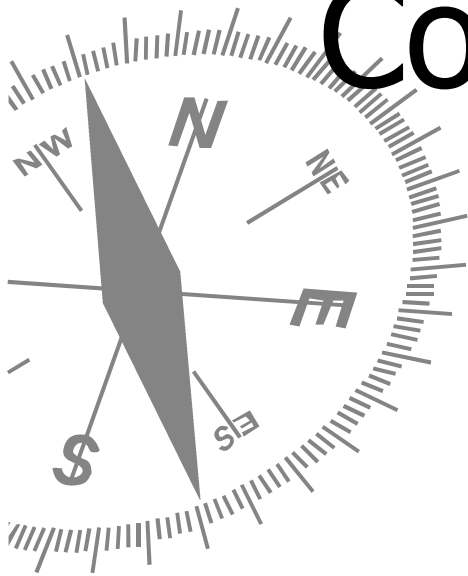
Violations of the Code of Professional Conduct

PRECEPT 14:

An Actuary shall respond promptly, truthfully, and fully to any request for information by, and cooperate fully with, an appropriate counseling and disciplinary body of the profession in connection with any disciplinary, counseling or other proceeding of such body relating to the Code. The Actuary's responsibility to respond shall be subject to applicable restrictions on Confidential Information and those imposed by Law.



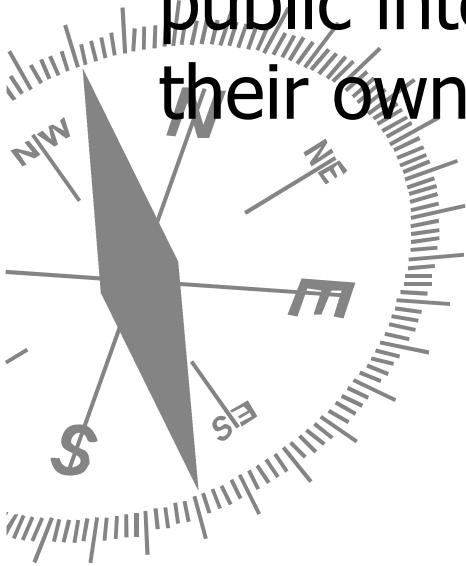
The CPCU Code of Professional Conduct



Avoid Impropriety

CANON 1:

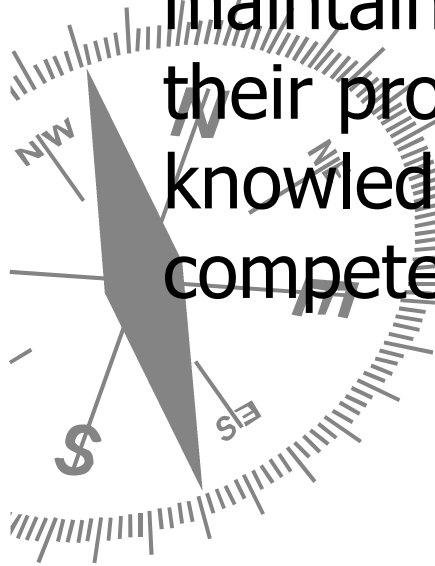
Insurance professionals should endeavor to place the public interest above their own.



Continuing Education

CANON 2:

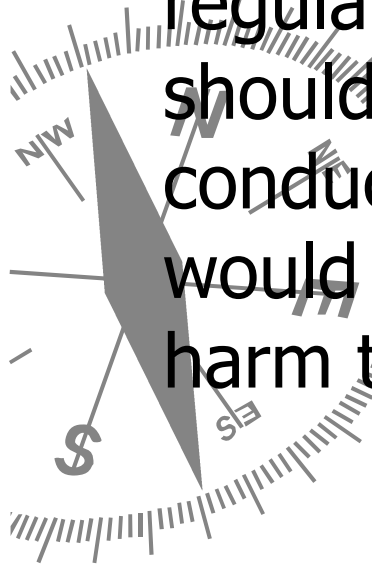
Insurance professionals should seek continually to maintain and improve their professional knowledge, skills, and competence.



Professional Integrity

CANON 3:

Insurance professionals should obey all laws and regulations, and should avoid any conduct or activity that would cause unjust harm to others.



Quality Work Product

CANON 4:

Insurance

professionals should be diligent in the performance of their occupational duties and should continually strive to import the functioning of the insurance mechanism.



Good Example

CANON 5:
Insurance
professionals should
aspire to raise the
professional and
ethical standards of
the insurance and risk
management
profession.



Courtesy and Cooperation

CANON 6:

Insurance professionals should strive to establish and maintain dignified and honorable relationships with those who they serve, with fellow insurance professionals, and with members of other professions.



Educate Public

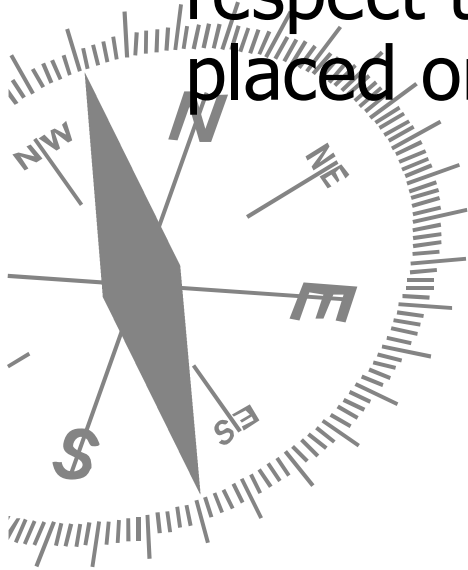
CANON 7:
Insurance
professionals should
assist in improving the
public understanding
of insurance and risk
management.



Titles and Designations

CANON 8:

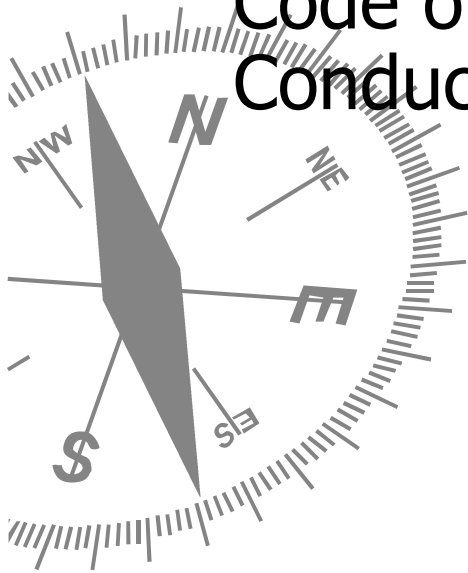
CPCUs should honor the integrity of the CPCU designation and respect the limitations placed on its use.



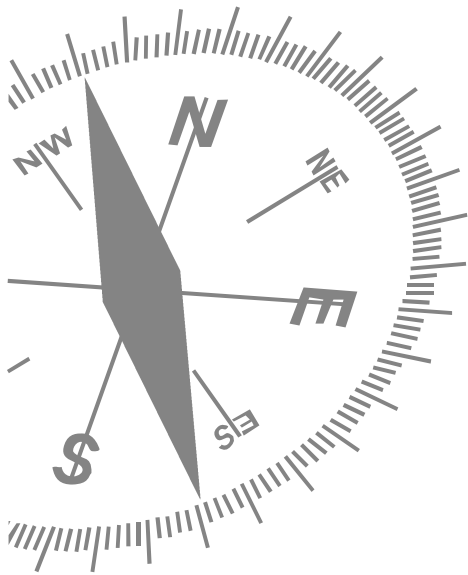
Violations of CPCU Code of Conduct

CANON 9:

CPCUs should assist in maintaining the integrity of the CPCU Code of Professional Conduct.



Actuarial Standards of Practice



ASOP#23: Data Quality

Guidance for the following

- Selecting data that underlie the work product
- Relying on data supplied by others
- Reviewing data
- Using data
- Making appropriate disclosures regarding data quality

All practice areas – not just P&C

Does not require data audit



ASOP#41 - Requirements for Actuarial Communications

Identify Responsible Actuary

Identify Principal for whom findings are made; clearly state scope and any limitations or constraints

Communicate methods, procedures, assumptions, data and other information required to complete the work

Form and content clear and appropriate to audience

Issued in timely manner



ASOP#41 – Required Disclosures

Uncertainty or Risk

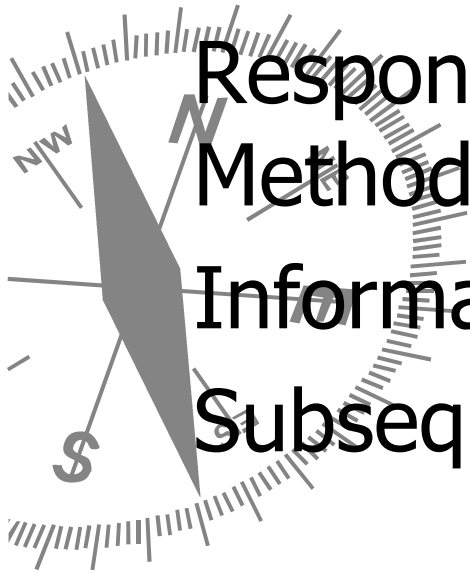
Conflict of Interest

Reliance on Others

Responsibility for Assumptions and
Methods

Information Date of the Report

Subsequent Events

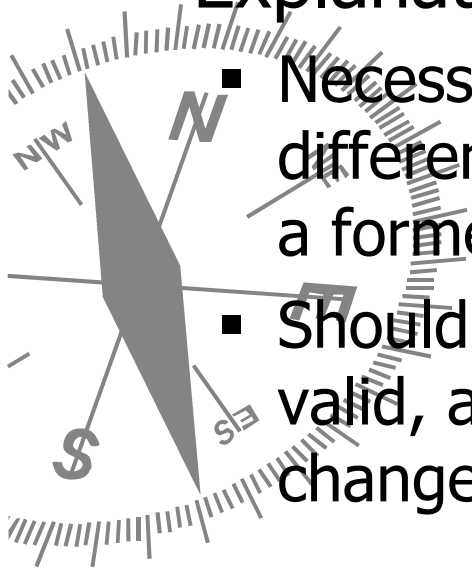


ASOP#41 – Other Key Provisions

An Actuarial Report must state with sufficient clarity findings and identify methods, procedures, assumptions and data used

Explanation of Material Differences

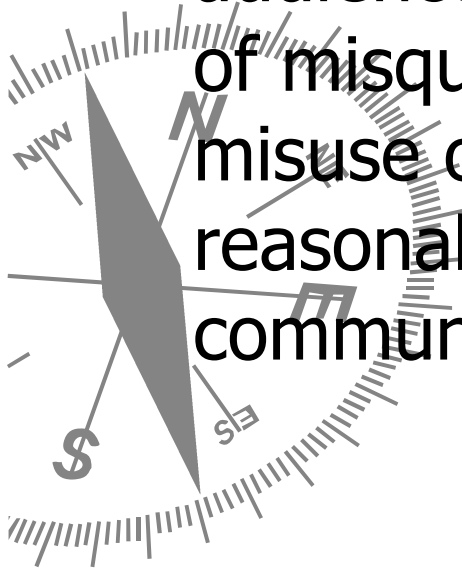
- Necessary if a later communication includes materially different results or expresses a different opinion than a former communication on the same issue
- Should make clear that earlier results are no longer valid, and it should explain the reasons for the change



ASOP#41 – Responsibility to Other Users

An Actuarial communication is prepared for an intended audience.

It may be used in a way that may influence persons who are not part of the intended audience. The actuary should recognize the risks of misquotation, misinterpretation, or other misuse of such communication and should take reasonable steps to ensure that the actuarial communication is clear and presented fairly.



ASOP#41: Actuarial Communications

All types of Actuarial work – not just P&C
Written, Electronic, or Oral Communications

Provides guidance for the appropriate form
and content that should be included -
depending on circumstances and audience

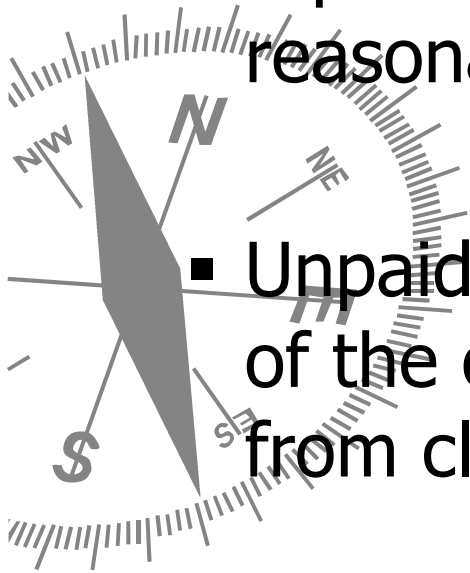
Discusses timelines and reliance on others



ASOP#43: Property/Casualty Unpaid Claim Estimates

Key Definitions

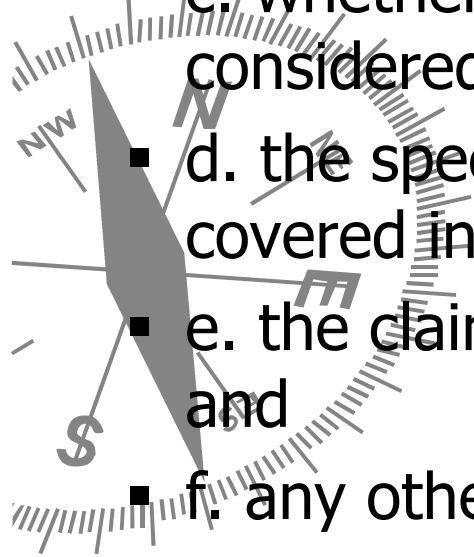
- Actuarial Central Estimate—An estimate that represents an expected value over the range of reasonably possible outcomes.
- Unpaid Claim Estimate The actuary's estimate of the obligation for future payment resulting from claims due to past events.



ASOP#43: Property/Casualty Unpaid Claim Estimates

Scope Actuary should identify the following:

- a. intended measure of the unpaid claim estimate;
- b. whether the unpaid claim estimate is to be gross or net of specified recoverables;
- c. whether and to what extent collectibility risk is to be considered
- d. the specific types of unpaid claim adjustment expenses covered in the unpaid claim estimate
- e. the claims to be covered by the unpaid claim estimate and
- f. any other items that, in the actuary's professional judgment, are needed to describe the scope sufficiently.



ASOP#30: Profit and Contingency Provisions and Cost of Capital in P/C Ratemaking

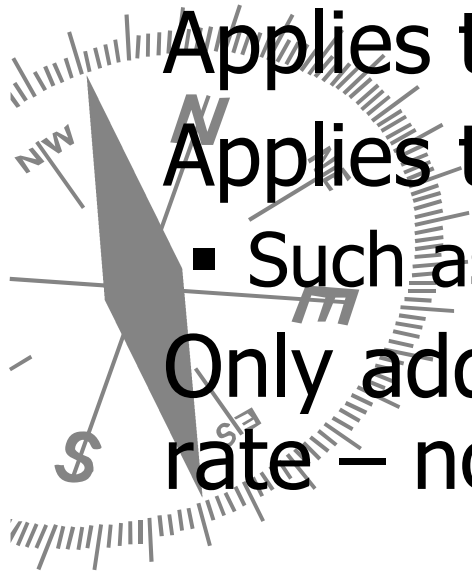
Guidance for estimating and evaluating these provisions in ratemaking.

Applies to all P/C Insurance Coverages

Applies to other P/C Risk Financing Systems

- Such as Self-Insurance

Only addresses considerations that affect rate – not price



ASOP#39: Treatment of Catastrophe Losses in P/C Ratemaking

Guidance in evaluating catastrophe exposure and determining a provision for cat Loss and LAE in the rate

Applies to all P/C Insurance Coverages

Applies to other P/C Risk Financing Systems

■ Like self-insurance and securitization products



ASOP #29: Expense Provisions in P/C Ratemaking

Guidance in estimating costs for ratemaking other than...

- Incurred Losses
- Profit provision
- Investment expenses
- Income taxes

Applies to all P/C Insurance Coverages

Applies to other P/C Risk Financing Systems

- Such as Self-Insurance



ASOP #13: Trending Procedures in P/C Ratemaking

Provides basis for assessing trending procedures

- Estimating future expected values using historical data

Historical Data is that referred to in the Ratemaking Statement of Principles

Applicable to all P&C lines of insurance.



ASOP#38: Using Models Outside the Actuary's Area of Expertise

Guidance for models that incorporate specialized knowledge outside actuary's own area of expertise

All P/C Insurance Coverages

Includes risk financing systems

- Like self-insurance and securitization products

All models, even if proprietary

Revision is pending



ASOP#25: Credibility

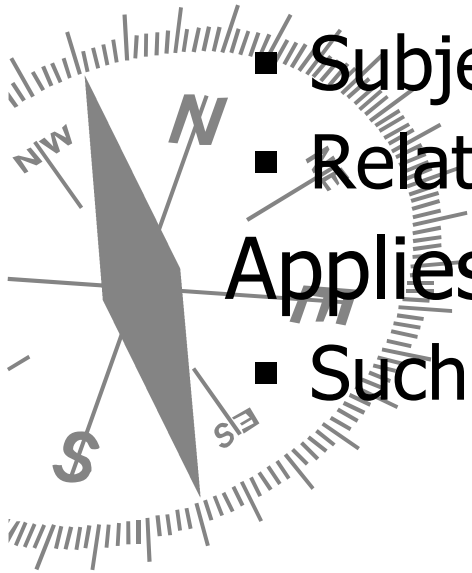
Guidance for selecting credibility procedures

Guidance for assignment of credibility values to

- Subject Experience
- Related Experience (Complement)

Applies to other Financial Security Systems

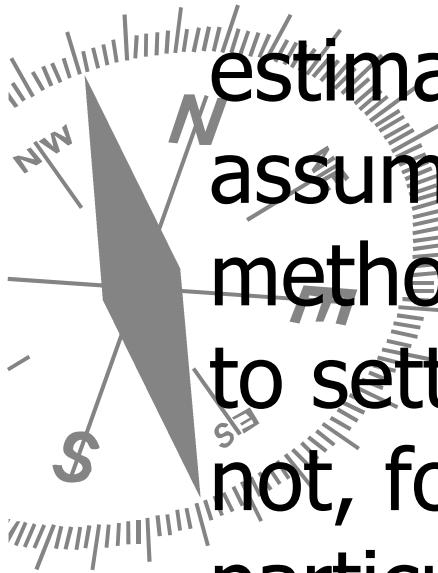
- Such as self-insurance



Statement of Principles: P&C Reserving

Principle 1:

An actuarially sound loss reserve for a defined group of claims as of a given valuation date is a provision, based on estimates derived from reasonable assumptions and appropriate actuarial methods for the unpaid amount required to settle all claims, whether reported or not, for which liability exists on a particular accounting date.



Statement of Principles: P&C Ratemaking

Principle 3:

- Ratemaking should provide for the costs of an individual risk transfer.
- When the experience of an individual risk does not provide a credible basis for estimating these costs, it is appropriate to consider the aggregate experience of similar risks.

