

# *Actuarial Standards of Practice*

**Albert J. Beer FCAS, MAAA**

**Vice-Chair, Actuarial Standards Board**

*Casualty Actuaries of Greater New York*

*Spring Meeting*

*June 2, 2009*



# Agenda

- Sources of Information
  - CAGNY
  - CAS Website
  - Actuarial Standards Board Website
- The Actuarial Standards Board
  - Structure
  - Process
- Actuarial Standards Of Practice
  - Development
  - Purpose



# CAGNY Meeting Content

<b>Fall 2008</b>	<b><u>ABCD – Part II</u></b>	<i>Mike Toothman</i>
<b>Spring 2008</b>	<b><u>ABCD – Part I</u></b>	<i>Mike Toothman</i>
<b>Fall 2007</b>	<b><u>Qualification Standards</u></b>	<i>Nolan Asch</i>
<b>Spring 2007</b>	<b><u>Professionalism</u></b>	<i>Kevin Dyke</i>

<http://www.casact.org/affiliates/cagny/>



## Purposes of the CAS

- To advance the body of knowledge of actuarial science applied to property, casualty and similar risk exposures;
- To establish and maintain standards of qualification for membership;
- To promote and maintain high standards of conduct and competence for its members; and,
- To increase awareness of actuarial science.



# CAS Code of Professional Conduct

**PRECEPT 1. Professional Integrity**

**PRECEPT 2. Qualification Standards**

**PRECEPT 3. Standards of Practice**

**PRECEPT 4. Communications and Disclosure**

**PRECEPT 5. Actuarial Communication**

**PRECEPT 6. Disclosure**

**PRECEPT 7. Conflict of Interest**



# CAS Code of Professional Conduct

**PRECEPT 8. Control of Work Product**

**PRECEPT 9. Confidentiality**

**PRECEPT 10. Courtesy and Professional Respect**

**PRECEPT 11. Advertising**

**PRECEPT 12. Titles and Designations**

**PRECEPT 13. Violations of the Code**

**PRECEPT 14. Cooperation in Disciplinary Matters**



# CAS Code of Professional Conduct

**PRECEPT 3. An Actuary shall ensure that Actuarial Services performed by or under the direction of the Actuary satisfy applicable standards of practice.**

*ANNOTATION 3-1. It is the professional responsibility of an Actuary to observe applicable standards of practice that have been promulgated by a Recognized Actuarial Organization for the jurisdictions in which the Actuary renders Actuarial Services and to keep current regarding changes in these standards.*



# The Actuarial Standards Board

*[www.actuarialstandardsboard.org](http://www.actuarialstandardsboard.org)*





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### ASB Headlines

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# All Practice Areas

**7. Insurer Cash Flows**

**12. Risk Classification**

**17. Expert Testimony by Actuaries**

**19. Appraisals of Insurance Businesses**

**21. Assisting Auditors or Examiners**

**23. Data Quality**

**25. Credibility Procedures**

**32. Social Insurance**

**41. Actuarial Communications**



# Property/Casualty Specific

**13. Trending Procedures in Ratemaking**

**20. Discounting Loss and Loss Adjustment Expense Reserves**

**29. Expense Provisions in Ratemaking**

**30. Profit and Contingency Provisions and the Cost of Capital**

**36. Statement of Actuarial Opinion Regarding Reserves**

**38. Models Outside Area of Expertise**

**39. Catastrophe Losses in Ratemaking**

**43. Unpaid Claim Estimates**





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AMERICAN ACADEMY *of* ACTUARIES

# Applicability Guidelines for Actuarial Standards of Practice





# The Actuarial Standards Board

- The ASB is an independent entity managed with the support of the American Academy of Actuaries staff.
- It was established in 1988 as the single board promulgating standards of practice for the entire actuarial profession in the United States.
- The ASB was founded with the sole authority to develop, obtain comment upon, adopt and continuously review standards of practice.



# Composition of The Actuarial Standards Board

- Nine members
- 3-year terms
- One-third of the Board appointed each year
- A person can serve no more than 2 consecutive terms
- Broadly representative of all areas of practice
- Appointed by Selection Committee (CUSP)



## 2009 Members of the ASB

Stephen Kellison, Chairperson

Al Beer, Vice Chairperson

Godfrey Perrott, Vice Chairperson

Alan Ford

Patrick Grannan

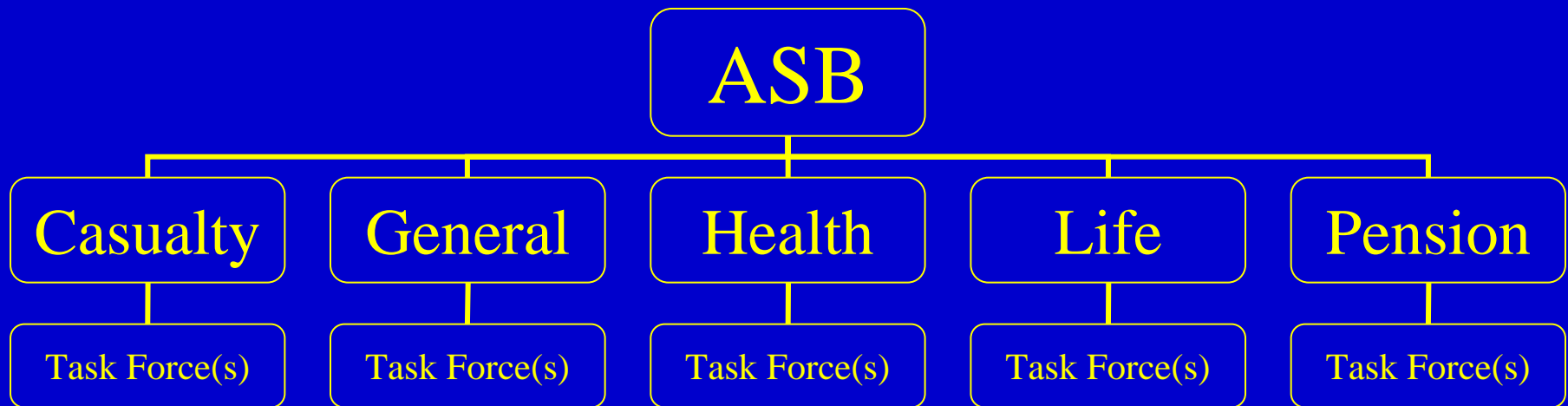
Thomas Levy

Robert Meilander

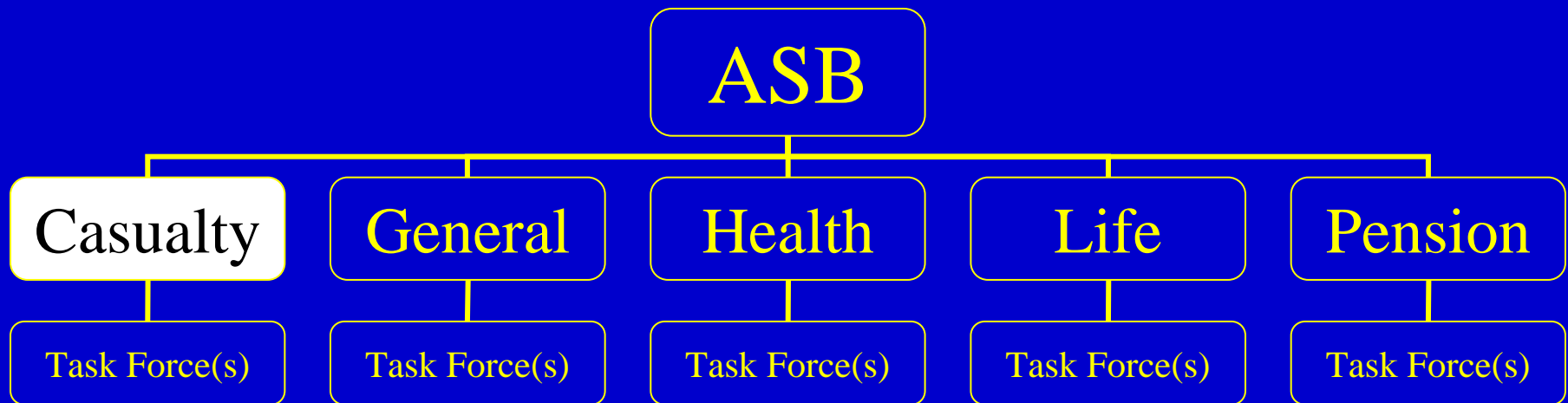
James Murphy

James Verlautz

# Operating Committees of the ASB



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## 2009 ASB Casualty Committee

Pat Woods, *Chairperson*

Steven Armstrong

Raji Bhagavatula

Beth Fitzgerald

Bertram Horowitz

Claus Metzner

David Otto

Alfred Weller



# ASB Operating Committees

- Broad spectrum of expertise
  - Firms (Consulting, Accounting, (Re)Insurance , Regulation)
  - Products (Personal, Commercial, Direct, Agency)
  - Regions
  
- Proposed by the Committee Chairs
  
- Approved by the ASB
  
- Primary and a Secondary Liaisons from the Board



# Development of an ASOP

- 1) Submission of a proposal
- 2) ASB may:
  - Decline to proceed; or,
  - Approve the proposal and refer it to an Operating Committee
    - Worked on by a designated Task Force
    - Results in a proposed Exposure Draft
- 3) Exposure Draft is reviewed and edited by the ASB





# Process To Develop An ASOP

- 4) Distributed for comment
  - to the profession and other interested parties
  
- 5) Operating Committee/Task Force
  - reviews the comments
  - makes appropriate modifications
  - submits a Final Draft to the ASB
  
- 6) The ASB reviews proposed draft
  - send back to the Operating Committee; or,
  - expose again for comments; or,
  - approve as an ASOP



# Actuarial Standards of Practice

## Format

Section 1. Purpose, Scope and Effective Date

Section 2. Definitions

Section 3. Analysis of Issues and Recommended Practices

Section 4. Communications and Disclosures

Appendix 1—Background and Current Practices

Appendix 2—Comments and Responses



# Actuarial Standards of Practice

- Provide *guidance* on how to *appropriately* do actuarial work
- *Not* narrowly prescriptive
- Neither dictate an approach nor mandate an outcome
- ASOPs articulate:
  - Process of analysis;
  - Scope of documentation; and
  - Requirements for disclosure.



# Actuarial Standards of Practice

*“Intended to provide actuaries with a framework for performing professional assignments and to offer guidance on relevant issues, recommended practices, documentation, and disclosure.”*

*– Introduction to the Actuarial Standards of Practice*



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