

CAMAR Spring Meeting - 2011

Statements & Standards & Codes – Oh My!

Tim Wisecarver

CAMAR Spring Meeting – 2011
Statements & Standards & Codes – Oh My!

- Foundational Statements Exposure Draft
- Ramifications for Statements of Principles
- Current Status (of Both)
- Relationships/Applicability of Documents
 - Code of Professional Conduct
 - Standards of Practice
 - Statements of Principles
 - Other

CAMAR Spring Meeting – 2011
Statements & Standards & Codes – Oh My!

- Foundational Statements Exposure Draft
 - August 2010 Release
 - Purpose
 - Actuarial Work Products and Applications
 - Nine Foundational Statements
 - Would Replace Statements of Principles

CAMAR Spring Meeting – 2011
Statements & Standards & Codes – Oh My!

- Foundational Statements Exposure Draft
 - Intended Replacement of Statements of Principles, Because....
 - Statements of Principles Had Become Dated
 - P/C Insurance Ratemaking 1988
 - P/C Loss & Loss Adjustment Expense Reserves – 1988
 - P/C Valuations – 1989
 - Risk Classification - 1980
 - Perceived/Potential Conflicts with ASOPs
 - Some Questioned Their Necessity

CAMAR Spring Meeting – 2011
Statements & Standards & Codes – Oh My!

- Foundational Statements Exposure Draft
 - Two Dozen Comments Posted on CAS Website, Mostly Critical of Exposure Draft
 - Criticism of Foundational Statements
 - Advocating Retention of Statements of Principles

CAMAR Spring Meeting – 2011
Statements & Standards & Codes – Oh My!

- Foundational Statements Exposure Draft
 - Comments Critical of Foundational Statements per se
 - Undue Emphasis on, Defensive Tone Toward, Uncertainty
 - Substantive Editorial Comments
 - Concerns Regarding Exposure Process
 - Minor Editorial Comments

CAMAR Spring Meeting – 2011
Statements & Standards & Codes – Oh My!

- Foundational Statements Exposure Draft
 - Comments Advocating Retention of Statements of Principles
 - Foundational Statements Not Seen as Adequate to Replace Statements of Principles
 - Broad Adoption/Acceptance of Statements of Principles (Statutes, Regulation, Common Practice)
 - Statements of Principles Seen as Relevant, Robust (with opportunity for updating)

CAMAR Spring Meeting – 2011
Statements & Standards & Codes – Oh My!

- Foundational Statements Exposure Draft
 - May 3, 2011 Announcement on CAS Website
 - Development of Foundational Statements Discontinued
 - Foundational Statements Task Force Disbanded with Thanks
 - New Task Force Formed to Review and Update Statements of Principles as Needed
 - Task Force Charge Discussed at May CAS Board Meeting

CAMAR Spring Meeting – 2011
Statements & Standards & Codes – Oh My!

- Statements of Principles Task Force
 - Remove Elements of Standards of Practice from Statements of Principles
 - Eliminate Materials Not Describing or Explaining Actuarial Principles
 - Resolve Any Remaining Conflicts Between Statements of Principles and “More Current Material” in Favor of the More Recent Documentation

CAMAR Spring Meeting – 2011
Statements & Standards & Codes – Oh My!

- Code of Professional Conduct – the Beginnings
 - CAPP
 - 1956 Code of Professional Conduct
 - SOA
 - 1957 Guides to Professional Conduct (14)
 - CAS
 - 1959 Guides to Professional Conduct (13)
 - AAA
 - 1965 Guides to Professional Conduct
 - ASPPA
 - 1972 Code of Professional Conduct

CAMAR Spring Meeting – 2011
Statements & Standards & Codes – Oh My!

- Code of Professional Conduct – Coming Together
 - 1972 Joint Committee on the Code of Professional Conduct
 - Developed Uniform Format for Guides and Interpretive Opinions of Each Organization
 - Standards Evolved (Differently) into Early 1990s
 - 1992 Code of Professional Conduct
 - 16 Precepts
 - 23 Annotations
 - Adopted Effective January 1, 1992 by Each US Organization with Variations

CAMAR Spring Meeting – 2011
Statements & Standards & Codes – Oh My!

- Code of Professional Conduct – Coming Together
 - 1994 Uniform Code of Professional Conduct
 - 16 Precepts
 - 25 Annotations
 - Adopted Effective January 1, 1994 by Each US Organization without Variations
 - Differences Developed into 1997

CAMAR Spring Meeting – 2011
Statements & Standards & Codes – Oh My!

□ Code of Professional Conduct –
Coming Together

- 1997 Joint Committee on the Code of Professional Conduct
- 2001 Code of Professional Conduct
 - 14 Precepts
 - 23 Annotations
 - Adopted Effective January 1, 2001 by Each US Organization (Uniform Code)

CAMAR Spring Meeting – 2011
Statements & Standards & Codes – Oh My!

□ Code of Professional Conduct

- (Almost) the Highest Requirement for Actuaries

CAMAR Spring Meeting – 2011
Statements & Standards & Codes – Oh My!

□ “Laws” – Our First Obligation

- Statutes
- Regulations
- Judicial Decisions
- “Other Statements Having Legally Binding Authority”

CAMAR Spring Meeting – 2011
Statements & Standards & Codes – Oh My!

□ Standards of Practice

- Obligatory for, and Binding on, Actuaries in US (Precept 3 of Code of Professional Conduct)
- Promulgated by Actuarial Standards Board
- Currently 39 ASOPs in Effect (Last Number ASOP 44)
 - ASOPs 2, 9, 14, 16 and 31 Repealed
- Publication Dates Range from April 1992 (ASOP 20, Discounting of P/C Loss and Loss Adjustment Expense Reserves) to March 2011 (ASOP 10, Methods and Assumptions for use in Life Insurance Company Financial Statements Prepared in Accordance with U.S. GAAP)

CAMAR Spring Meeting – 2011
Statements & Standards & Codes – Oh My!

□ Standards of Practice

- Not Prescriptive of any Method or Outcome
- Provide a Framework for Performing Professional Assignments
- Principles-Based
- Provide for Deviation from ASOPs Where Appropriate, Subject to Requirements Including Disclosure of Such Deviation

CAMAR Spring Meeting – 2011
Statements & Standards & Codes – Oh My!

□ Statements of Principles

- Not Binding on Actuaries, as is the case for many other notable documents:
 - Practice Notes
 - Learned Treatises
 - Study Notes
 - Actuarial Textbooks
 - Journal Articles
 - Actuarial Meeting Presentations
 - Applicability Guidelines for Actuarial Standards of Practice
 - Structural Framework of U.S. Actuarial Profession (AAA Council on Professionalism)

CAMAR Spring Meeting – 2011
 Statements & Standards & Codes – Oh My!

- Statements of Principles
 - A couple of interesting observations?
 - Statement of Principles Regarding P/C Insurance Ratemaking says that the principles contained therein "...provide the foundation for the development of actuarial procedures and standards of practice..."
 - Statement of Principles Regarding P/C Valuation says that the principles contained therein "...provide the foundation for actuarial procedures and standards of practice regarding valuations"

CAMAR Spring Meeting – 2011
 Statements & Standards & Codes – Oh My!

- Statements of Principles
 - And Remember.....
 - Where "laws" require adherence to or compliance with specific Statements of Principles, such requirements make the Statements of Principles binding upon actuaries practicing in the jurisdiction(s) and line(s) of business subject thereto.

CAMAR Spring Meeting – 2011
 Statements & Standards & Codes – Oh My!

- References of Interest at www.casact.org
 - Code of Professional Conduct
 - Statements of Principles
 - Actuarial Standards of Practice
 - Actuarial Compliance Guidelines
- www.actuary.org (American Academy of Actuaries)
- www.abcdboard.org (Actuarial Board for Counseling & Discipline)