



Professionalism in Practice


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AGENDA:

- Qualifications Standards Review
- Code of Conduct Review
- Snappers

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Qualifications Standards Review

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General Standards Review (US)

Continuing Education Requirements

- 30 credit hours of relevant Continuing Education must be earned in the calendar year preceding the year in which an SAO is issued
- 'Credit Hour' defined as 50 minutes
- Can be composed of either "organized activities" or other activities
- At least 6 hours must be "organized activities"
- **At least 3 hours must relate to professionalism topics**
- No more than 3 hours can relate to general business courses and educational material

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General Standards Review (Canada)

Continuing Professional Development (CPD) Requirements

- 100 hours of combined structured and unstructured relevant activities over the last two years
 - Structured: planned activities or where more than one point of view is provided
 - Unstructured: all other activities that contribute to CPD
- At least 24 hours of structured activities
 - At least 12 hours of structured activities related to technical skills
- **4 hours must relate to professionalism topics**

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How to Fulfill Professionalism Requirement

- **Attend a Professionalism Session**
 - CAS Meeting
 - Webinar
 - Regional Affiliate Meeting
 - Internal Company Seminar
- **Self Study**
 - Review Code of Conduct
 - Review Actuarial Standards of Practice relevant to your job function

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Widely Applicable ASOPs

- **ASOP 9** – Documentation and Disclosure in P&C Ratemaking, Loss Reserving, and Valuations
- **ASOP 23** – Data Quality
- **ASOP 41** – Actuarial Communications

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Reserving ASOPs

- **ASOP 20** – Documentation of Property and Casualty Loss and Loss Adjustment Expense Reserves
- **ASOP 36** – Statement of Actuarial Opinion regarding Property/Casualty Loss and Loss Adjustment Expense Reserves
- **ASOP 43** – Property/Casualty Unpaid Claim Estimates

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Reserving ASOPs

- **ASOP 17** – Expert Testimony by Actuaries
- **ASOP 21** – Responding to or assisting Auditors or Examiners in connection with Financial Statements for All Practice Areas
- **ASOP 32** – Social Insurance
- **ASOP 38** – Using Models outside the Actuary's Area of Expertise (Property & Casualty)

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Ratemaking ASOPs

- **ASOP 12** – Risk Classification (for all Practice Areas)
- **ASOP 13** – Trending Procedures in Property/Casualty Ratemaking
- **ASOP 29** – Expense Provisions in Property/Casualty Insurance Ratemaking
- **ASOP 30** – Treatment of Profit Contingency Provisions and the Cost of Capital in Property/Casualty Insurance Ratemaking
- **ASOP 39** – Treatment of Catastrophe Losses in Property/Casualty Insurance Ratemaking



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Code of Conduct Review



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Not Following the Rules of the Road

- What would you do if your driving privileges were suspended?
- Rely on family members and friends to drive you around
- Take public transportation
- Bike, walk or rollerblade



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Not Following 'Actuarial' Rules

- Possible Outcomes:
 - You'll get pulled over by the 'Police' (ABCD/CIA)
 - You'll get into an accident (Actuarial Litigation)
- Implications of losing your "license":
 - Potential Lawsuit
 - Damaged Reputation
 - Lost wages/work
 - Find alternative career



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Code of Professional Conduct

US - AAA

- Professional Integrity
- Qualification Standards
- Standards of Practice
- Communications and Disclosure
- Conflict of Interest
- Control of Work Product
- Confidentiality
- Courtesy and Cooperation
- Advertising
- Title and Designations

Canada - CIA

- Professional Integrity
- Qualification Standards
- Standards of Practice
- Disclosure
- Conflict of Interest
- Control of Work Product
- Confidentiality
- Courtesy and Cooperation
- Advertising
- Titles and Designations
- Collateral Obligations*

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Snappers

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Snappers Overview

- **Snappers = Real Life Predicament**
 - **What should we do?**
 - By-the-Book Actuary = Follow the Code!
 - Businessman Actuary = Get the job done!
- **Panelists:**
 - Mark Phillips, Insurance Corporation of BC
 - Heather Caffoe, Enumclaw Insurance Group
- **Ground Rules**
 - Role-Playing – we are not expressing our own personal view, the views of the Code of Conduct, or those of our employer
 - Audience Participation – Snappers are designed to spark discussion

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Snapper 1

You are an actuary and have been engaged by a company to review the reserves for a potential acquisition. You perform your own independent study and, after signing a Confidentiality Agreement, also received copies of the last two actuarial studies performed on the target company. Your reserve estimate is significantly higher than the target's carried reserves. You reviewed the target's actuarial studies and found a flaw in the methodology that, if corrected, would cause the target to become insolvent. You attempt to contact the target company's actuary to make sure you are interpreting the results correctly and he has not returned your calls. What do you do?

- Report the actuary to the ABCD/CIA
- Inform your principal of your findings with clear documentation of your assumptions and let your principal take action
- None of the above

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Snapper 2

Suppose your Marketing Department is really pushing a new business discount in order to get a boost in growth. You have no actuarial support for the discount because you do not collect data on it. The competition does not have this discount either. As an actuary, would you file a discount that has no known support?

What would you do?

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Snapper 3

As the Chief Actuary for Maple Leaf Insurance Company, you annually perform a reserve analysis using appropriate methods and your indication has always been booked by the company. This year, senior management hires an outside consultant to perform the reserve analysis as well.

The consultant's reserve estimates show the company to be materially redundant. You believe your results are reasonable, but your management insists that the consulting actuary has more reserving expertise than you, and demands that you reduce your estimates.

What, if anything, should you do?

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Snapper 4

A recent rate filing of yours went to Hearing. During the Hearing, the Department's Actuary (FCAS) made several misrepresentations of the data and suggested several alternatives that are in conflict with the Statement of Principles on Ratemaking and with certain Actuarial Standards of Practice.

What do you do?

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Snapper 5

As the Chief Actuary for your Province's Insurance Regulatory Department, you are reviewing a filing of a major personal lines insurer in the Province. Due to an earthquake, the company is asked for a 200% increase along the fault line area. After reviewing the data, you agree that the rate increase is justified.

The Insurance Commissioner tells you to disapprove the increase because it would result in rates that are not affordable. Your projections show that without the full 200% rate increase, the insurer may go bankrupt within two years. You have shared this information with the Commissioner, but she still refuses to agree to the large rate increase.

What, if anything, should you do?

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Snapper 6 (“The Proprietary Rating Plan”)

Ida Guest, FCAS and MAAA, worked for the Prestigious Insurance Company for 10 years and became a company officer. Ida leaves the company and goes into consulting. Ida has decided to start her own, single practitioner, consulting firm. Her resignation is effective on July 1st.

Just prior to leaving, Ida worked on the development of a new, very innovative automobile rating plan that Prestigious plans to market very aggressively to significant competitive advantage. Millions of dollars have already been spent on Prestigious’ advertising campaign, which is ready to kick-off on August 1st, just ahead of the release for the new model year.

On July 15th, Ida publishes a paper that explains, in great detail, the fine points of Prestigious’ new rating plan. She is selling these reports for \$25,000 each and offers her services to companies who would like to make similar filings. She took no work papers with her when she resigned from Prestigious. She recreated all the material in her paper from memory. She has a photographic memory.

Is Ida in trouble?

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Snapper 7 (“The Gift List”)

How should an actuary react to the offer of any one of the following gifts from someone with whom, directly or indirectly, there is a professional and/or business relationship?

- A pocket calculator
- Company products valued at \$20
- Company products valued at \$100
- Ticket to a hockey game
- A case of non-vintage wine at Christmas
- Invitation to dinner at an expensive restaurant for the actuary and spouse
- Use of the company condominium in Florida for a week of golfing

Consider separately the position of:

- An actuary employed by a commercial insurance company where the offer comes from a Director of the company whose workers compensation insurance is provided by the insurance company and the actuary has some control over the premium level
- An actuary employed as a government regulator

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Snapper 8 (“The Subordinate’s Dilemma”)

Lisa Turnstyle is a new associate working for an FCAS. She recently returned from the CAS Course on Professionalism, having acquired a new appreciation for the importance of the standards of practice. Lisa suddenly realizes that one of her boss’s common practices clearly violates one of these standards.

What should she do?

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Questions?