

## Professionalism and the Casualty Actuary

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[www.casact.org](http://www.casact.org)

## Agenda

- Introduction
- Code of Professional Conduct
- Actuarial Standards of Practice
- CAS Continuing Education Policy

## The Importance of Professionalism: Increased Scrutiny of Actuaries

- Standard and Poor's analysis (2003)
  - "Insurance Actuaries: A Crisis of Credibility" blamed actuaries for reserve shortfalls in early 2000s.
  - #1 Casualty Actuarial story for 2003 (CAS)
- Morris Review in the UK (2004-05)
  - Led to oversight by Financial Reporting Council
- Mealey's Litigation Report (Dailey & Selznick, 2004)
  - "Actuarial malpractice claims proliferated in the 1990s, which saw three times as many cases as the prior two decades combined. If anything, the pace has quickened: more cases have been brought since 2000 than in all the 1990s."


## Purpose of the CAS

- To advance the body of knowledge in actuarial science applications other than life insurance,
- To establish and maintain standards of qualification for membership,
- **To promote and maintain high standards of conduct and competence for its members,**
- To increase awareness of actuarial science.

## Importance of Written Standards\*

1. Checklist of agreed practices
2. Protects Principal and others who may rely on work
3. Protects the Actuary from undue pressure by Principal
4. Satisfies regulators that actuaries will perform task to given standards.

\*Source: Bellis et al, *Understanding Actuarial Management: the actuarial control cycle*, Institute of Actuaries of Australia, 2006.



## Code of Professional Conduct

## Professional Integrity

- PRECEPT 1:

An Actuary shall act honestly, with integrity and competence, and in a manner to fulfill the profession's responsibility to the public and to uphold the reputation of the actuarial profession.



## 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.



## 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.

## 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.

13

### Common Allegations Received by ABCD

Alleged Violation	Number Disposed or in Process (2005)	Number Disposed or in Process (2006)	Number Disposed or in Process (2007)	Precept
Failure to act with integrity	19	18	11	1
Calculation or data errors	10	5	4	1
Failure to perform services with competence	3	3	5	1
Work fails to satisfy ASOP	3	3	7	3
Improper reserve estimate for insurer	3	0	0	3
Use of unreasonable assumptions	3	1	1	3
Failure to cooperate with other actuary	3	3	3	10

14



### P&C Actuarial Standards of Practice

15

### Actuarial Standards of Practice

#### Ratemaking

Standard	Description
12	Risk Classification
13	Trending
23	Data Quality
25	Credibility
29	Expense Provisions
30	Profit and Contingencies/Cost of Capital
38	Models (Outside Actuary's Area of Expertise)
39	Catastrophe Losses
41	Actuarial Communications

16

### Actuarial Standards of Practice

#### Unpaid Claim Liabilities

Standard	Description
13	Trending
20	Discounting
21	Responding to Auditors/Examiners
23	Data Quality
36	Statements of Actuarial Opinion (reserves)
38	Models (Outside Actuary's Area of Expertise)
41	Actuarial Communications
43	Property/Casualty Unpaid Claim Estimates

17

### Use of Applicability Guidelines

- Excellent reference along with the list of Actuarial Standards of Practice
- To encourage professionalism of actuaries
- Non-authoritative guidance

<http://www.actuary.org/pdf/prof/guide.pdf>

18



## CAS Continuing Education Policy

19

## CAS CE Policy

- Approved May 2010
- Effective for Actuarial Services rendered on or after January 1, 2012

20

## CAS CE Policy

- ACAS or FCAS members who provide Actuarial Services:
  1. National Compliance Provisions
  2. Alternative Compliance Provisions.
- New members need not certify compliance until the end of the first full calendar year following their satisfaction of the CAS admission requirements.

21

## Actuarial Services

Professional Services provided to a Principal by an individual acting in the capacity of an actuary.

- Such services include the rendering of advice, recommendations, findings or opinions based upon actuarial considerations.

22

## National Compliance Provisions

- a. The U.S. Qualification Standard.
- b. The CIA Qualification Standard.
- c. Categories 1 or 2\* of the U.K. CPD Scheme.
- d. The IAAust CPD Standard.
  - You cannot freely select the continuing education requirement of another organization that has no jurisdiction over your practice.

\* to be discontinued

23

## Alternate Compliance Provision

Members are expected to complete 60 units (over two years) of CE credit of combined structured and unstructured activities subject to the following requirements:

- a. At least 45 units of CE credit must be job-relevant (excluding professionalism).
- b. At least 6 units of CE credit must be related to professionalism.
- c. At least 30 units of CE credit must be in structured education.
- d. No more than 6 units of CE credit can be related to business and management skills.

24



### CAS CE Policy

- Members must
  - Maintain a log of activity (retain for 6 years)
    - (AAA provides TRACE)
  - Certify compliance each year
- CAS will
  - Publish compliance status each year
  - Audit a sample of members


25

### 2012 CE Statistics

Current Status (as of April 27, 2012)

- 5,579 members
- 4,511 certified compliance (80.9%)
- 811 certified “not providing actuarial services” (14.5%)
- 257 not compliant (4.6%) (either truly not compliant or no response)

26



Questions?

27