Professionalism In Practice

Midwestern Actuarial Forum

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CNA Insurance Companies

Agenda

- Qualifications Standards Review

- CAS Code of Conduct Review

- Snappers

Qualification Standards Review

General Qualification Standards

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 or 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**

How To Fulfill Professionalism Requirement

- Attend a Professionalism Session
  - **CAS Meeting**
  - **Webinar**
  - **Regional Affiliate Meeting**
  - **Internal Company Seminar**

- Self Study
  - **Review CAS Code of Conduct**
  - **Review Actuarial Standards of Practice relevant to your job function**
    - http://www.actuary.org/pdf/prof/guide.pdf

Widely Applicable ASOPs

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

Reserving ASOPs

- ASOP 20 - Discounting 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

Ratemaking ASOPs

- ASOP 12 - Risk Classification (for All Practice Areas)
- ASOP 13 - Trending Procedures in Property/Casualty Insurance 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

Other Situational 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 and Casualty)

CAS Code of Conduct Review

Not Following 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, roller blade

Not Following “Actuarial” Rules

- Possible outcomes
  - You’ll get pulled over by the “police” (ABCD).
  - You’ll get into an accident (actuarial litigation)
- Implications of losing your actuarial “license”
  - Potential lawsuit
  - Damaged reputation
  - Lost wages/work
  - Find alternative career

Code of Professional Conduct

- 14 precepts with annotations

- Key sections:
  - Professional integrity
  - Qualification standards
  - Standards of practice
  - Communication and disclosure
  - Conflict of interest
  - Control of work product
  - Confidentiality
  - Courtesy and Cooperation
  - Advertising
  - Titles and Designations
  - Violations of the Code of Professional Conduct

Snappers

Snappers Overview

- Snappers = Real Life Predicament
  - What should you do?
    - By-the-book actuary = Follow the Code!
    - Businessman actuary = Get the job done!

- Panelists
  - Janet Duncan, FCAS, MAAA – SVP & Actuary - CNA Insurance Companies
  - Cindy Traczyk, FCAS, MAAA – SVP & Actuary - CNA Insurance Companies

- Ground Rules
  - Role-Playing – We are not expressing our own personal views, the views of the CAS, or those of our employer
  - Audience Participation – Snappers are designed to spark discussion.

Snapper # 1

Your systems vice president recently informed you that there was an error in the loss triangles provided for your loss analysis as of March 31, 2008. Although the company has already booked your reserve estimate, you re-estimate the March 31 reserves with the corrected data and it produced reserve estimates that are 15% higher than your previous best estimate.

Because of recently passed tort reform, you expect your loss experience will improve throughout 2008 and that the difference will become immaterial by the end of 2008. Your CEO shares your expectations about the improved experience and wants you to amortize the difference throughout 2008.

What do you do?

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?

Snapper # 3

As the chief actuary for your 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?

Snapper # 4

Assume that you filed a rate change of +10% and it is sitting in the Department of Insurance for quite a while (Prior Approval state). A new analyst decides to run a more current indication which utilizes two additional quarters of data that is not included in the 10% change waiting for approval. This new indication shows a 0.0% need. The new analyst shares this information with you and you have seen the answer. What do you do?

Snapper # 5

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?

Snapper # 6

As the chief actuary for your state's insurance department, you are reviewing a filing by a major personal lines insurer in the state. Due to a rash of recent catastrophes, the company is asking for a 200% increase along the coastline. 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, anything, should you do?