

# Lights! Camera! Professionalism!

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Committee On Professionalism Education.

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► This will be an interactive session so we decided not to release the actual presentation. Instead, this document contains highlights of the code of conduct and applicable ASOPs. It can be reviewed prior to the session to obtain additional CE credits or during the session to aid in the discussion. For more detail, please see the ASB website:  
<http://www.actuarialstandardsboard.org>

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## Code of Professional Conduct

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## 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.



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## 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.



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## 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.



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## 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.

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## Communications and Disclosure

- ▶ PRECEPT 5:  
An Actuary who issues an Actuarial Communication shall, as appropriate, identify the Principal(s) for whom the Actuarial Communication is issued and describe the capacity in which the Actuary serves.

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## Communications and Disclosure

- ▶ PRECEPT 6:  
An Actuary shall make appropriate and timely disclosure to a present or prospective Principal of the sources of all direct and indirect material compensation that the Actuary or the Actuary's firm has received, or may receive, from another party in relation to an assignment for which the Actuary has provided, or will provide, Actuarial Services for that Principal. The disclosure of sources of material compensation that the Actuary's firm has received, or may receive, is limited to those sources known to, or reasonably ascertainable by, the Actuary.

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## 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.

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## Control of Work Product

### ► PRECEPT 8:



An Actuary who performs Actuarial Services shall take reasonable steps to ensure that such services are not used to mislead other parties.

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## Confidentiality

### ► PRECEPT 9:

An Actuary shall not disclose to another party any Confidential Information unless authorized to do so by the Principal or required to do so by Law.



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## Courtesy and Cooperation

► PRECEPT 10:



An Actuary shall perform Actuarial Services with courtesy and professional respect and shall cooperate with others in the Principal's interest.

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## Advertising

► PRECEPT 11:

An Actuary shall not engage in any advertising or business solicitation activities with respect to Actuarial Services that the Actuary knows or should know are false or misleading.



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## Titles and Designations

► PRECEPT 12:



An Actuary shall make use of membership titles and designations of a Recognized Actuarial Organization only in a manner that conforms to the practices authorized by that organization.

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## 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.

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## 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.

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## ASOP#23: Data Quality

### ▶ Guidance for the following

- Selecting data that underlie the work product
- Relying on data supplied by others
- Reviewing data
- Using data
- Making appropriate disclosures regarding data quality

### ▶ All practice areas – not just P&C

### ▶ Does not require data audit

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## ASOP#41 - Requirements for Actuarial Communications

- ▶ Identify Responsible Actuary
- ▶ Identify Principal for whom findings are made; clearly state scope and any limitations or constraints
- ▶ Communicate methods, procedures, assumptions, data and other information required to complete the work
- ▶ Form and content clear and appropriate to audience
- ▶ Issued in timely manner

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## ASOP#41 – Required Disclosures

- ▶ Uncertainty or Risk
- ▶ Conflict of Interest
- ▶ Reliance on Others
- ▶ Responsibility for Assumptions and Methods
- ▶ Information Date of the Report
- ▶ Subsequent Events

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## ASOP#41 – Other Key Provisions

- ▶ An Actuarial Report must state with sufficient clarity findings and identify methods, procedures, assumptions and data used
- ▶ Explanation of Material Differences
  - Necessary if a later communication includes materially different results or expresses a different opinion than a former communication on the same issue
  - Should make clear that earlier results or no longer valid, and it should explain the reasons for the change

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## ASOP#41 – Responsibility to Other Users

- ▶ An Actuarial communication is prepared for an intended audience.
- ▶ It may be used in a way that may influence persons who are not part of the intended audience. The actuary should recognize the risks of misquotation, misinterpretation, or other misuse of such communication and should take reasonable steps to ensure that the actuarial communication is clear and presented fairly.

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## ASOP#41: Actuarial Communications

- ▶ All types of Actuarial work – not just P&C
- ▶ Written, Electronic, or Oral Communications
- ▶ Provides guidance for the appropriate form and content that should be included - depending on circumstances and audience
- ▶ Discusses timelines and reliance on others

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## ASOP#43: Property/Casualty Unpaid Claim Estimates

- ▶ Key Definitions
  - Actuarial Central Estimate—An estimate that represents an expected value over the range of reasonably possible outcomes.
  - Unpaid Claim Estimate—The actuary's estimate of the obligation for future payment resulting from claims due to past events.

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## ASOP#43: Property/Casualty Unpaid Claim Estimates

- ▶ Scope –Actuary should identify the following:
  - a. intended measure of the unpaid claim estimate;
  - b. whether the unpaid claim estimate is to be gross or net of specified recoverables;
  - c. whether and to what extent collectibility risk is to be considered
  - d. the specific types of unpaid claim adjustment expenses covered in the unpaid claim estimate
  - e. the claims to be covered by the unpaid claim estimate and
  - f. any other items that, in the actuary's professional judgment, are needed to describe the scope sufficiently. <sup>25</sup>

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## ASOP#39: Treatment of Catastrophe Losses in P/C Ratemaking

- ▶ Guidance in evaluating catastrophe exposure and determining a provision for cat Loss and LAE in the rate
- ▶ Applies to all P/C Insurance Coverages
- ▶ Applies to other P/C Risk Financing Systems
  - Like self-insurance and securitization products

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## ASOP#30: Profit and Contingency Provisions and Cost of Capital in P/C Ratemaking

- ▶ Guidance for estimating and evaluating these provisions in ratemaking.
- ▶ Applies to all P/C Insurance Coverages
- ▶ Applies to other P/C Risk Financing Systems
  - Such as Self-Insurance
- ▶ Only addresses considerations that affect rate – not price

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## ASOP #29: Expense Provisions in P/C Ratemaking

- ▶ Guidance in estimating costs for ratemaking other than...
  - Incurred Losses
  - Profit provision
  - Investment expenses
  - Income taxes
- ▶ Applies to all P/C Insurance Coverages
- ▶ Applies to other P/C Risk Financing Systems
  - Such as Self-Insurance

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## ASOP #13: Trending Procedures in P/C Ratemaking

- ▶ Provides basis for assessing trending procedures
  - Estimating future expected values using historical data
- ▶ Historical Data is that referred to in the Ratemaking Statement of Principles
- ▶ Applicable to all P&C lines of insurance.

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## ASOP#38: Using Models Outside the Actuary's Area of Expertise

- ▶ Guidance for models that incorporate specialized knowledge outside actuary's own area of expertise
- ▶ All P/C Insurance Coverages
- ▶ Includes risk financing systems
  - Like self-insurance and securitization products
- ▶ All models, even if proprietary
- ▶ Revision is pending

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## ASOP#25: Credibility

- ▶ Guidance for selecting credibility procedures
- ▶ Guidance for assignment of credibility values to
  - Subject Experience
  - Related Experience (Complement)
- ▶ Applies to other Financial Security Systems
  - Such as self-insurance

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## Statement of Principles: P&C Reserving

- ▶ Principle 1:
  - ▶ An actuarially sound loss reserve for a defined group of claims as of a given valuation date is a provision, based on estimates derived from reasonable assumptions and appropriate actuarial methods for the unpaid amount required to settle all claims, whether reported or not, for which liability exists on a particular accounting date.

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## Statement of Principles: P&C Ratemaking

- ▶ Principle 3:
  - Ratemaking should provide for the costs of an individual risk transfer.
  - When the experience of an individual risk does not provide a credible basis for estimating these costs, it is appropriate to consider the aggregate experience of similar risks.

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