

**Casualty Loss Reserve Seminar
September 2011**

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**Actuarial Board for Counseling
and Discipline**

This presentation is intended for instructional and
illustrative purposes.
All opinions expressed are those of the author and do not
represent those of the ABCD in entirety.

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Formed by the U.S. based actuarial organizations to
strengthen members' adherence to the recognized
ethical and professional standards of conduct.

Roles include:
Investigation

Counseling

Mediation

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- Requests for guidance are received throughout the year in all practice areas.
- Rapid, personal response
- Confidentiality

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Members (Selected by CUSP)

Curtis Huntington, Chairman	Life
Paul Fleischacker, Vice Chairman	Health
Robert Rietz, Vice Chairman	Pension
Nancy Behrens	Life
Janet Fagan	Casualty
James Gutterman	Health
Kurt Piper	Pension
John Purple	Casualty
Kathleen Riley	Pension

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Code of Professional Conduct

- The Code sets forth what it means for an actuary to act as a professional.
- It identifies the responsibilities that actuaries have to the public, their clients and employers, and to the actuarial profession
- An actuary who commits a material violation of the code shall be subject to the profession's counseling and discipline procedures.

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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.

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Code of Professional Conduct

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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Code of Professional Conduct

Standards of Practice (Precept 3)

An Actuary shall ensure that the Actuarial Services performed by or under the direction of the Actuary satisfy applicable standards of practice.

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Code of Professional Conduct

- Communications and Disclosure (Precepts 4, 5 & 6)
- Conflict of Interest (Precept 7)
- Control of Work Product (Precept 8)

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Code of Professional Conduct

- Confidentiality (Precept 9)
- Courtesy and Cooperation (Precept 10)
- Advertising (Precept 11)
- Titles and Designations (Precept 12)

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Code of Professional Conduct

- Violations of the Code of Professional Conduct (Precepts 13 & 14)

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Illustrative situations for interactive discussion.

No inference should be made that any real person has been the basis for these examples. They are a fusion of real and imagined situations.

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Situation 1

You have performed consulting services for several years. C&P Insurance Company is a client.

Previously you worked for ZZ Insurance Company.

C&P is interested in purchasing ZZ and has asked you to do the valuation work.

Do you accept the assignment?

Do you have a conflict of interest?

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Situation 2

Your client has asked for a reserve review for their self insured plan. He specified an interest rate to be used for determining the present value of the liabilities. You think the rate is outside of a reasonable range of assumptions. You do not want to antagonize your client but are uncomfortable with the assumption.

What should you do? What do you need to include in your actuarial report?

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Situation 3

Mr. Yertle is a consulting actuary who regularly reviews the work of other actuaries. He has noted a pattern in the work of Mr. Turtle which consistently understates the ultimate liabilities of his client. Mr. Turtle is a well known actuary with a large client base. In the past year the client has had financial difficulty and prior year reserves have been shown to be severely deficient. Mr. Turtle signed the SAO for the past 8 years.

Mr. Yertle believes that there is a violation of the code and has called for advice.

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Questions:

1. What precepts may have been violated?
2. What can Mr. Yertle do to resolve the matter?
3. What is resolution?
4. What do you do if it can't be resolved?

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Situation 4

You are a senior actuary at a large company. You have just found out that one of your actuarial employees has committed an unintentional but significant act of professional misconduct.

What is your obligation to report the person?

What if you are a peer of the person?

What if you are a newly hired actuary?

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Situation 5

Steve is a pricing actuary at an insurance company reporting to the Chief Actuary. During the course of his work he has become aware of a pattern of policy decisions involving the chief actuary that appear to be in violation of state laws. These have at times required regulatory filings signed by his boss.

Steve has discussed these concerns with the involved actuary who has dismissed them as "normal business practice" and indicated that risks of getting caught are minimal and acceptable. Steve is disturbed by this.

Is there a violation of the code?

What should Steve do?

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Situation 6

You are the opining actuary for an insurance company and have concerns about the carried loss reserves. The principal at the company has asked you to "sharpen your pencil" so that an unqualified opinion can be obtained.

What is your reaction to this request? When does the pencil get too sharp?

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What can you do?

Read "Up To Code" in Contingencies.

If it feels wrong...it probably is.

Contact ABCD for confidential guidance.

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Reach ABCD by:

Letter- 1850 M St NW, Suite 300, Washington,
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Telephone- (202)223-8196; or fax (202)872-1948

E-mail – www.abcdboard.org

Or by directly contacting a member of the ABCD

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