

# **ABCD Activities & RFG's**

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Casualty Loss Reserve Seminar

Chicago, Illinois

September 19 – 20, 2016

# Antitrust Notice

- **The Casualty Actuarial Society is committed to adhering strictly to the letter and spirit of the antitrust laws. Seminars conducted under the auspices of the CAS are designed solely to provide a forum for the expression of various points of view on topics described in the programs or agendas for such meetings.**
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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.

# Introduction

Hallmark of a Profession, such as actuarial practice includes:

- A Code of Professional Conduct
- Minimum qualification requirements
- Technical standards of practice, and
- A counselling and discipline body
- Fourteen Precepts of the Code, two deal with the responsibilities in connection with violations of the Code (Precepts 13 & 14)
- Precept 13 is not an “optional” section of the Code.

# What the Code Addresses

How actuaries do and deliver their work.

- Professional integrity; qualification standards; standards of practice; communication and disclosure

How actuaries remain ethical in their work.

- Conflict of interest; control of work product; confidentiality; courtesy and cooperation

How actuaries present themselves to the public and those seeking actuarial services.

- Advertising; titles and designations

How actuaries self-regulate.

- Violations of the Code

# How Actuaries Self-Regulate

## **Self-regulate:**

This means if actuaries see something that does not appear to follow the Code we do something about it.

It is not just what you do personally, but how you hold all others in the profession accountable.

If someone questions your work; cooperate in answering the question.

Not intended to address inconsequential things; therefore only addresses “apparent, unresolved, material violations” of the Code.

If we don't do it, somebody else will!

# Code of Professional Conduct

- Precept 1 – Professional Integrity
- Precept 2 – Qualification Standards
- Precept 3 – Standards of Practice
- Precepts 4, 5 & 6 – Communications and Disclosure
- Precept 7 – Conflict of Interest
- Precept 8 – Control of Work Product
- Precept 9 - Confidentiality

# Code of Professional Conduct

- Precept 10 – Courtesy and Cooperation
- Precept 11 – Advertising
- Precept 12 – Titles and Designations
- Precepts 13 and 14 – Violations of the Code of Professional Conduct





# ABCD

Formed by the U.S. based actuarial organizations in 1991 to strengthen members' adherence to the recognized ethical and professional standards of conduct.

Roles include:

- Investigation
- Counseling
- Mediation



# ABCD Inquiries

The ABCD investigates cases (except in Canada) involving members of:

- The American Academy of Actuaries
- The American Society of Pension Professionals and Actuaries
- The Casualty Actuarial Society
- The Conference of Consulting Actuaries
- The Society of Actuaries
- The Canadian Institute of Actuaries (in the U.S.)



# An ABCD Inquiry

- Is a fact-finding effort, not adversarial
- Examines whether or not an actuary materially violated the Code of Professional Conduct
- Does not administer discipline, but may recommend a level of discipline to an actuary's member organizations



# ABCD Annual Report

Was updated significantly in 2013.

Provides more details on ABCD cases considered and closed during the year as well as information on issues raised with respect to those cases and Requests for Guidance.

The report is available on the ABCD's website at [www.abcdboard.org](http://www.abcdboard.org). There is also a link to the ABCD site on the Academy's website.

# Summary of Alleged Violations

## Disposed in 2015

Major Issue Alleged	Discipline	Counsel	Dismiss	Total	Active on 12/31/15	TOTAL CASES
<b>Precept 1:</b> Failure to act with integrity	1	2	6	9	8	17
Failure to perform services with competence		1	2	3	7	<b>10</b>
Calculation or data errors		1	1	2	4	<b>6</b>
Other errors in work		1	1	2	10	<b>12</b>
Failure to uphold reputation of Actuarial profession	1	2	6	9	12	<b>21</b>
<b>Precept 2:</b> Performing work when not qualified			1	1	2	<b>3</b>
<b>Precept 3:</b> Work fails to satisfy an ASOP		2	5	7	11	<b>18</b>
Use of unreasonable assumptions			1	1	1	<b>2</b>

# Summary of Alleged Violations

Disposed in 2015

Major Issue Alleged	Discipline	Counsel	Dismiss	Total	Active on 12/31/15	TOTAL CASES
<b>Precept 4:</b> Inadequate actuarial communication			1	1	4	5
<b>Precepts 5, 6, 7, 8, 9:</b> Failure to take reasonable steps to prevent misuse of work product			1	1	4	5
<b>Precept 10:</b> Failure to cooperate with other actuary			2	2	1	3
<b>Precept 11:</b> Improper advertising		2		2		2
<b>Precept 12:</b> Improper use of designation						
<b>Precepts 13, 14:</b>	1		1	2	1	3

# Cases Considered During 2015

Type of Case	Pending From 2014 and Earlier	Received in 2015	Total
Conduct	4	5	9
Practice	5	6	11
Conduct & Practice	1	8	9
<b>TOTAL</b>	<b>10</b>	<b>19</b>	<b>29</b>

Cases by Practice Area	Pending From 2014 and Earlier	Received in 2015	Total
Property & Casualty	2	4	6
Health	1	4	5
Life	1	3	4
Pension	6	8	14
<b>TOTAL</b>	<b>10</b>	<b>19</b>	<b>29</b>

# Cases Closed in 2015

Disposition by Chairperson and Vice Chairpersons	TOTAL
Dismissed	11
Dismissed with Guidance	0

Disposition by Whole ABCD After Investigation	TOTAL
Dismissed	0
Counseled	3
Recommended Public Discipline	1
<b>TOTAL CASES CLOSED</b>	<b>15</b>





# 2015 Requests for Guidance

Practice Area	Number of RFGs
General	5
Pension	27
Health	22
Life	19
Property & Casualty	23
<b>TOTAL</b>	<b>96</b>

# 2015 Requests for Guidance

Precept	Number of RFGs
1	32
2	21
3	22
4	12
5	0
6	0
7	4

Precept	Number of RFGs
8	9
9	2
10	5
11	0
12	1
13	9
14	0



# Requests for Guidance

## **Examples of RFG topics:**

How do I know if I'm qualified?

How can I become qualified?

How can I do a job that requires more than one area of expertise?

How much documentation of my work should I save?

When should I make a complaint about another actuary?

When is a violation of the Code material?

# ABCD

- Requests for guidance come in throughout the year in all practice areas.
- ABCD members aim for rapid, personal responses within days.
- Confidentiality is maintained.
- Individual member vs. entire ABCD

# ABCD

## Members:

Janet Fagan – Chairperson	Casualty
Jan Carstens - Vice Chair	Health
Rick Block - Vice Chair	Pension
Nancy Behrens	Life
Dave Ogden	Health
John Stokesbury	Pension
Debbie Rosenberg	Casualty
Allan Ryan	Life
Vacant	Pension

# ABCD

## Illustrative examples for interactive discussion

These examples are edited and simplified versions of real situations. While drawn from real life, confidentiality should be respected and no attempt made to identify the actual parties. Some facts have been changed to protect identities of parties.

# ABCD

## **RFG 1**

You are the only actuary at a small insurer. You are the appointed actuary and are also responsible for pricing and rate reviews. Management is aggressively trying to grow the company and is pricing accordingly and adding new lines of business. You have been monitoring loss experience carefully and noted an increase in loss ratios which you have communicated to management. On a recent conference call, the CFO (your boss) tells the Board that the increase in loss ratios is due to “industry trends” and not their pricing strategy. You feel this statement is misleading and wonder what steps you should take to insure the Board is appropriately informed. Your only contact with the Board is quarterly “bullet point” updates.

# ABCD

## **RFG 1 cont'd**

What steps should you take?

What Precepts are involved?

What is your duty to your principal?

Other considerations.



# ABCD

## **RFG 2**

You are an independent consultant and your client is an accounting firm that is auditing a Bermuda-based insurance company. Your job is to review the booked reserves for reasonability. In reviewing the work of the company's appointed actuary, you find what you consider to be material deficiencies in the analysis and documentation of the reserve valuation. You don't feel that you can sign off on the reserves and you contact the ABCD for guidance.

- What steps should be taken?
- What does Precept 13 require?
- What are your responsibilities? To your client. To the company. To the actuarial profession.

# ABCD

## **RFG 3**

You are the only life and health actuary at a state insurance department. You have many years of experience working in the life, annuity and disability practice areas, but none in health insurance. You are now being asked to review rate filings for LTC and Medicare Supplement policies. You are concerned that you do not meet the necessary qualification standards to do this work. Department management says you can do the reviews but they can have someone else (a non actuary) sign the approval/disapproval letters. What should you do?

- What steps should be taken?
- What does Precept 2 require?
- Does Precept 1 come into play?

# ABCD

## **RFG 4**

You are an actuary with an insurance company. You designed and built a database that estimates ultimate losses by policy. In aggregate these estimates can be compared to aggregate based estimates of ultimate losses from the reserving unit. Your concern is that the database is now being used by non-reserving groups in inappropriate ways. The concern is that the way the database is being used will produce results that are statistically unreliable. You have raised your concerns with company management, but have been largely ignored.

- What steps should be taken?
- What Precepts come into play?
- Who are you responsible to?

# ABCD

## **RFG 5**

You are a consulting actuary hired by an insurer to replace the prior appointed actuary who was terminated. You have questions on his work papers for the client but he refuses to cooperate or answer any questions.

Is this a potential violation?

# ABCD

## **RFG 5 cont'd**

The work paper amounts differed significantly from those in the signed report.

Is there a potential Precept 1 violation?

Upon contacting the actuary again to resolve the issue, and failing to resolve, is there a Precept 13 issue?

# ABCD

## **RFG 5 cont'd**

Questions:

- Who is responsible for a signed report?
- Does this responsibility ever sunset?
- How long does an actuary's responsibility to a Principal last?
- What comprises cooperation?

# ABCD

## **RFG 5 cont'd**

The former actuary is employed elsewhere.

- Would the actuary be expected to cooperate without compensation?
- Would his new firm allow cooperation?

How long does responsibility last?

- Work product
- Cooperation with principal

# ABCD

## **RFG 6**

You are an actuary with an insurance company. You discover an error in a filing that was made with a state insurance department. This filing, in accordance with regulatory requirements, was approved before implementation. The rates contained in the filing were implemented six months ago.

- What steps should be taken?
- Does Precept 1 come into play?



# ABCD

## **RFG 7**

You are a credentialed actuary who recently joined a small consulting firm. The owner asks you to peer review an actuarial report for a very important client. He apologizes for the short notice, but your review is needed in the next 48 hours. You have limited experience with the lines of business central to the actuarial report.

- What should you do?
- Does Precept 1 come into play?
- What about precepts 2 and 3?

# ABCD

What can you do?

- Read “Up To Code” in Contingencies.
- Contact ABCD for confidential guidance.
- Take seriously your obligations under Precept 13.

If it feels wrong...it probably is.

# ABCD

Reach ABCD by:

Letter @ 1850 M St NW, suite 300, Washington, DC 20036

Telephone- (202) 223-8196 ask for ABCD

Fax – (202) 872-1948

E-mail- [www.abcdboard.org](http://www.abcdboard.org)

Or by directly contacting a member of the ABCD