



Business Skills and Actuarial Standards of Practice Professional Code of Conduct

**A review of business skills
and some related ASOP's and Precepts**



Business Skills

- 1. Communication Skills
 - 2. Civility and Respect
 - 3. Goal Setting
- 4. Flexibility and Adaptability
 - 5. Innovation



1. Communication Skills

Pay Attention

Practice Active Listening

Content vs. Context

Be Clear and Concise

Don't Underestimate the Power of
Non-Verbal Communication



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Scenario 1 – Can you hear me now?

Matt misses
crucial client
info while
multitasking
on a
conference call





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Scenario 2 – Sent from my iPhone

Matt replies to the Client's question while he is in transit and hits send probably before he means to send.

Scenario 2 – Sent from my iPhone

Re: confused Inbox x



Matt Shocking (US - ASR)

to me, Angry Client

No.

Sent from my iPhone

On Aug 27, 2018, at 12:02 PM, Angry Client (ABC - US) <Angry@ABCcompany.com> wrote:

Matt,

I don't think these results make sense. Are you using the data from the email I sent last week?

Sincerely

Angry

Angry@ABCcompany.com

Polling

- How do you use your smartphone for email?
 - A. I have a dumb phone
 - B. I never reply on it
 - C. I reply as best I can and have the standard response “ Please excuse any typos”
 - D. If I see an email from a client that needs attention, I call them. Otherwise I respond when I get to a laptop.

Relevant Precepts/ASOPs

- **Code of Professional Conduct Precept 4** An Actuary...shall...ensure that the Actuarial Communication is clear and appropriate
- **ASOP 41 - 3.1.2 CLARITY** The actuary should take appropriate steps to ensure that each actuarial communication is clear and uses language appropriate to the particular circumstances, taking into account the intended users.

Scenario 3 – In a Hurry

Matt ask his admin to PDF the summary exhibits of his current analysis to the client. No text documentation was included. It is not marked with any name on PDF or in email.

Here you go!

Inbox x

Matt's Admin (US - ASR) <rando.admin@xyz.com >
to Angry Client



Polling

- How often do you do this in practice?
 - A. Never
 - B. I do but it's always at least marked as draft
 - C. My clients understand not to redistribute out of context.
 - D. I provide strong language in the email

Relevant Precepts/ASOPs

- **ASOP 41, Section 4.1.1** Identification of Responsible Actuary—Any actuarial communication should identify the actuary who is responsible for the actuarial communication (see section 3.1.4). An Actuary.
- **PRECEPT 4, Annotation 4-1.** An Actuary who issues an Actuarial Communication shall ensure that the Actuarial Communication clearly identifies the Actuary as being responsible for it.
- **PRECEPT 4, Annotation 4-2.** An Actuary who issues an Actuarial Communication should indicate the extent to which the Actuary or other sources are available to provide supplementary information and explanation.
- **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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Scenario 4 – The Devil in the Details

Lynne sends a data request out and Matt is confused by what he receives.

Data Request

Inbox x



Lynne_Doom (US_ASR) <lynne.doom@xyz.com>

to Angry Client

Hello

Please provide losses to date for each line of business

Thanks!

...

--

Lynne Doom

Director, Actuarial Services XYZ

Polling

- What ASOP does this violate the most?
 - A. ASOP 23
 - B. ASOP 38
 - C. ASOP 17
 - D. None

Relevant Precepts/ASOPs

- **ASOP 23** This ASOP provides guidance to actuaries when selecting data, performing a review of data, using data, or relying on data supplied by others, in performing actuarial services. The ASOP also applies to actuaries who are selecting or preparing data, or are responsible for the selection or preparation of data, that the actuary believes will be used by other actuaries in performing actuarial services, or when making appropriate disclosures with regard to data quality.



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**Don't Underestimate the Power of
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Relevant Precepts/ASOPs

- **ASOP 17 - 4.2 ORAL TESTIMONY** In delivering expert testimony orally, the actuary should express opinions in a manner appropriate to the intended audience. In addition, the actuary should, to the extent practicable, be prepared to document oral testimony.



2. Civility and Respect

Interact with an open mind.

Adapt to personality types while showing interest.

Share information.

Refrain from personal attack.



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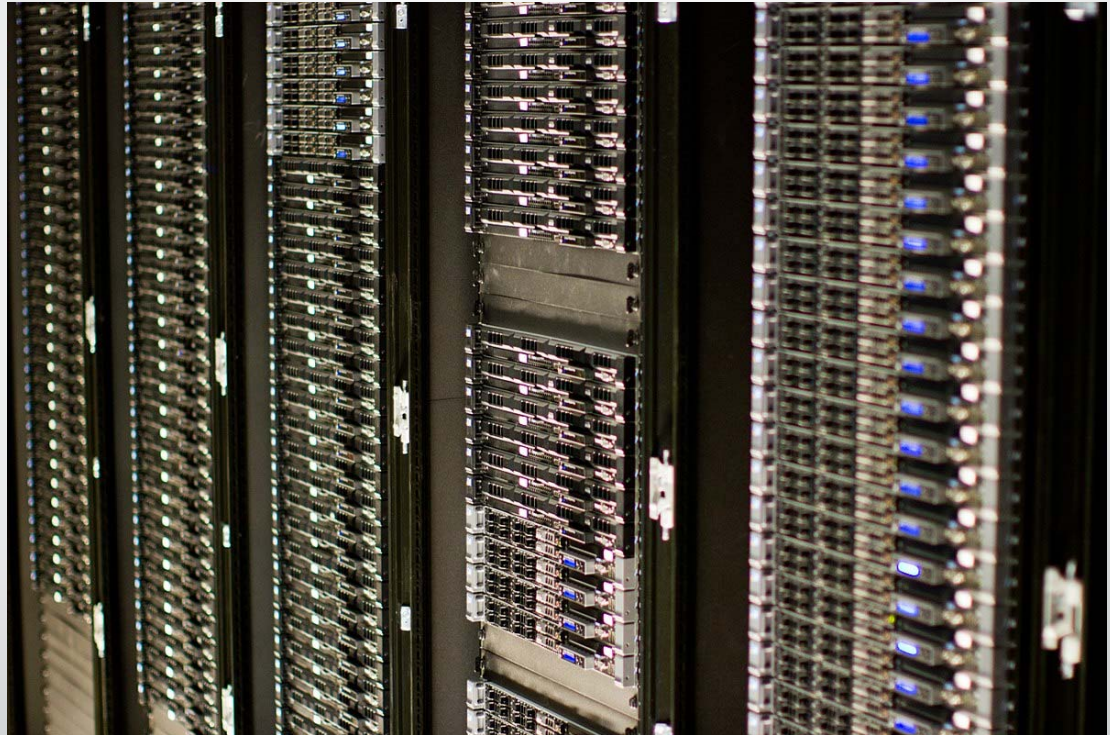
Adapt to personality types while showing interest.

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Scenario 5 – Can you please serve us an analysis?

One of Matt and Lynne's Audit clients has been asked to provide their work and assumptions on a complex analysis. An actuary working for the company has informed Matt the analysis is done "on the server"



Polling

- What you do in this situation?
 - A. Insist on proper documentation to review
 - B. Disclose you have not reviewed it
 - C. Try and understand the process through discussion only
 - D. Do an independent analysis and make sure results are close

Relevant Precepts/ASOPs

- **ASOP 41, Section 4.3** the assumption or method that was Responsibility for Assumptions and Methods—In any situation not covered under section 4.2, where the actuary states reliance on other sources (as described in section 3.4.4(b) 2 and 3) and thereby disclaims responsibility for any material assumption or method, the actuary should disclose the following in the actuarial report, unless it is inappropriate to do so (see section 3.3):
 - a. set by another party;
 - b. the party who set the assumption or method;
 - c. the reason that this party, rather than the actuary, has set the assumption or method; and
 - d. either
 1. that the assumption or method significantly conflicts with what, in the actuary's professional judgment, would be reasonable for the purpose of the assignment; or
 2. that the actuary was unable to judge the reasonableness of the assumption or method without performing a substantial amount of additional work beyond scope of the assignment, and did not do so, or that the actuary ASOP No. 41—December 2010 9 was not qualified to judge the reasonableness of the assumption.

Relevant Precepts/ASOPs

- **ASOP 21, Section 3.5.2** Responding to requests for information - In responding to requests for information, the responding actuary should consider the following:
 - a. the extent to which the information requested is readily available;
 - b. if the information requested is not readily available, what other information is available or reasonably can be produced that can meet the auditor's or examiner's needs; and
 - c. whether the information requested is within the scope of the financial audit, financial review, or financial examination.

To the extent practicable, the responding actuary should work with the auditor or examiner if there are conflicts or time frames that cannot be met.



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Scenario 6 – #badidea

Lynne has a frustrating day at a long client meeting and decides to come home vent to her friends.



Polling

- What precepts of the Professional Code of Conduct or ASOPs would Lynne be most at risk of violating?
 - A. None
 - B. Precept 10
 - C. Precept 1, 9 and 10
 - D. ASOP 41

Relevant Precepts/ASOPs

- **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.
- **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
- **PRECEPT 10** An Actuary shall perform Actuarial Services with courtesy and professional respect and shall cooperate with others in the Principal's interest.

Scenario 7 – An Audit Opinion?

Matt is frustrated by the work he is reviewing in course of an audit and sends the following email.

Consulting Actuary's Analysis Inbox x



Matt Shocking (US_ASR)
to Angry Client

4:28 PM (3 minutes ago)

Actuary at ABC Insurance Company,

I took a look through the analysis done for you by XYZ Actuarial Consulting.

I can't believe they're passing that off as actuarial work; the assumptions are ridiculous. I can't imagine what they were thinking.

We need to discuss why this is so bad.

Thanks,
Matt

Polling

- What precepts does this violate the most?
 - A. Precept 1
 - B. Precepts 1 and 8
 - C. Precepts 1 and 10
 - D. Precepts 1, 10 and 13

Relevant Precepts/ASOPs

- **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.
- **Precept 10** An Actuary shall perform Actuarial Services with courtesy and professional respect and shall cooperate with others in the Principal's interest.
- **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.

Relevant Precepts/ASOPs

- **Code of Professional Conduct Precept 10** An Actuary shall perform Actuarial Services with courtesy and professional respect and shall cooperate with others in the Principal's interest
- **Code of Professional Conduct Precept 10-1** ...Discussions of ...differences between an Actuary and another actuary...should be conducted objectively and with courtesy and respect

Relevant Precepts/ASOPs

- **From ASOP 17** Actuaries benefit the public when they apply their professional skills in a manner that promotes the general welfare, and they enhance relations with their professional peers when they represent their work fairly and give credit where appropriate.

Relevant Precepts/ASOPs

- **ASOP No 21 - 3.5.1 INFORMATION REQUEST COMMUNICATION**
The reviewing actuary should communicate, preferably in writing, what information is requested by the reviewing actuary in order to perform the actuarial procedures. To the extent practicable, the reviewing actuary should communicate with the entity about the time frame within which the information is requested and work with the entity if there are conflicts or time frames that cannot be met. The reviewing actuary should consider whether the information requested is within the scope of the financial audit, financial review, or financial examination.



3. Goal Setting

Specific – be clear about what you want to achieve

Measurable – make sure the goal can be measured

Achievable - check that your goal is something you have the ability and resources in time and money to meet

Pertinent – your goal points you in the direction you want your business to head

Time Sensitive – develop timetable

Set Process Goals - *Process* versus *product* goals



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Scenario 8 – In Line with Expectations

Matt seeks out some new business!

Your Actuarial Review Inbox x



Matt Shocking (US_ASR)

4:51 PM (3 minutes ago)

to Angry Client

ABC Insurance Company,

It was good seeing you at the conference last week. I'd like to discuss the analysis that you mentioned XYZ Consulting performs for you.

We can talk specifics later, but I can personally guarantee that we can do the same analysis for a lower fee, and with a shorter turnaround.

I'm sure we'd also be able to get you some estimates that are more in line with what management is expecting.

Thanks,
Matt

Matt Shocking, ACAS, MAAA

Polling

- Does this violate a precept?
 - A. Not if you are faster and really believe you can meet management's expectations
 - B. Yes, Precept 11
 - C. Depends on other factors and how you would actually perform your review
 - D. Yes, all of them

Relevant Precepts/ASOPs

- **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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Pertinent – your goal points you in the direction you want your business to head

Time Sensitive – develop timetable

Set Process Goals - *Process* versus *product* goals

Relevant Precepts/ASOPs

- **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.



4. Flexibility and Adaptability

Adapting successfully to changing situations & environments and keeping calm in the face of difficulties

Planning ahead, but having alternative options in case things go wrong and thinking quickly to respond to sudden changes in circumstances

Anticipating & responding positively to changing environments and Ability to adapt to change positively in response to changing circumstances

Scenario 9 – Don't call us, we'll email you.

Lynne is reaching out to a client by calling her at unscheduled time. Lynne noticed the client is not fond of her . . .





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Relevant Precepts/ASOPs

- **ASOP No 1 - 4.2** Actuaries should take a good faith approach in complying with ASOPs, exercising good judgment and professional integrity. It is not appropriate for users of ASOPs to make a strained interpretation of the provisions of an ASOP.
- **ASOP No 1 – 4.4** When an actuary believes that multiple ASOPs have conflicting provisions when applied to a specific situation and none provide explicit guidance concerning which governs, the actuary should apply professional judgment and may wish to contact the ABCD for confidential guidance on appropriate practice.



5. Innovation

Manage Risk

Demonstrate Curiosity

Lead Courageously

Maintain a Strategic Business Perspective



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Relevant Precepts/ASOPs

- **ASOP 38 - 3.2 APPROPRIATE RELIANCE ON EXPERTS** An actuary may rely on experts concerning those aspects of a model that are outside of the actuary's own area of expertise. The experts relied upon may either be the experts who provided the model or other experts.



ASOPs and the Digital World

Scenario 10 – #ReferenceThis

The Client is dissatisfied by having received this spreadsheet from Lynne

ABC Company All Lines of Business												
Evaluated as of December 31, 2017 Net Summary												
AY	Age	Earned Premium	Summary Data			Selected Ult - L+A			Unpaid L+A		L+A Ratio	
			Paid Loss & ALAE	Incurred Loss & ALAE	Case	PwC	ABC	ABC - PwC	PwC	ABC	PwC	ABC
#REF!	#REF!	34,633	27,692	27,694	2	#REF!	15,713	#REF!	#REF!	(11,979)	#REF!	45%
#REF!	#REF!	73,613	24,829	24,836	7	#REF!	14,752	#REF!	#REF!	(10,077)	#REF!	20%
#REF!	#REF!	80,710	45,628	45,938	311	#REF!	27,094	#REF!	#REF!	(18,533)	#REF!	34%
#REF!	#REF!	85,279	65,240	66,335	1,096	#REF!	39,260	#REF!	#REF!	(25,979)	#REF!	46%
#REF!	#REF!	135,291	102,651	106,038	3,386	#REF!	63,101	#REF!	#REF!	(39,551)	#REF!	47%
#REF!	#REF!	107,878	86,303	87,523	1,219	#REF!	52,406	#REF!	#REF!	(33,897)	#REF!	49%
#REF!	#REF!	113,474	84,751	89,284	4,533	#REF!	53,824	#REF!	#REF!	(30,927)	#REF!	47%
#REF!	#REF!	129,555	93,618	97,175	3,556	#REF!	58,956	#REF!	#REF!	(34,662)	#REF!	46%
#REF!	#REF!	114,502	92,649	100,006	7,357	#REF!	61,123	#REF!	#REF!	(31,526)	#REF!	53%
#REF!	#REF!	109,549	74,400	75,323	923	#REF!	46,432	#REF!	#REF!	(27,968)	#REF!	42%
#REF!	#REF!	108,344	78,588	80,786	2,198	#REF!	50,268	#REF!	#REF!	(28,320)	#REF!	46%
#REF!	#REF!	107,456	75,858	80,643	4,785	#REF!	50,679	#REF!	#REF!	(25,179)	#REF!	47%
#REF!	#REF!	101,959	69,992	73,468	3,476	#REF!	47,177	#REF!	#REF!	(22,815)	#REF!	46%
#REF!	#REF!	110,627	70,417	76,192	5,775	#REF!	50,256	#REF!	#REF!	(20,162)	#REF!	45%
#REF!	#REF!	122,146	74,031	80,140	6,108	#REF!	54,496	#REF!	#REF!	(19,535)	#REF!	45%
#REF!	#REF!	125,348	66,833	80,533	13,700	#REF!	58,855	#REF!	#REF!	(7,978)	#REF!	47%
#REF!	#REF!	141,846	69,610	88,149	18,539	#REF!	69,994	#REF!	#REF!	384	#REF!	49%
#REF!	#REF!	172,494	33,751	60,102	26,352	#REF!	78,770	#REF!	#REF!	45,019	#REF!	46%
Total		1,974,703	1,236,841	1,340,164	103,323	#REF!	893,157	#REF!	#REF!	(343,685)	#REF!	45%

Scenario 11 – Little Black Box

Lynne wants some details on an analysis Matt did through software

ABC Insurance Company Data Evaluated as of 6/30/2018

Accident Year	Prior Age	Incurred LDFs at Prior Evaluation	Current Age	Incurred LDFs at Current Evaluation	Incurred Loss at Current Evaluation	Incurred Loss Development Method
	(1)	(2)	(3)	(4)	(5)	(6)
12-2014	48	1.050	54	1.030	\$ 1,800	\$ 1,854
12-2015	36	1.208	42	1.197	1,600	1,915
12-2016	24	1.570	30	1.473	1,325	1,951
12-2017	12	3.453	18	2.664	750	1,998
12-2018			6	8.324	235	1,956
Total					\$ 5,710	\$ 9,674

LDFs based on prior analysis as of December 31, 2017.

Polling

- How often does this issue come up for you
 - A. Never. We don't use actuarial software
 - B. Often but we footnote how it is calculated.
 - C. Often but it is immaterial to the bottom line
 - D. I really don't know

Relevant Precepts/ASOPs

- ASOP 41 3.4.4 C In all other situations, the actuary is responsible for all assumptions and methods utilized in the preparation of a communication unless the actuary prominently discloses otherwise within the communication by including the disclosures identified in section 4.4.

Scenario 12 – No Comment

Lynne sends out a file to client without clearing the following comment

(1)	(2)	(3)	(4)	(5)
Accident	Limited		Limited	
Period	Incurred	Limited Paid	Case	
Ending	Loss & ALAE	Loss & ALAE	Reserves	Paid
1999	34,709,597	34,644,203	65,201	39,
2000	28,359,715	28,426,610		2,
2001	34,033,799	33,786,753		8,
2002	35,960,191	35,888,081		1,
2003	37,173,388	37,141,023		2,
2004	39,884,515	38,614,668	1,209,047	45,
2005	39,491,496	38,785,073	706,423	45,

Lynne Doom :
Higher than Incurred -
does this make Sense?

Polling

- What ASOPS or precepts might this violate the most?
 - A. Precept 4 and ASOP 41
 - B. Precept 8
 - C. ASOP 23
 - D. All of the above

Relevant Precepts/ASOPs

- **Precept 4** An Actuary...shall...ensure that the Actuarial Communication is clear and appropriate
- **ASOP 41** The actuary should take appropriate steps to ensure that each actuarial communication is clear and uses language appropriate to the particular circumstances, taking into account the intended users.
- **Precept 8** An Actuary who performs Actuarial Services shall take reasonable steps to ensure that such services are not used to mislead other parties.
- **ASOP 23** This ASOP provides guidance to actuaries when selecting data, performing a review of data, using data, or relying on data supplied by others, in performing actuarial services. The ASOP also applies to actuaries who are selecting or preparing data, or are responsible for the selection or preparation of data, that the actuary believes will be used by other actuaries in performing actuarial services, or when making appropriate disclosures with regard to data quality.