



# Casualty Loss Reserve Seminar

September 16-18, 2019

Austin, Texas

Fairmont Austin





# 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.**
- **Under no circumstances shall CAS seminars be used as a means for competing companies or firms to reach any understanding – expressed or implied – that restricts competition or in any way impairs the ability of members to exercise independent business judgment regarding matters affecting competition.**
- **It is the responsibility of all seminar participants to be aware of antitrust regulations, to prevent any written or verbal discussions that appear to violate these laws, and to adhere in every respect to the CAS antitrust compliance policy.**





# Actuarial Board for Counseling and Discipline

“If we do not discipline ourselves, the  
World will do it for us”

William Feather  
American Author, 1889-1981





# Actuarial Board for Counseling and Discipline

The word discipline comes from “discipulus”, the Latin word for pupil, or the Latin “disciplina” meaning instruction or knowledge. Synonyms include train, teach, school, coach and educate. So the purpose of discipline is to train someone to obey rules or a code of behavior.



**Slide 4**

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**AB1**

"from"

AL Beer, 8/20/2019

# Actuarial Board for Counseling and Discipline



The ABCD was established in 1991 to provide a single body in the U.S to:

- INVESTIGATE actuaries' compliance with the code of conduct
- COUNSEL actuaries in good professional practice
- RECOMMEND disciplinary action to any participating organization of which the actuary is a member
- MEDIATE disputes between actuaries and others
- RESPOND to requests for guidance





# ABCD Membership



- Appointed by the Council of U.S. Presidents (CUSP), the presidents and presidents-elect of the U.S.-based actuarial organizations
- There are 9 members in total:
  - A Chairperson
  - Two Vice-Chairpersons
  - Six regular members



# ABCD Processes



- Article X of the Academy bylaws
- ABCD Rules of Procedure
- Confidential, unless:
  - Actuary makes public or agrees to publication
  - Court requires disclosure







# An ABCD INQUIRY

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

- The American Academy of Actuaries
- The American Society of Pension Professionals and Actuaries
- Conference of Consulting Actuaries
- The Casualty Actuarial Society
- 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 an actuary materially violated the Code of Professional Conduct
- Does not administer discipline but may recommend a level of discipline to an actuary's membership organizations.





# ABCD Inquiries in 2018

## Cases Considered During 2018

		Pending From 2017 and Earlier	Received in 2018*	TOTAL
<b>Type of Case</b>	Conduct	2	6	8
	Practice	18	7	25
	Conduct & Practice	6	0	6
<b>Total</b>		26	13	39
<b>Cases by Practice Area</b>	Casualty	5	1	6
	Health	4	5	9
	Life	1	4	5
	Pension	16	3	19
<b>Total</b>		26	13	39

## Cases Closed

### Disposition by Chairperson and Vice Chairpersons

Dismissed	6
Dismissed With Guidance	7

### Disposition by Whole ABCD After Investigation

Counseled	7
Recommended Discipline	2

**Total Cases Closed 22**



# ABCD Inquiries in 2018



Major Issue Alleged	ABCD Disposition in 2018				
	Discipline	Counsel	Dismiss	Mediate	Total
<b>Precept 1:</b> Failure to act with integrity	1	4	2		7
Failure to perform services with competence	1		1		2
Calculation or data errors	1		1		2
Other errors in work	1				1
Failure to uphold reputation of actuarial profession	1	4	1		6
<b>Precept 2:</b> Performing work when not qualified					
<b>Precept 3:</b> Work fails to satisfy an ASOP		4	5		9
Use of unreasonable assumptions		4	2		6
<b>Precept 4:</b> Inadequate actuarial communication	1	4	5		10
<b>Precept 5:</b> Failure to identify principal, capacity					



# ABCD Inquiries in 2018



<b>Precept 6:</b> Failure to disclose					
<b>Precept 7:</b> Conflict of interest					
<b>Precept 8:</b> Failure to take reasonable steps to prevent misuse of work product			2		2
<b>Precept 9:</b> Disclosure of confidential information					
<b>Precept 10:</b> Failure to cooperate with other actuary			1		1
<b>Precept 11:</b> Improper advertising		3			3
<b>Precept 12:</b> Improper use of designation					
<b>Precept 13:</b> Failure to report violation					
<b>Precept 14:</b> Failure to respond completely, honestly, and promptly to the ABCD					



# ABCD Inquiries since 1992



Since its inception in 1992, the ABCD has completed its cases as follows:

Dispositions	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Dismissed	12	24	9	11	8	11	13	10	5	20	16	7	5	5
Dismissed With Guidance	6	10	3	-	5	1	5	2	8	5	4	2	2	4
Counseled	-	2	8	1	6	2	5	-	2	3	2	4	1	4
Mediated	3	1	1	-	-	-	-	1	-	4	-	1	-	-
Recommended Private Reprimand	-	-	-	-	-	-	-	-	1	1	-	-	-	-
Recommended Public Discipline	-	1	2	-	3	-	1	-	3	-	-	1	-	2
Request for Guidance	8	8	8	10	28	31	22	31	36	21	47	30	46	37
<b>Total</b>	<b>29</b>	<b>46</b>	<b>31</b>	<b>22</b>	<b>50</b>	<b>45</b>	<b>46</b>	<b>44</b>	<b>55</b>	<b>54</b>	<b>69</b>	<b>45</b>	<b>54</b>	<b>52</b>

Dispositions	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	TOTAL
Dismissed	1	5	11	29	16	9	48	10	19	11	9	9	6	<b>339</b>
Dismissed With Guidance	1	-	1	5	1	2	1	2	10	-	1	2	7	<b>90</b>
Counseled	3	1	2	-	-	-	2	8	4	3	2	1	7	<b>73</b>
Mediated	-	1	1	-	-	-	-	-	-	-	-	-	-	<b>12</b>
Recommended Private Reprimand	-	-	1	-	2	-	1	-	-	-	-	-	-	<b>6</b>
Recommended Public Discipline	1	1	3	2	3	2	4	2	4	1	2	3	2	<b>43</b>
Request for Guidance	31	35	48	46	55	55	62	82	90	96	108	104	109	<b>1,284</b>
<b>Total</b>	<b>37</b>	<b>43</b>	<b>66</b>	<b>82</b>	<b>77</b>	<b>68</b>	<b>118</b>	<b>104</b>	<b>127</b>	<b>111</b>	<b>122</b>	<b>119</b>	<b>131</b>	<b>1,847</b>



# Actuarial Board for Counseling and Discipline



- Step 1: Initiation of Inquiries
  - Complaint received (or the ABCD becomes aware of a potential breach of the Code of Professional Conduct)
    - ❖ Reviewed by staff for completeness
  - Information-Based
    - ❖ Chairs review document and decide whether to proceed
  - If it is decided to proceed, the complaint is sent to the actuary identified in the complaint (Subject Actuary) for a response





# ABCD Inquiry Process



- Step 2: Chairs' review
  - Chairs evaluate complaint and response for possible material violation
  - Chairs decide whether to:
    - ❖ Seek additional information
    - ❖ Dismiss the complaint
    - ❖ Refer the case for mediation
    - ❖ Commence investigation





# ABCD Inquiry Process



- Step 3: Notification

- Notify Subject Actuary and complainant, if any, of Chairs decision
- Notify ABCD at next meeting



# ABCD Inquiry Process



- Step 4: Investigation
  - Appoint investigator, subject to challenge by the Subject Actuary
  - Investigator
    - ❖ Obtains and reviews documents
    - ❖ Interviews individuals involved
    - ❖ Prepares report of result, i.e. facts as investigator understands them
    - ❖ Does not offer opinions or conclusions
  - Report sent to Subject Actuary for response



# ABCD Inquiry Process



- Step 5: ABCD consideration
  - All documents sent to ABCD members
  
  - Case discussed at ABCD meeting
  
  - ABCD decides whether to
    - ❖ Seek additional information
    - ❖ Dismiss (with/without guidance)
    - ❖ Counsel the Subject Actuary
    - ❖ Conduct a hearing





# ABCD Inquiry Process



- Step 6: Notification
  - Notify Subject Actuary, complainant, and investigator of decision
  - Schedule a hearing if so decided





# ABCD Inquiry Process

- Step 7: Hearing (NOT A TRIAL!!!)
  - Conduct fact finding hearing attended by
    - ❖ Investigator
    - ❖ Subject Actuary (may also have attorney present)
    - ❖ Witnesses
  - Hearing is recorded by a court reporter
  - Investigator present results
    - ❖ ABCD and Subject Actuary question investigator
  - Subject Actuary presents case
    - ❖ ABCD question Subject Actuary





# ABCD Inquiry Process

- Step 8: Deliberations
  - ABCD Discusses hearing and documents
  - Decides whether to
    - ❖ Dismiss
    - ❖ Counsel
    - ❖ Recommend Discipline
      - Private Reprimand
      - Public Reprimand
      - Suspension
      - Expulsion
    - ❖ Obtain more information, reopen hearing





# ABCD Inquiry Process



- Step 9: Notification

- Notify Subject Actuary, complainant, and investigator of decision
- If discipline is recommended, transmit to the discipline committee of the appropriate organization(s) :
  - ❖ Statement of ABCD findings
  - ❖ All documents used by ABCD
  - ❖ Transcript of hearing



# CAS RULES OF PROCEDURE FOR DISCIPLINARY ACTIONS

- Once the ABCD has determined that discipline is appropriate for a Subject Actuary, the ABCD will send discipline recommendations to the Subject Actuary's membership organization(s).
- Each U.S. based actuarial organization has its own specific procedures.
- I will highlight the procedures of the CAS as a prototype of what can be expected.
- The CAS Discipline Committee consists of 10 fellows.
- The Chairperson shall form a Discipline Committee Panel consisting of 7 members of the Discipline Committee.





# CAS RULES OF PROCEDURE FOR DISCIPLINARY ACTIONS

- When the CAS receives from the appropriate investigatory body a written report recommending reprimand, suspension or expulsion of a member of the CAS the matter shall be referred to the Chairperson of the Discipline Committee.
- The Chairperson shall review the recommendation and record provided by the investigatory body and may seek further information from them or delegate further fact-finding or investigation to other members of the Committee.



# CAS RULES OF PROCEDURE FOR DISCIPLINARY ACTIONS

- The Chairperson will schedule a hearing at which the Subject Actuary will have the right to appear personally and with counsel and/or other advisor to explain why the recommendation of the investigatory body should not be followed.
- The Chairperson will provide written notice of the hearing to the members of the CAS Discipline Committee, the CAS President, the CAS Executive Director and the authorized representative of the investigatory body that has recommended discipline.



# CAS RULES OF PROCEDURE FOR DISCIPLINARY ACTIONS

- The hearing notice shall include:
  - ❖ The recommended disciplinary action and cite the specific Code of Professional Conduct that has been alleged
  - ❖ Advise the Subject Actuary of the right to submit additional evidence
  - ❖ Advise Subject Actuary of the right to appear at the Discipline Committee Panel hearing with or without legal counsel
  - ❖ List the Fellows that will serve on the Discipline Committee Panel
  - ❖ Subject Actuary may object to any Panel Member



# CAS RULES OF PROCEDURE FOR DISCIPLINARY ACTIONS

- A hearing of the Discipline Committee shall require a quorum of 5 members of the panel.
- Affirmative vote of at least 5 members of the Discipline Committee is necessary to render an order to reprimand, suspend or expel the Subject Actuary.
- The Subject Actuary may make an oral presentations and may be accompanied by legal counsel.
- The Subject Actuary shall respond to any questions posed by the Discipline Committee Panel members.



# CAS RULES OF PROCEDURE FOR DISCIPLINARY ACTIONS

- The decision of the Discipline Committee Panel shall include a written report of its findings and the rationale for the conclusion.
- If the Panel determines that a violation of the Code of Professional Conduct has not occurred the decision should explain why the Panel's conclusion differs from the investigatory body.
- If the Panel determines that a violation has occurred the decision should cite the specific Code provisions violation and why the Subject Actuary's conduct constituted such a violation.



# CAS RULES OF PROCEDURE FOR DISCIPLINARY ACTIONS

- The Subject Actuary shall be entitled to appeal the decision of the Panel by submitting a written request for an appeal to the CAS President within 45 days from receipt of the Panel's decision.
- The CAS President shall designate 5 members of the Board of Directors to serve on an Appeals Panel and provide those names to the Subject Actuary.
- The Subject Actuary shall select 3 of those designated Board members to serve on the Appeals Panel.



# CAS RULES OF PROCEDURE FOR DISCIPLINARY ACTIONS

- The appeal shall be based entirely on the written record and shall not include any appearance by the Subject Actuary.
- The appeal may include a written submission by the Subject Actuary and any reply submission by the Chairperson of the Discipline Committee Panel.
- The decision of the Appeals Panel shall require the vote of at least two members of the Appeals Panel.



# Case Studies

We are going to consider several case studies. For each case study please consider the following:

- What is the key professional standards issue/question?
- What precepts apply to the situation?
- How would you answer the question posed about the situation?



# Case Study # 1

I am a member of the Academy and CAS since May 1995. I am a regulatory actuary and work mostly on Commercial Property and Private Passenger Auto lines of business. Recently, a colleague who is the Workers Comp Actuary retired. There are no other actuaries who have any WC experience except for me so I was asked to add on the WC line of business until a new actuary is hired. My only work experience with WC was back in 1986 thru 1988 (not quite a full 3 years) at the National Council on Compensation Insurance (NCCI). I have completed 9 of the 10 actuarial exams (under the old examination system) and passed both the Basic and Advanced Ratemaking CAS Exams. Moreover, I have performed both Casualty and Property ratemaking, pricing, and reserving during my 30 plus career. Am I qualified to take on the WC work and issue a Statement of Actuarial Opinion for this line of business?





## Case Study # 2

We have a filing that went to multiple states that included actuarial support with material errors in it. When the errors were detected, we corrected the support and send it back to our area that coordinates the filings and related communications. Though material, the errors worked out in the company's favor (made the indicate rate need an even larger increase than what was requested). Regardless, several states approved the filing before we identified the errors. We are getting pressure to not send the corrected indication to the states that already approved the filing, but my notion is that not disclosing a material error is a violation of the actuarial communication standard of practice. Could you help point towards what specifically is getting violated in this instance? Also, a proposed solution is to call the states that have approved, disclose the errors, and ask how they would want us to resolve them within each of their processes. Is this a viable solution?



## Case Study # 3

I am a Fellow of the CAS and am writing to request guidance regarding compliance with ASOP No. 41 (Actuarial Communications). I have an employment contract with Company A in Europe and I provide Actuarial Services to other related Company A entities around the world. The team I belong to was recently transferred to another company affiliated with Company A, Company B. However, I chose not to sign a new employment contract with Company B. I am still expected to provide Actuarial Services to the other company entities, out of goodwill. I would like to request guidance on the following topics:

- As a FCAS practicing outside of the United States of America, am I required to comply with ASOP No. 41?
- In order to comply with the Disclosures requirement under ASOP No. 41, particularly with respect to the conflict of interest, is it advisable that I explicitly express in all my Actuarial Communications that I am employed by Company A, rather than Company B but act on behalf of Company B?



# Case Study # 4

Mr. X explained that he has been the appointed actuary for this company for the last three years. Historically the actuarial reserve estimate had been derived independent from management. The company has had new management now for about a year. So there has not been a chief actuary for almost a year. Recently the company hired a new chief actuary. Under the former chief actuary, management may have asked about the actuarial estimate but it was an independent process. Mr. X is getting the sense that now others are interested in getting involved with the actuarial estimate. The new chief actuary is recommending a range around the actuarial estimate. Mr. X is concerned that using a range could be used to include management's estimate. Mr. X is willing to discuss different views and modify his estimate. At the end of the day though, he believes that his estimate should be a reasonable opinion of the expected value. He feels that he is being asked to consider an estimate which might not be as independent of management as it has been in the past. The discussions to date have been theoretical, but he wants to make sure that he does not have any issues in the future.





## Case Study # 5

I am an ASA with 6 years of actuarial experience; 4 years with a health insurance company and 2 years with a P&C insurance company. The current FSA that works for the company plans to retire in a few years time and I am being groomed to take his place. The company would like me to get credentialed as an FSA. I am considering either pursuing the Health track or the General Insurance track with the SOA. The company also would like to develop their PC clientele. The main PC service that they want to offer consists of reviewing reserves reports and opining on their reasonability. My employer believes that these services do not require a formal statement of actuarial opinion (SAO). For that reason, my boss and I have decided that the FSA credential is a good fit as it is widely recognized by many different lines of insurance. I have read that the NAIC has provided a way to become a qualified actuary with the GI track if they have 3 years of experience in P&C under a qualified actuary. However, given that there are no other P&C actuaries at my company, would I not be a qualified actuary even with the GI track credential? I know that being a “qualified actuary” is not necessary if I am not issuing SAOs. However, for my own career advancement and to provide assurance to my clients, it would be best if I could state that I am a qualified actuary. Also, If you have opinions to share regarding the SOA GI track and its future role in the P&C industry then that would be welcome.



# Contacting the ABCD

**Letter:** 1850 M St., N.W., Suite 300, Washington, D.C.  
20036

**Telephone:** (202) 223-8196; (202) 872-1948 (fax)

**Website:** [www.abcdboard.org](http://www.abcdboard.org)


Or contact any individual ABCD member or ABCD staff  
(contact information on website)





# QUESTIONS



Alphabet Soup	By the Numbers	Code Words	Counseling & Discipline	Qualify Me
What is the Actuarial Board for Counseling and Discipline?	What is ASOP No. 41?	What is Fourteen?	What is a Request for Guidance?	What are organized activities?
What is an SAO?	What is ASOP No. 23?	What is Five?	What is Up to Code?	What are basic education and experience requirements?
What is a LAE?	What is ASOP No. 25?	 What is Precept One?	What are The Rules of Procedure?	What are the Annual Statement Opinions?
What is DCF?	What is 55	What is the Principal?	Who is David Ogden?	What is the Attestation Form?
What are SAP, GAAP and IFRS?	What is 30?	What is Precept Six?	What is Precept Three (failure to satisfy ASOPs)?	What is a signed statement from another actuary who is qualified?