

Session 6 IF

**Actuarial Board for Counseling &
Discipline – “Emphasizing the “C”
in ABCD**

**SOA Spring Meeting
San Antonio, Texas
June 14, 2004
10:30 A.M.- 12:00 P.M.**

PANELISTS

- Lawrence A. Johansen
- Allan W. Ryan
- Lauren M. Bloom

THE STANDARDS

- Code of Professional Conduct
- Actuarial Standards of Practice
- Qualification Standards

FUNCTIONS OF THE ABCD

- Investigating possible violations of the standards
- Counseling and guidance
- Assistance in applying the standards
- Questions handled in confidence

ABCD PROCEDURES

- Requests come from actuaries to the ABCD (Washington office).
- Requests are assigned to members for response.
- Response usually consists of a dialogue.
- Speed of response and confidentiality are important.

TODAY'S SESSION

- Cases similar to ones handled by the ABCD.
- "Interactive Forum" which allows for significant audience participation
- In each case, we invite you to discuss the following questions:
 - What are the issues presented?
 - What precepts of the Code apply?
 - What further information is needed?

CASE STUDY 1

- You recently resigned as the appointed actuary for a life insurance company because the company was chronically late in providing you with necessary data, answering questions and paying your bills.
- You receive a call from a state insurance regulator seeking significant detailed information about your last annual statement opinion on the company's behalf. You agree to provide the information, but only if the regulator obtains written consent from the client company for you to answer the questions and only if the company agrees to pay you, in advance, \$5,000 (a sum equal to \$200/hour for the amount of time you think it will take to respond to the regulator's questions).

CASE STUDY 2

- You have a one-person shop consulting on DB plans. A non-actuary who provides services to ten clients is retiring and wants to sell the business to you. He has worked with another actuary, but that actuary is ill and unwilling to continue on the business.
- You agree to buy, subject to reviewing the cases, and then you discover that despite the fees collected, much of the prior year's work has not been done.
- You cannot reach agreement on compensation for the extra work needed so you cancel the deal, but then find out that the clients have already been informed that you will take over.

CASE STUDY 3

- You are an employee for a large consulting firm with a major government contract.
- Your boss sends you on a business trip to do work regarding this contract, but the trip was not authorized by the government.
- Upon your return, the boss, who is an FSA and an MAAA, instructs you to gross up your billing hours to cover the expenses for the trip.

CASE STUDY 4

- You are the pricing actuary for Long Term Care products for a large insurer. While you do not get directly involved in the company's reserving, you are knowledgeable about the company's reserving practices because your pricing work involves developing and maintenance of continuance tables which are used in both pricing and reserving.
- You recently discovered that LTC reserves at your company had been significantly decreased with an aging block of business that you believe should drive up the reserves held. You are worried that the reserving actuary may be understating reserves, partly to meet the company's demanding profit goals.
- Your concerns are heightened by the fact that the reserving actuary has recently been promoted into management.

CASE STUDY 5

- You are the Chief Actuary for the Insurance Department of the State of Euphoria.
- A new Governor was recently elected in your state, in part on his promise to overhaul the state's finances, including Euphoria's state employee retirement system. The Governor calls you and asks you to join a blue-ribbon panel to review the operations of the state employee retirement system.
- You are not an Enrolled Actuary and have never done pension work of any kind, but the Governor states that he simply wants you to give general actuarial advice to the oversight panel and, in particular, "make sure you keep those pension guys honest."

CASE STUDY 6

- You recently resigned as appointed actuary to a small life & health insurance company, in part because you felt that management was preventing you from having appropriate contact with members of the client company's board of directors.
- You receive a call from your successor actuary, who wants all of the client company's reserving data.
- You supply the data, but your successor contacts you again, insisting that you also provide a written statement about all of the flaws in the reserving data.

CASE STUDY 7

- You are an actuary in individual life and health practice. You will shortly leave your current company to work for an insurer that has reinsured some of your current company's business.
- In your current company you have:
 - Done a number of studies on effectiveness of various underwriting practices;
 - Uncovered deficiencies in the underwriting of one segment of reinsured business;
 - Determined that much less reinsurance is needed on other segments of business.

CASE STUDY 8

- You are a pension actuary performing third party certification work. A new client submits documents that show a benefit cut-back amendment effective several years back, but apparently only recently executed.
- The previous actuary says that all documentation was timely filed and a Favorable Determination Letter received. Copies cannot be found, though the client says all filings and notifications were properly done.
- Inquiries have been made to the IRS but they have not yet responded.

CASE STUDY 9

- You are a consulting actuary with a life insurance practice. You have been asked to respond to an RFP from a very aggressive lobbying organization that will use your report to lobby on behalf of consumers for significant insurance reform.
- You are concerned that the organization may excerpt your work or otherwise misrepresent your conclusions in a setting where you will be unable to clarify the organization's representations.

QUESTIONS?