



SOCIETY OF ACTUARIES

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Friends Don't Let Friends Ignore Actuarial Standards of Practice

By Patricia E. Matson



There are two main things I'd like to improve regarding Actuarial Standards of Practice (ASOPs) and perhaps you can help. For those of you who, like me, are often too busy to spend time reading the details of an article, the following two paragraphs are my executive summary version.

The first is awareness of the ASOPs. They apply to all of us with a credential practicing in the United States, whether we sign reports or not, whether we are American Academy of Actuaries (Academy) members or not, whether we get paid for our actuarial services or not. I worry that practitioners are not aware of that, not reading the Code of Professional Conduct, or not reviewing the standards that apply to their work (it is important to read the scope, and not just the title, to determine whether a standard applies). This is really important, since a material failure to comply can result in disciplinary action, legal action, and potentially even loss of credentials.

So please do it, and tell your friends! Friends don't let friends work without considering standards!

The second is the extent to which practicing actuaries provide input on standards of practice. I just took a quick look at the last three ASOP exposures for which the comment period has ended. In total, for all three, we received a total of 31 comment letters. The letters were very helpful, and have or will improve the ultimate product. But with somewhere around 22,000 credentialed actuaries to whom standards apply¹ that is a pretty low response rate. We need more comments to do a better job. I know everyone is busy, but if you can find time to read just one or two new exposures each year and email the Actuarial Standards Board (ASB) with your comments it will benefit you and the entire actuarial profession. Reading and commenting on ASOPs also provide you with professionalism continuing education.



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There will soon be a mobile device version of the ASB website that will allow easy access to ASOPs from your smartphone or tablet.

On Jan. 1, 2014, I became the chair of the ASB. 2014 is my fifth year on the ASB, so I have experience with the standard-setting process, and I very much welcomed the opportunity to take on this leadership role. I had discussed in a fair amount of detail the requirements of the job with the prior chair, Bob Meilander. So when Jan. 1 rolled around, I felt ready to take on this new responsibility.

Somewhere around Jan. 7, having returned from a relaxing holiday break and getting back into the swing of things at my job,² I received an interesting email from a regulator describing a situation in which an actuary had done something that the regulator believed was a violation of standards. He was interested in my thoughts on this.

The ASB does not interpret standards (if an actuary needs help interpreting standards, he or she can contact the Actuarial Board for Counseling and Discipline (ABCD) with a request for guidance). However, I am always happy to get input of any kind on the standards. I want to encourage as much awareness and feedback as possible. It was a challenging question and I spent a fair amount of time trying to provide a thoughtful response (again, this was my personal view, not an ASB view), including a suggestion to reach out to the ABCD for “official” feedback. I also began to wonder if I would be getting lots of requests like this as the chair.

It turned out that the first request was actually a pretty easy one compared to what was next to come. Shortly after that first call, the Society of Actuaries (SOA) issued the report of the Blue Ribbon Panel on Public Pension Plan Funding. This report includes several recommendations, including a series of recommendations related to increased disclosure requirements in ASOPs. The day of its release, I was asked to provide a statement to the press in response to the recommendations. I was well aware of the recommendations, and had seen during my prior four years on the ASB the significant efforts made by our Pension Committee to improve requirements and disclosures in our pension standards. Every pension standard had been revised during that time to raise minimum standards and increase disclosures. I was also aware of the significant work on pension issues performed by the Academy. However I am not

a pension actuary, and I had not had many (OK, none!) requests to give statements to the press. So it was a bit stressful!

But again, I was happy to see attention given to our ASOPs. Due to the recent issues in the pension arena, I have had many conversations with various actuaries (pension and non-pension) about standards of practice and whether the bar is high enough, or too high. But to the point I made in the introduction, when I ask the individuals who call or email me whether they have submitted formal comments in response to our recently exposed revisions to pension standards, the answer is often no. In addition, based on the conversations, I can at times tell that they have not read the more recent standards. This is what worries me.

I understand, with the volume of information that we all receive today, that it is very hard to review and comment on evolving requirements for the profession. And to the extent the requirements don't apply to a specific actuary, time constraints may not allow for such review. But the existence of a Code of Professional Conduct and ASOPs is part of what makes us a profession, and creates public trust and respect of our profession. So it is critical that we read and understand the ASOPs that apply to our work. And to the extent actuaries can go a bit beyond that, and provide input on ASOPs as they are being drafted, I am sure it will result in a better work product.

I also recognize that the ASB needs to make it easier, in this age of information overload, for individual actuaries to know what standards apply to them, when they are being updated, and how to access them easily. This has been a focus of the ASB recently, and there is a marketing and communications team working on this. You have probably already seen an increase in the number of webcasts on ASOPs, and hopefully also an increase in email traffic related to new standards. There will soon be a mobile device version of the ASB website that will allow easy access to ASOPs from your smartphone or tablet. There are more articles, like this one, to help raise awareness across the profession. And if you have other ideas that might help improve awareness of standards, and comments on new standards, I would love to hear them! Comments on standards can be sent to asb@actuary.org.

Perhaps some of the increased communication and marketing are making a difference. I was happy to see 46 comments on the exposure draft on Modeling. This standard has been of great interest to the entire profession as well as the regulatory community, since it will apply to nearly every aspect of actuarial work.

The most recently issued exposure, Medicaid Managed Care Capitation Rate Development and Certification, despite applying to a much narrower group of actuaries, received 26 comments. And in many cases the comments were from organizations, representing more than one person's view on the standard. I am grateful to all the individuals who took the time to comment on these new standards. I hope that the trend continues, and that we have greater awareness and interest in our standards as time goes on. ●

ENDNOTES

- ¹ Not every standard applies to every one of those 22,000.
- ² I was working in enterprise risk management (ERM) at MassMutual at that time.

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SOA ELECTIONS 2014

CALLING ALL ELIGIBLE VOTERS

This year, elections open August 18 and close September 5 at 5 p.m. Complete election information can be found at SOA.org/elections. Questions?

Send them to elections@soa.org.

