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Editorial

Professional responsibilities

by Mary Hardiman Adams

Speaking at the Society's annual meeting last October, President Walter Rugland opened by saying, "I take great pride in being an actuary. It is an honorable and respected profession." He continued, "... We have the public trust and stand accountable for the quality of our work. And we are a profession because of the way we apply our research in practice, because we practice in a way that the people who use our work can rely on our results, because we attest that we are qualified to do the work we do, and we are able to discipline ourselves." He then added, "Three things make a profession great: men and women with a spirit of adventure, men and women who know their duty, and men and women who strive to meet a standard."

Spirit of adventure is an inborn quality; you have it or you don't. The second and third — knowing duty and striving to meet a standard — are objective. If they are not instinctive, they can be acquired.

Within the profession, four sources of guidance on knowing duty and meeting standards exist internally for the practicing actuary. They are:

- The Code of Professional Conduct (the "Code")
- Standards of practice
- Qualification standards
- The profession's counseling and discipline bodies, which in the United States is the Actuarial Board for Counseling and Discipline (the ABCD), and in Canada, procedures established by the Canadian Institute of Actuaries (CIA).

The Code

The Code of Professional Conduct, as adopted by the Society's Board of Governors on October 23, 1991, is almost the same as the code adopted by each of the other organizations representing actuaries in the United States. The Code is structured to contain Precepts (16 of them) that identify the standards and Annotations that provide additional explanatory, educational, and advisory

material on how the Precepts are to be interpreted and applied.

New FSAs are familiar with the Code from completing the Fellowship Admissions Course as the last step in their Fellowship education. I wonder whether actuaries who are not new FSAs appreciate the depth of information in the Code. Do they recognize that they need to abide by the Code? Do they understand what "professional responsibility" means?

Other items in the Code:

- The need to observe qualification standards and follow standards of practice
- In communications, identifying the actuary who can answer questions and relying on other sources
- In interpersonal business relations, such items as conflicts of interest, confidentiality, courtesy/cooperation differences of opinion, advertising and last, but not least, direction on when one needs to communicate with the appropriate counseling and disciplinary body

We should all be familiar with this material, which is printed beginning on page 117 in the 1993 *Society of Actuaries Yearbook*.

(A note: The Joint Committee on Professional Conduct is alive and well and is hard at work trying to eliminate the word "almost" as used in the first sentence of this section on the Code.)

Practice standards

Under the Society's Code, practice standards in the jurisdiction in which the actuary renders service apply. For practice in the United States, the Standards of Practice promulgated by the Actuarial Standards Board (ASB) apply. For practice in Canada, the Standards of Practice promulgated by the CIA apply.

Standards are issued only after the ASB takes several steps:

- Development by a specialty committee of the ASB
- Approval by the ASB for exposure to the membership
- Exposure with the request for comments and, in some instances,

testimony at hearings

- Revisions by the specialty committee

Finally, approval by the ASB (Note: any of these steps may be repeated several times.)

Do we, as practicing actuaries, respond to exposure drafts? Are we mindful of applicable practice standards? Do we follow them? We must.

Qualification standards

The Society's Code of Professional Conduct says, "An actuary shall perform professional services only when the actuary is qualified to do so and meets applicable qualification standards." It is up to each actuary to observe qualification standards — to know what they are for the field of practice of a particular assignment — and to keep current on any changes in the standards. For practice in the United States, qualification standards are promulgated by the American Academy of Actuaries. For practice in Canada, eligibility standards are set out in the CIA's bylaws.

External to the profession's own qualification standards, pension actuaries are subject to the enrollment procedures of the Joint Board for the Enrollment of Actuaries to perform ERISA-related assignments.

Are we all, as practicing actuaries, mindful of applicable qualification standards? We must be.

Counseling and discipline

The Code provides that an actuary with knowledge of a material violation of the Code shall disclose this to the appropriate counseling and discipline body (except where confidentiality or law would prevent it). The CIA's procedures are followed for practice in Canada. Violations arising from practice in the United States should be reported to the ABCD.

The ABCD has existed since January 1, 1992, and is comprised of actuaries from each of the organizations that has adopted the Code of Professional Conduct. For questions that need specific expertise, the ABCD will request the attention of an ASB or other organization's specialty committee or a committee member.

The ABCD refers to the standards of professionalism — the Code of Professional Conduct, the standards of practice, and the qualifications standards — to reach a decision. Its purpose is to give guidance in response to inquiries and complaints

about members of the organizations that have adopted the Code of Professional Conduct and to evaluate the merits of any complaints. The ABCD observes essentials of confidentiality and due process.

If the ABCD recommends discipline, it issues a confidential report to the member and the member's actuarial organization(s). Each organization then is responsible for concluding the process.

We have much source material for guidance in our actuarial practice. We have a self-disciplinary process in place. We must remember our resources: the Code, qualification and practice standards, and the counseling and disciplinary bodies. We have many reasons to be proud of our fellow actuaries and their standards.

Tsk, tsk, shame on some U.S. pension actuaries

It has come to our attention that some (per other sources, many) actuaries are reporting the "value of vested benefits" as an amount that turns out to be the value of accrued benefits for vested employees. Our inquiries indicate that these actuaries do not have a problem understanding how the correct computation is to be made. They just do it their way...for whatever reason.

This is wrong; it is deceitful; it is unprofessional.

Do not forget, when problems arise, talk it out. In Canada, refer to the CIA. In the United States, consult the ABCD; it is there to help you.

Bulletin board to come this fall

At its January 1993 meeting, the SOA Board of Governors approved establishing a Bulletin Board System (BBS). The "SOA Forum" will be accessible through the CompuServe network. The Computer Science Section has endorsed the BBS and is supporting its development. Startup is targeted for fall 1993.

Members' feedback is important as the SOA explores which services would be of most benefit. Please call or write Jim Weiss at the SOA office with your ideas.

SECTION CORNER

This column reports on activities and newsletters of all special interest Sections on a rotating basis.

Futurism Section

The Futurism Section Council is planning a retreat with an outside facilitator to help it research its role and to help decide on the Section's viability. A point/counterpoint article in the April issue of the Section's newsletter, *Actuarial Futures*, offers two views of whether the Section should exist, with Immediate Past Chair Thomas Mitchell saying, "Yes," and Chairperson Godfrey Perrott arguing against. Ken Polk is the editor.

Other officers of this Section are Bob Ryan, vice-chairperson, and Dennis Barry, secretary/treasurer.

The Section is sponsoring a panel discussion and workshop at the New York annual meeting in October based on the book, *Beyond the Limits: Confronting Global Collapse, Envisioning a Sustainable Future*.

International Section

The February issue of *International Section News* focuses on the Far East, with articles from Korea and Thailand, an update on current events in Hong Kong and China, and a description of the actuarial program at Nankai University in China. Other articles cover market developments in Eastern Europe and the former Soviet Union and life industry regulation in Australia.

The International Section sends copies of its newsletter to presidents of the international actuarial organizations maintained on a list in the Society's library. In response, several organizations have sent their newsletters, which are housed in the library and are available to members. Items received include proceedings of an October 1992 international seminar on health assurance in Istanbul, Turkey; the Korea Insurance Development Institute's *Monthly Insurance Statistics, Vol. 1993.2*, and the December 1992 and February 1993 issues of the *Society of Actuaries in Ireland Newsletter*.

The International Section's efforts to build a data base of foreign actuarial meeting information has garnered 16 replies. Anyone traveling abroad can contact Bob Collett at his *Directory* address to see what meetings might be worked into trip schedules.