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Are standards understood? Canadian Institute considers practice review process

by Robert J. McKay

During the second half of 1998, members of the Canadian Institute of Actuaries (CIA) debated implementing an “inspection system” for the profession in Canada. The proposed system was described in the report of the CIA Task Force on Compliance Review. Because of significant opposition to the details of the proposal, the CIA is now reviewing other alternatives for practice review, including implementing parts but not all of the inspection system model.

The task force’s report was issued in July 1998 and has been discussed and debated in town hall meetings. Although the task force proposal for practice review is likely to be modified based on comments from these meetings, the current proposals may be instructive for SOA members.

The term “practice review” refers to the actuary’s total practice. This differs from peer review, in which a specific piece of work is examined. Alternatives to practice review include compulsory peer review and detailed annual questionnaires on compliance, ideas the CIA might consider in the coming months. The CIA implemented a questionnaire several years ago; one option might be to expand this instead of implementing a full practice review.

During the town hall meetings, many actuaries asked what problems would be solved by practice review.

The concerns raised by the task force are unique neither to Canada nor to North America.

Peter Morse, CIA president, responded at a November meeting of the CIA membership:

In order to be in a position to respond to increasing concerns expressed regarding the range of practice of actuaries in some practice areas, the profession needs to be aware of whether the standards are being understood and followed and to discover where the standards are deficient.

In addition, education of our members concerning the range of practice is also perceived to be a responsibility of the profession.

He went on to say, “To suggest that no action is necessary because ‘we are actuaries, and each of us as individuals knows best’ [as one member put it at a town hall meeting, ‘Let the regulators send any case they don’t like to Discipline’ (the CIA Committee on Professional Conduct)] will get us nowhere and could lead to regulators and legislators taking control of areas which we consider as our domain.”

Why did the task force feel that the CIA should take this major step? It identified several potential benefits

of a practice review policy. Such a policy would:

- Ensure that members understand proper actuarial standards and the application of those standards to their work
- Identify areas where standards are deficient or unworkable
- Bring about changes in practice by persuasion where wide variations of practice in similar circumstances are discovered
- Call the situation to the attention of the CIA Committee on Professional Conduct, where matters are discovered that question the competence or integrity of the practitioner

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The task force concluded that practice review should only apply to work in Canada by a member in support of the member's public actuarial opinions. This would include actuarial opinions in published documents, plus all opinions of an actuarial nature that are required to be provided by a Fellow of the CIA, that must be filed with a Canadian regulator, or that may be included as evidence by parties to a lawsuit.

The task force developed a proposed review system that includes two levels of review. Tier one would be an annual questionnaire for all practice areas. Tier two, the more controversial recommendation, would be an in-office review of practices and procedures for the practice unit on a random cycle. The task force expects that a review would involve up to 50 hours of time. Tier two reviews would be initiated either as a result of information discovered in a tier one review or by random selection. All practice units would be visited at least once every five years.

A major concern among practitioners is who would conduct reviews. With only about 2,000 actuaries in Canada, conflicts of interest and professional competitive practices are real concerns. To address this, the report stated that the CIA should hire a staff actuary to support the development of detailed procedures and to provide day-to-day

management of the process.

The task force also recommended that persons engaged by the CIA should conduct all practice reviews. It also stated that reviewers must not be active practitioners or at least have no conflicts of interest with the practice unit, its members, or the cases being reviewed. It also recommended that the CIA Committee on Practice Review should have no knowledge of the identity of the practitioners or client files associated with a given review.

The task force stated that the in-office practice reviewer should be able to request any detailed information necessary to support a review of a practitioner's work. In some cases, this could require additional calculations or other tasks. Members should be required by rules of professional conduct to cooperate with the practice review process.

In a recent note to CIA members, Morse summarized the major criticism of the proposals. These included the seemingly intrusive nature of the proposed processes; the estimated cost of the program compared to perceived added value to the membership; the perceived lack of sufficient numbers of competent yet independent reviewers; the burden such reviews would place on the practice unit, particularly for small operations and sole practitioners; and the lack of a demonstrated need

for the process in those practice areas where robust peer review practices are already in place. According to Morse, member reaction tended to be more negative among pension actuaries than those working in insurance, and reaction was strongly negative among actuaries working in small practices.

While the final form of practice review in Canada may differ from the current recommendations, it is likely that the CIA will eventually implement some form of review. And the concerns raised by the task force are unique neither to Canada nor to North America. In his presidential address, Paul Thornton, 1998-2000 president of the Institute of Actuaries, observed:

Professional judgment used to mean that with skill and experience, the professional knew best — and at one time, professional judgment would have been accepted without question. We now live in an era where professional judgment is under challenge in a way in which it was not in the past, and we will retain respect as a profession only to the extent to which we earn it and keep re-earning it.

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Academy names executive director, chief health spokesman

Two major staff appointments were recently announced by the American Academy of Actuaries.

Richard C. Lawson joined the academy as executive director on Jan. 1. He was vice president for federal affairs of the American Insurance Association.

Lawson brings to the Academy more than 20 years' legislative and policy experience, including service as

counsel to the U.S. Senate Subcommittee on Labor, chief of staff to Sen. Don Nickles (R-Okla.), and staff director of the Senate Republican Policy Committee.

Dwight K. Bartlett III, has been named the Academy's first senior health fellow. He was chief actuary of the U.S. Social Security Administration, Maryland state insurance commissioner, and 1983-84 SOA president.

Bartlett will provide independent actuarial expertise to federal and state health policy makers on such issues as Medicare, patient protection legislation, and long-term care insurance. He will also serve as the Academy's chief spokesperson on health issues to the news media and other external audiences.