Session 46 BG, Professionalism: The Look in the Mirror Test

Moderator:
Nancy A. Behrens, FSA, MAAA

Presenters:
Allan W. Ryan, FSA, MAAA
Lisa G. Ullman, FSA, EA, FCA, MAAA
46 BG: Professionalism: The Look in the Mirror Test

Nancy Behrens
– Moderator, State Farm Life Insurance Company, Member, ABCD

Allan W. Ryan
– Member, ABCD

Lisa G. Ullman
– PricewaterhouseCoopers LLP, Member, COPR
Are You Qualified?

- Examinations/Designations
- Required Continuing Education
- Relevant Experience
- Look in the Mirror Test
What Do You See when You Look in the Mirror?

http://www.plosbiology.org/article/info:doi/10.1371/journal.pbio.0060202
Professionalism Framework of the US Actuarial Profession (Authoritative Guidance)

- Code of Professional Conduct
- Actuarial Standards of Practice
- Qualification Standards
- Non-Binding Guidance
  - Practice Notes
  - Discussion Papers
  - Applicability Guidelines
  - Actuarial Literature
Professionalism Framework of the US
Actuarial Profession (Organizational)

- **American Academy of Actuaries Council on Professionalism**
  - Qualifications Committee
  - Committee on Professional Responsibility

- **Autonomous Entities**
  - Actuarial Standards Board (ASB)
  - Actuarial Board for Counseling and Discipline (ABCD)
Case Study 1

• You are a pension actuary and have experience in performing valuations of other postretirement benefit plans for accounting purposes under US GAAP.

• A client has asked you to determine the accounting implications of a proposed plan for senior executives to pay for their Long Term Care (LTC) insurance: through continued premium payments after retirement and for certain “uninsurable” executives through “self-insurance”.

6 October 27, 2014 46 BG: Professionalism: The Look in the Mirror Test
Case Study 1 - Questions

• All your experience has been with postretirement medical and life insurance benefits? Are you qualified to take on the LTC aspect of this assignment?

• You know there are others with specialized knowledge at your firm. How could you work with them?

• You don’t know any actuaries with LTC experience, but you do know how to google. Can you learn enough to do this assignment?
Case Study 1 – Some Relevant Guidance

• Precept 2 of the Code of Professional Conduct

• Qualification Standards (including continuing education requirements) for Actuaries Issuing Statements of Actuarial Opinion in the United States, Section 2. General Qualification Standard, Section 2.4 Statements of Actuarial Opinion Issued by More than One Actuary

• Other relevant ASOPs including ASOP No. 6 Measuring Group Benefits Obligations and Determining Retiree Group Benefit Program Periodic Cost or Actuarially Determined Contributions, ASOP No. 18 Long Term Care Insurance, ASOP No. 21 Responding to or Assisting Auditors or Examiners in Connection with Financial Statements for All Practice Areas
Case Study 2

• You are the Appointed Actuary at a mid-sized life insurance company.
• You are qualified to and have issued the Company’s Statement of Actuarial Opinion, NAIC Life and A&H Annual Statement, for the last two years.
• This year, your Company has acquired a new line of business and you have no experience with this line of business.
• You are preparing to issue your opinion for the current year.
Case Study 2 - Questions

• What should you do to be qualified to issue this year’s Statement of Actuarial Opinion?

• How should you consider the following:
  • Materiality
  • Legal & Regulatory Requirements (e.g. Actuarial Opinion and Memorandum Regulation)
  • Use of Others and Reliance
Case Study 2 – Some Relevant Guidance

- **Code of Professional Conduct**
  - Precept 2 - *Qualification Standards*

- **Other relevant ASOPs including:**
  - [ASOP No. 22 Statements of Opinion Based on Asset Adequacy Analysis by Actuaries for Life or Health Insurers](#)
  - [ASOP No. 23 Data Quality](#)
  - [ASOP No. 41 Actuarial Communications](#)

- **Qualification Standards** (including continuing education requirements) for Actuaries Issuing Statements of Actuarial Opinion in the United States
Case Study 3

- Your boss is preparing for an important meeting and has asked you for a quick projection of term insurance reserves for the next 10 years.
- The tools you have available would allow this calculation, but it usually takes a couple of weeks to complete this type of request.
- When you tell your boss this, your boss asks if you can just do something “quick and dirty,” because the meeting is in only 2 days.
Case Study 3 - Questions

• Is it ever acceptable to give a “quick and dirty” answer?
• What can you do to satisfy your boss and maintain my professionalism?
• If you are the boss in this situation, what could you do?
Case Study 3 – Some Relevant Guidance

• **Code of Professional Conduct**
  - Precept 1 - *Professional Integrity*
  - Precept 4 – *Communications and Disclosure*
  - Precept 8 – *Control of Work Product*
Case Study 4

- You are newly elected to your town’s library board and at the first board meeting the subject of pension benefits for the head librarian and the staff are on the agenda.
- Others on the board know you are an actuary at a mid-sized life insurance company, and think you know everything connected with actuarial questions.
- Your area of specialized knowledge has nothing to do with pension plans, or for that matter quasi-governmental organizations.
- The board wants you to head a subcommittee to recommend a course of action; and asks you to model the pension benefits for the head librarian and meet with her to explain them.
Case Study 4 - Questions

• How might you go about gathering the data and assessing options for providing the benefits?

• You are really good at spreadsheets; should you model the head librarian’s benefits?

• What if your area of specialized knowledge was pension plans?
Case Study 4 – Some Relevant Guidance

• **Code of Professional Conduct**
  • Precept 1 - *Professional Integrity*
  • Precept 2 - *Qualification Standards*

• **Qualification Standards** (including continuing education requirements) for Actuaries Issuing Statements of Actuarial Opinion in the United States

• Other relevant **ASOPs**
Concluding Thoughts

• As a professional, you are in the best position to know if you are qualified.

• The Code of Professional Conduct applies to you as an actuary in any of the five US based actuarial organizations.

• You must be qualified to perform actuarial services and you should ensure you are before agreeing to perform a given assignment.

• In addition to qualifications standards that may apply, you should also perform the “Look in the Mirror Test”.

• The ABCD can provide guidance, if you have questions.