



SOCIETY OF
ACTUARIES®

2019 **ANNUAL
MEETING**
& EXHIBIT

October 27-30
Toronto, Canada

Session 197: Actuarial Professionalism: You Can't Handle the Truth!

[SOA Antitrust Compliance Guidelines](#)

[SOA Presentation Disclaimer](#)

Session 197: Actuarial Professionalism: You Can't Handle the Truth!

KELLY FEATHERSTONE, FSA, CFA

Director, Client Risk Management, Alberta Investment Management Corporation

MARY STONE, FSA, EA, FCA, MAAA

Retirement Staff Fellow, Society of Actuaries

NATE WORRELL, FSA, MAAA

Client Support Actuary, Moody's Analytics

JOE WURZBURGER, FSA, MAAA

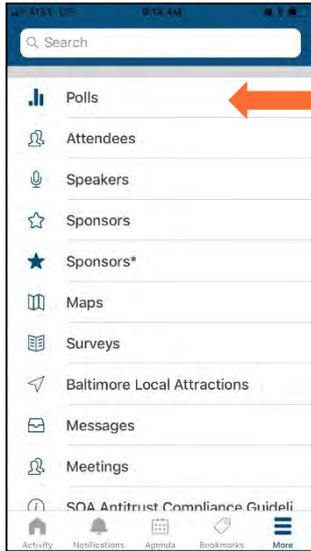
Senior Director, Society of Actuaries



Wednesday, October 30, 2019

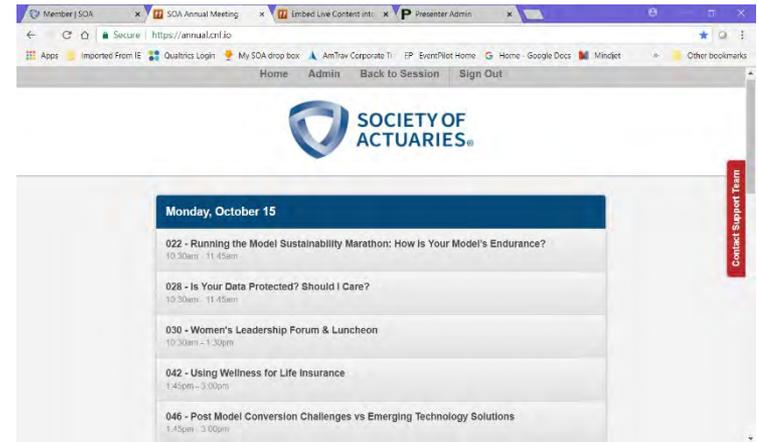
To Participate, look for Polls in the SOA Event App or visit annual.cnf.io in your browser; Note this is Session 197

Find The Polls Feature (including Social Q&A) Under **More** In The Event App or Under This Session in the Agenda



or

Type annual.cnf.io In Your Browser



Live Content Slide

When playing as a slideshow, this slide will display live content

**Poll: Which of the following actors was
NOT in A Few Good Men?**



Session 197: Actuarial Professionalism: You Can't Handle the Truth!

Witness: I'll answer the question. You want answers?

Attorney: I think I'm entitled!

Witness: You want answers?!

Attorney: I want the PowerPoint deck!

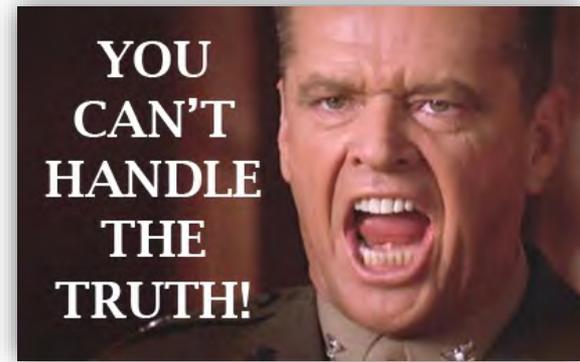
Witness: You can't handle the PowerPoint deck! Son, we live in a world that has sessions, and those sessions have to be guarded by actuaries with PowerPoint decks. Who's gonna do it? You? You, Mr. Moderator? I have a greater responsibility than you can possibly fathom. You weep for sessions without PowerPoint decks and you curse the actuaries behind them. You have that luxury. You have the luxury of not knowing what I know, that a session without a PowerPoint deck, while tragic, probably saves lives. And my existence, while grotesque and incomprehensible to you, saves lives! You don't want the PowerPoint deck, because deep down in places you don't talk about at networking receptions, you want me in that session. You need me in that session. We use words like "Precept", "Code", "ASOP." We use these words as the backbone of a life spent defending something. You use them as exam material. I have neither the time nor the inclination to explain myself to a man who rises and sleeps under the blanket of the very professionalism that I provide, and then questions the manner in which I provide it! I would rather you just said "thank you," and went on your way. Otherwise, I suggest you pick up a calculator and attend a session. Either way, I don't give a hoot what you think you are entitled to!

Attorney: Did you order the Code of Conduct?

Witness: I did the job that—

Attorney: Did you order the Code of Conduct?!!

Witness: YOU'RE GOSH DARN RIGHT I DID!!



NOTE: The presenters for this session are purposely not making their PowerPoint deck available in advance. The deck won't make much sense in isolation – it's really intended to support the spoken part of the session. We'll see you in Toronto!

Mock Trial!!!

Image reprinted from xkcd.com pursuant to Creative Commons Attribution-NonCommercial 2.5 License
<https://creativecommons.org/licenses/by-nc/2.5/legalcode>
No changes were made

- We won't stick too strictly to courtroom protocol.
- Not intended to imply that these cases are matters that should be taken up in a court of law.
 - In fact, most should not
- YOU are the jury!
 - Verdicts will be done via live polling
- We're going to have some fun, but the value comes from the discussion.



Case #1: Social Media





PENSIONATOR

@meanactuary

Follow



If interest rates go lower, they'll need anti-depressants. Public pensions should start looking in the couch cushions for loose change. [#howlowcanyougo](#)

12:17 PM - 30 Jun 2018

1 Retweets



Communications and Disclosure

PRECEPT 4. An Actuary who issues an Actuarial Communication shall take appropriate steps to ensure that the Actuarial Communication is clear and appropriate to the circumstances and its intended audience, and satisfies applicable standards of practice.

Control of Work Product

PRECEPT 8. An Actuary who performs Actuarial Services shall take reasonable steps to ensure that such services are not used to mislead other parties.

Professional Integrity

PRECEPT 1. An Actuary shall act honestly, with integrity and competence, and in a manner to fulfill the profession's responsibility to the public and to uphold the reputation of the actuarial profession.

ANNOTATION 1-4. An Actuary shall not engage in any professional conduct involving dishonesty, fraud, deceit, or misrepresentation or commit any act that reflects adversely on the actuarial profession.

@meanactuary



Live Content Slide

When playing as a slideshow, this slide will display live content

**Poll: Jurors, have you reached a verdict? Is
Mr. Markerburg:**

Live Content Slide

When playing as a slideshow, this slide will display live content

**Poll: Are social media posts subject to the
Code of Conduct?**

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: Are you responsible to monitor how your content is shared (Precept 8)?

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: Does it make a difference if posts are private or public?

Case #2: Non-Actuarial Work





ACTUARIAL STANDARDS BOARD

**Actuarial Standard
of Practice
No. 23**

Revised Edition

Data Quality

**Developed by the
Data Quality Task Force of the
General Committee of the
Actuarial Standards Board**

**Adopted by the
Actuarial Standards Board
December 2016**

Doc. No. 185



ACTUARIAL STANDARDS BOARD

Actuarial Standard
of Practice
No. 23

Revised Edition

Data Quality

Developed by the
Data Quality Task Force of the
General Committee of the
Actuarial Standards Board

Adopted by the
Actuarial Standards Board
December 2016

Doc. No. 185

3.2 Selection of Data—In undertaking an analysis, the actuary should determine what **data** to use. The actuary should take into account the scope of the assignment and the intended use of the analysis being performed to determine the nature of the **data** needed and the number of alternative **data** sets or **data** sources, if any, to be considered. The actuary should do the following:

- a. consider the **data elements** that are desired and possible alternative **data elements**; and
- b. select the **data** for the analysis with consideration of the following:
 1. whether the **data** constitute **appropriate data**, including whether the **data** are sufficiently current;
 2. whether the **data** are reasonable with particular attention to internal consistency;
 3. whether the **data** are reasonable given relevant external information that is readily available and known to the actuary;
 4. the degree to which the **data** are **sufficient**;
 5. any known significant limitations of the **data**;
 6. the availability of additional or alternative **data** and the benefit to be gained from such additional or alternative **data**, balanced against how practical it is to collect and compile such additional or alternative **data**; and
 7. sampling methods, if used to collect the **data**.



Actuarial Standard
of Practice
No. 23

Revised Edition

Data Quality

Developed by the
Data Quality Task Force of the
General Committee of the
Actuarial Standards Board

Adopted by the
Actuarial Standards Board
December 2016

Doc. No. 185

3.3

Review of Data—A **review** of **data** may not always reveal defects. Nevertheless, the actuary should perform a **review**, unless, in the actuary’s professional judgment, such **review** is not necessary or not practical. In exercising such professional judgment, the actuary should take into account the purpose and nature of the assignment, any relevant constraints, and the extent of any known checking, verification, or **audit** of the **data** that has already been performed.

If, in the actuary’s professional judgment, it is not appropriate to perform a **review** of the **data**, the actuary should disclose that the actuary has not performed such a **review**, the reason the actuary has not performed such a **review**, and any resulting limitations on the use of the actuarial work product, in accordance with section 4.1(c).

Titles and Designations

PRECEPT 12. An Actuary shall make use of membership titles and designations of a Recognized Actuarial Organization **only in a manner that conforms to the practices authorized by that organization.**

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: Jurors, have you reached a verdict on the first charge? Regarding Data Quality, is Mr. Beane:

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: Jurors, have you reached a verdict on the second charge? Regarding Use of Actuarial Credentials, is Mr. Beane:

Live Content Slide

When playing as a slideshow, this slide will display live content

**Poll: Is the consulting work Mr. Beane did
for the Montreal Expos actuarial in
nature?**

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: Suppose the work is not actuarial in nature. Do any of the professional standards apply?

Case #3: Material Violation



Titles and Designations

PRECEPT 12. An Actuary shall make use of membership titles and designations of a Recognized Actuarial Organization only in a manner that conforms to the practices authorized by that organization.

Violations of the Code of Professional Conduct

PRECEPT 13. An Actuary with knowledge of an apparent, unresolved, material violation of the Code by another Actuary should consider discussing the situation with the other Actuary and attempt to resolve the apparent violation. If such discussion is not attempted or is not successful, the Actuary shall disclose such violation to the appropriate counseling and discipline body of the profession, except where the disclosure would be contrary to Law or would divulge Confidential Information.

Violations of the Code of Professional Conduct

PRECEPT 13. An Actuary with knowledge of an apparent, unresolved, material violation of the Code by another Actuary should consider discussing the situation with the other Actuary and attempt to resolve the apparent violation. **If such discussion is not attempted or is not successful, the Actuary shall disclose such violation to the appropriate counseling and discipline body of the profession,** except where the disclosure would be contrary to Law or would divulge Confidential Information.

ANNOTATION 13-1. A violation of the Code is deemed to be material if it is important or affects the outcome of a situation, as opposed to a violation that is trivial, does not affect an outcome, or is one merely of form.

Live Content Slide

When playing as a slideshow, this slide will display live content

**Poll: Jurors, have you reached a verdict? Is
Mr. Roth:**

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: Is Mr. Corleone bound by the Code of Professional Conduct in this case given that he is not a current member of the Society of Actuaries?

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: Would Mr. Corleone be bound by the Code of Professional Conduct if he had lapsed his membership in both the Society of Actuaries and the American Academy of Actuaries?

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: If you feel Mr. Corleone was wrong to use the FSA credential, is it a “material violation?”

Case #4:
Continuing Ed Audit
(The Return of Willie Mays Hayes)





WHAT ARE THE USQS CE REQUIREMENTS?

You must complete at least 30 CE hours of Relevant Continuing Education each calendar year to comply with the USQS. You may not issue an SAO without completing the requirements for the previous calendar year. Shortfalls can be made up the same year prior to issuing an SAO. Excess hours may be carried over for one year.

1 CE HOUR = 50 MINUTES

MINIMUM REQUIREMENTS 30 CE HOURS, INCLUDING



6 Hours
Organized Activities



3 Hours
Professionalism

TRACK YOUR CE HOURS ONLINE



Track your CE and EA hours with TRACE, the web-based recordkeeping tool available to actuaries in all practice areas. Visit www.actuary.org/trace for details.

RELEVANT CONTINUING EDUCATION

You are responsible for determining what CE opportunities will enhance your professional abilities. Continuing education is considered relevant if it



OR



OR



Deepens or broadens your understanding of your actuarial work

Expands your knowledge of practice in related disciplines bearing on your work

Facilitates entry into a new area of actuarial practice

ORGANIZED ACTIVITIES 6 CE HOURS MINIMUM



Interaction with professionals from different organizations required • Conferences, seminars, live attendance at webinars, courses (in-person or online if interactive), outside speakers at in-house meetings, and relevant actuarial committee work acceptable

PROFESSIONALISM 3 CE HOURS MINIMUM



Studying or reviewing actuarial standards of practice (ASOPs) • Reviewing and providing input on an exposure draft of an ASOP • Studying or reviewing the Code of Professional Conduct • Serving on the Actuarial Standards Board or a professionalism committee

OTHER RELEVANT CE ACTIVITIES



Reading actuarial literature, statutes, or regulations • Reading professionally relevant books, papers, or articles • Writing professional papers or articles • Listening to actuarial meetings, seminars, or conferences • Studying for actuarial exams • Listening to recordings of webinars

OPTIONAL

BUSINESS AND CONSULTING SKILLS 3 CE HOURS MAXIMUM

Topics include client relationship management, presentation skills, communication skills, project management, and personnel management

From USQS, Section 2.2.7: Relevant Continuing Education

Continuing education can be obtained through either “organized activities” that involve interaction with actuaries or other professionals working for different organizations or “other activities.” “**Organized activities**” include, but are not limited to, conferences, seminars, webcasts, in-person or online courses, or committee work that is directly relevant to the area of practice of the subject of the Statement of Actuarial Opinion. In-house meetings can satisfy the requirement of interaction with actuaries or professionals working for different organizations by using outside speakers.

“**Other activities**” include, but are not limited to, reading actuarial literature, statutes, or regulations; reading other books, papers, or articles on relevant technical or professional topics; writing professional papers or articles; listening to tapes of actuarial meetings or other relevant seminars or conferences; relevant in-house meetings; studying for actuarial exams; drafting actuarial exam questions; or preparing to speak or lead a discussion at a continuing education activity.

USQS FAQ 40 from the American Academy of Actuaries

40. Do webinars and e-learning, such as Society of Actuaries' online modules, count as "organized activities"? Suppose an "actuarial community" held a conference call, with two presenters and live interaction among the actuaries on the call. Does this constitute an "organized activity"?

The participation in *live webinars* that include participation of actuaries from different organizations would be considered an organized activity under the USQS, because actuaries from other organizations are participating in the question-and-answer part of the webinar. *Recorded webinars and self-study through e-modules would be considered an "other activity" since they do not include the potential for real-time interaction of the actuary with other actuaries or professionals.*

Presentation/interaction by members of an "actuarial community" via teleconference would be considered an organized activity since there is live interaction between actuaries or other professionals of different organizations, presuming the subject matter being discussed is relevant CE (Section 2.2.7).

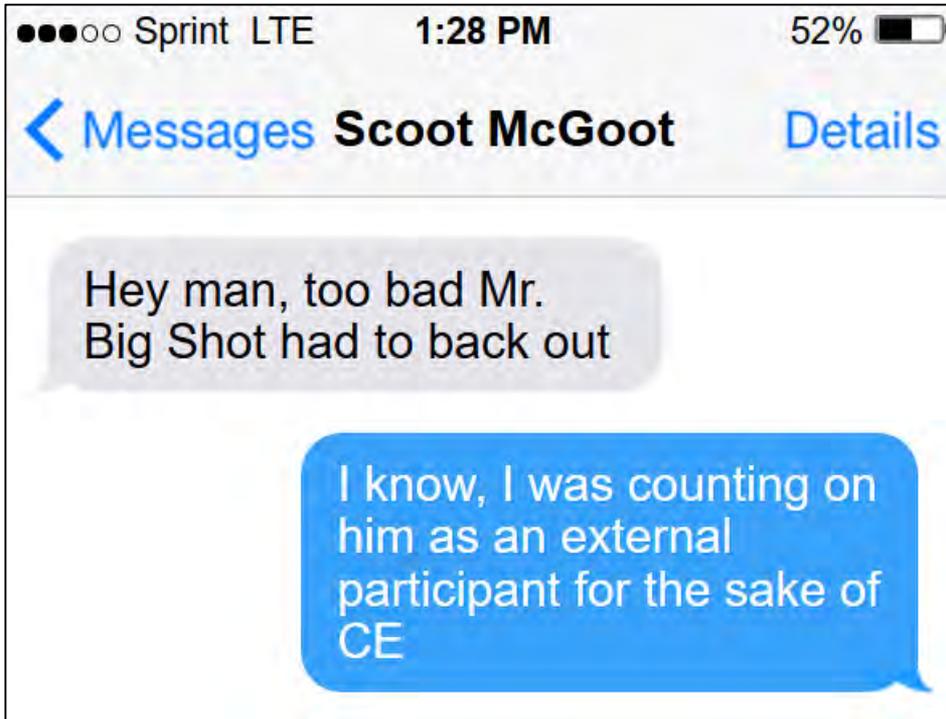
Last updated December 2014

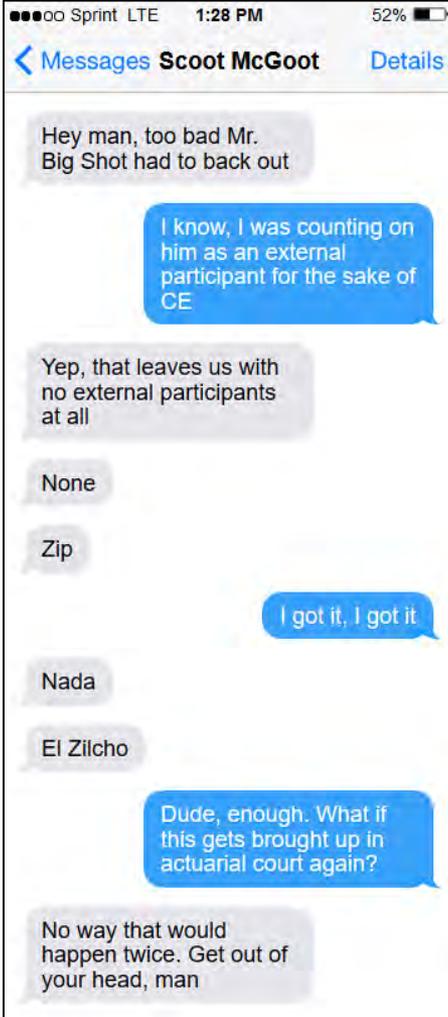
USQS FAQ 42 from the American Academy of Actuaries

42. Can in-house meetings qualify as an “organized” continuing education (CE) activity?

For in-house meeting time to count as an “organized activity,” an outside participant (from a different organization, not just an affiliate of your organization) must actively participate and be available for questions throughout the event (Section 2.2.7).

Last updated December 2014





Live Content Slide

When playing as a slideshow, this slide will display live content

**Poll: Jurors, have you reached a verdict? Is
Mr. Hayes:**

Live Content Slide

When playing as a slideshow, this slide will display live content

**Poll: How many of your 3 professionalism
CE hours must be from organized
activities?**

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: What are the continuing education requirements for an actuary practicing in Canada?

Live Content Slide

When playing as a slideshow, this slide will display live content

**Poll: Have you ever gone through an audit
of your CE?**

Case #5: Qualification Standards



Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States

Including Continuing Education Requirements

Effective January 1, 2008

For purposes of the Qualification Standards, a “Statement of Actuarial Opinion” (SAO) is an opinion expressed by an actuary in the course of performing Actuarial Services and intended by that actuary to be relied upon by the person or organization to which the opinion is addressed.

AMERICAN ACADEMY of ACTUARIES

Objective. Independent. Effective.™

Qualification Standards

PRECEPT 2. An Actuary shall perform Actuarial Services only when the Actuary is qualified to do so on the basis of basic and continuing education and experience, and only when the Actuary satisfies applicable qualification standards.

Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States

Including Continuing Education Requirements

To satisfy the General Qualification Standard, before issuing a Statement of Actuarial Opinion, an actuary must meet the following criteria:

- Be a Member of the Academy, a Fellow or Associate of the SOA or the CAS, a Fellow of the CCA, a Member or Fellow of ASPPA, or a fully qualified member of another IAA-member organization; and
- Have three years of responsible actuarial experience, which is defined as work that requires knowledge and skill in solving actuarial problems; and
- Be knowledgeable, through examination or documented professional development, of the Law applicable to the Statement of Actuarial Opinion. “Law” is defined in the *Code of Professional Conduct*.



AMERICAN ACADEMY of ACTUARIES

Objective. Independent. Effective.™

Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States

Including Continuing Education Requirements

To satisfy the General Qualification Standard, actuaries are required to complete and document at least thirty (30) hours each calendar year of relevant continuing education of which at least three (3) hours must be on professionalism topics and at least six (6) hours must be “organized activities”



AMERICAN ACADEMY of ACTUARIES

Objective. Independent. Effective.™

Live Content Slide

When playing as a slideshow, this slide will display live content

**Poll: Jurors, have you reached a verdict? Is
Mr. Scott:**

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: Have you or your direct reports ever distributed a Statement of Actuarial Opinion from someone not qualified to issue that Statement?

Case #6: Unrealistic Assumptions



Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States

Including Continuing Education Requirements

- Have a minimum of three years of responsible actuarial experience in the area of actuarial practice relevant to the subject of the SAO under the review of an actuary who was qualified to issue the SAO at the time the review took place under standards in effect at that time.



AMERICAN ACADEMY of ACTUARIES

Objective. Independent. Effective.™

- 3.4 Reasonableness of Assumptions—For assumptions for which the actuary is taking responsibility, the actuary should set **assumptions** that are reasonable. For this purpose, an **assumption** is reasonable if it has the following characteristics:
- a. it is appropriate for the purpose of the assignment;
 - b. it reflects the actuary’s professional judgment;
 - c. it takes into account experience, as discussed in section 3.2; and
 - d. it is expected to have no significant bias (i.e., it is not significantly optimistic or pessimistic) relative to the purpose of the assignment, except when a margin is included (as discussed in section 3.3).

Live Content Slide

When playing as a slideshow, this slide will display live content

**Poll: Jurors, have you reached a verdict?
With respect to the charge of
qualification, is Mr. Costanza:**

Live Content Slide

When playing as a slideshow, this slide will display live content

**Poll: Jurors, have you reached a verdict?
With respect to the charge of setting
unrealistic assumptions, is Mr. Costanza:**

Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: What could Mr. Costanza have done better in his development of IBNR for Vandelay Industries (select all that apply)?

Case #7: Conflict of Interest



Communications and Disclosure

PRECEPT 6. An Actuary shall make appropriate and timely disclosure to a present or prospective Principal of the sources of all direct and indirect material compensation that the Actuary or the Actuary's firm has received, or may receive, from another party in relation to an assignment for which the Actuary has provided, or will provide, Actuarial Services for that Principal. The disclosure of sources of material compensation that the Actuary's firm has received, or may receive, is limited to those sources known to, or reasonably ascertainable by, the Actuary.

ANNOTATION 6-1. An Actuary who is not financially and organizationally independent concerning any matter related to the performance of Actuarial Services should disclose to the Principal any pertinent relationship that is not apparent.

ANNOTATION 6-2. An Actuary employed by a firm that operates in multiple locations is subject to the requirement of disclosure of sources of compensation that the Actuary's firm may receive in relation to Actuarial Services with respect to a specific assignment for that Principal, regardless of the location in which such compensation is received.

Conflict of Interest

PRECEPT 7. An Actuary shall not knowingly perform Actuarial Services involving an actual or potential conflict of interest unless:

- A** the Actuary's ability to act fairly is unimpaired;
- B** there has been disclosure of the conflict to all present and known prospective Principals whose interests would be affected by the conflict; and
- C** all such Principals have expressly agreed to the performance of the Actuarial Services by the Actuary.

Code of Professional Conduct

Live Content Slide

When playing as a slideshow, this slide will display live content

**Poll: Jurors, have you reached a verdict? Is
Mr. Varys:**

Live Content Slide

When playing as a slideshow, this slide will display live content

**Poll: If you were the actuary in a conflict
which repeats annually, would you:**

Live Content Slide

When playing as a slideshow, this slide will display live content

**Poll: You are a consulting actuary who reviews rates for a DOI. You are asked to review rates in the following situations. Which of these situations are conflicts?
(Choose all that apply)**



**SOCIETY OF
ACTUARIES®**