

PROFESSIONALISM AND THE PRACTICING ACTUARY

Actuaries and the Code of Professional Conduct,
Qualification Standards, Standards of Practice,
and Counseling and Discipline



AMERICAN ACADEMY *of* ACTUARIES

Objective. Independent. Effective.™



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The American Academy of Actuaries is an 18,500+ member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

VISION

The vision of the American Academy of Actuaries is that financial security systems in the United States be sound and sustainable, and that actuaries be recognized as preeminent experts in risk and financial security.

MISSION

The American Academy of Actuaries' mission is to serve the public and the United States actuarial profession.

To accomplish this:

- As the public voice for the United States actuarial profession, the Academy provides independent and objective actuarial information, analysis, and education for the formation of sound public policy;
- The Academy provides for the establishment, maintenance, and enforcement of high professional standards of actuarial qualification, practice, and conduct;
- The Academy advances actuarial practice by informing and educating its members on public policy and professionalism issues and current and emerging practices;
- The Academy identifies and addresses issues on behalf of the public interest on matters in which actuarial science provides a unique understanding;
- The Academy increases the public's understanding and recognition of the value of the actuarial profession;
- The Academy provides opportunities for professional development of its members through volunteerism and service to the profession;
- The Academy facilitates and coordinates response to issues of common interest among the U.S.-based actuarial associations; and
- The Academy coordinates the representation of the U.S. profession globally.

The Academy provides for the establishment, maintenance, and enforcement of high professional standards of actuarial qualification, practice, and conduct.

—from the Mission Statement of the American Academy of Actuaries

PROFESSIONALISM: THE CORE OF THE ACADEMY'S MISSION

Actuaries embrace a high standard of professional conduct, one that requires a combination of competency, integrity, objectivity, and a commitment to serve the public interest. These traits are appropriate to a self-regulated profession; these traits also are necessary elements to support the application of sound actuarial judgment regardless of practice area, type of employment, or type of employer.

Actuaries and their employers, clients, and the public rely upon the Academy to maintain the profession's integrity, competency, and reputation. Through its boards and committees, and working in concert with each of the U.S.-based actuarial organizations, the Academy has worked successfully to advance both actuarial practice and actuarial professionalism.

We invite you, in the pages that follow, to learn more about how the Academy works to fulfill its mission to promote and enforce high professional standards of actuarial qualification, practice, and conduct.



An underlying goal of the Council on Professionalism's activities is maintaining the excellent standing our profession holds with the publics we serve. The professionalism we comport in our work is the foundation for U.S. actuaries' independence from external regulation.

—Kenneth A. Kent
Vice President for Professionalism Issues, 2014-2016

PROFESSIONALISM STANDARDS

Code of Professional Conduct

Developed in coordination with the U.S.-based actuarial organizations, the Code is a single document maintained by the Academy that identifies the professional and ethical standards required of actuaries who are members of the Academy. Effective Jan. 1, 2001, the Code in its current form was also adopted without variation by the Society of Actuaries, the American Society of Pension Professionals and Actuaries (ASPPA College of Pension Actuaries), the Casualty Actuarial Society, and the Conference of Consulting Actuaries.

The adoption of a uniform Code was a professionalism milestone; as early as the late 1950s, the U.S. organizations had started developing and adopting standards of professional conduct and precursors to such standards, including the Guides to Professional Conduct that the Academy issued in December 1965 immediately after its formation. A 1992 precursor to the modern Code issued by the Academy addressed inconsistencies that had developed between the various organizational codes but was not adopted without variation across the organizations.

The Code consists of 14 Precepts and a total of 23 Annotations contained under 11 broad headings. The Precepts identify the professional and ethical standards with which the actuary must comply and the Annotations provide additional explanatory, educational, and advisory material on how the Precepts are to be interpreted and applied.

U.S. Qualification Standards

Precept 2 of the Code requires that an actuary provide advice or services only when he or she is qualified to do so on the basis of basic and continuing education and experience, and only when the actuary satisfies applicable qualification standards. The Academy published the U.S. actuarial profession's first qualification standards in October 1981, Qualification Standards to Sign Statements of Actuarial Opinion on NAIC Annual Statement Blanks. These first Qualification Standards consisted of two parts—one addressing education requirements and the other addressing experience requirements. In an effort to consider qualifications across practice areas, in 1982 the Academy consolidated its various qualification committees into a Committee on Qualifications.

Over the years, the U.S. Qualification Standards have been updated and expanded as actuarial specialization, new areas of actuarial practice, regulatory complexities, and advances in actuarial theory and technology have continued to grow.

After extensive review, and following exposure and comment periods, the most recent major revision of the standards took effect on Jan. 1, 2008 (the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States, Including Continuing Education Requirements). They include significantly more rigorous continuing education requirements and, for the first time, apply to most practicing actuaries in the United States.



The Academy has a widely recognized 50-year track record of independence and objectivity, giving us a reputation and credibility with policymakers and regulators that is more valuable than gold. We have inherited a culture of objectivity from prior generations, and hold it in trust for the future.

—Tom Wildsmith
Academy President, 2015-2016

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Educational Webinars on Professionalism Topics

In addition to quarterly affordable webinars on current professionalism topics presented by Academy experts, Academy members enjoy free and unlimited access to the Council on Professionalism's entire library of professionalism webinars, which date back to September 2007 and number 29 as of mid-2015.

Selected webinars include:

- Revised FAQs on USQS: Spelling Out the Details
- The Great Modeling Debate: What Standards Should Apply?
- New Report on Actuaries' Perceptions of Key Ethical Issues Facing Profession
- The New ASOP 6: Does Your Actuarial Work Measure Up?
- Disclosure in the Real World: ASOP No. 41 Case Studies
- Precept 13: Preserving Integrity and Public Trust
- Up to Code: Are You Keeping Up to Code?
- Where the Rubber Meets the Road: Applying the Code of Professional Conduct and ASOPs in Your Daily Work
- Setting the Ground Rules: Revised ASOP No. 1 and Other Key Information for Actuaries

Academy members can earn continuing education credits by listening to these pre-recorded webinars. These credits can be counted toward the three hours of continuing education on professionalism topics required annually, as detailed in the U.S. Qualification Standards (Section 2.2).

Actuarial Standards of Practice

Actuarial standards of practice (ASOPs) provide guidance on the techniques, applications, procedures, and methods that reflect the appropriate actuarial practices with which credentialed actuaries must comply in the United States. Precept 3 of the Code of Professional Conduct requires actuaries to satisfy applicable standards of practice whenever providing actuarial services.

The Academy began issuing standards of practice—initially called recommendations—in 1973. They were supplemented by interpretations. A major advance in the development and management of standards of practice came in 1985 with the creation of the Interim Actuarial Standards Board. That body was the prototype for the permanent Actuarial Standards Board (ASB), which was created in July 1988 after a vote to amend the Academy bylaws. ASOPs are promulgated by the ASB, which is an Academy body that operates autonomously. It is supported by Academy staff and housed at the Academy. The ASB has the discretion to initiate, develop, and adopt new ASOPs, or update, modify, or repeal existing ASOPs, as needed.

Applicability Guidelines for Actuarial Standards of Practice

To promote awareness among practicing actuaries of the applicability of different actuarial standards of practice to the various tasks they perform, the Council on Professionalism developed and published Applicability Guidelines to provide actuaries with information as to which ASOPs might (or typically do) apply to them as they perform various actuarial assignments.

In October 2014, the Council on Professionalism released revised Applicability Guidelines, reflecting new and revised ASOPs and available for the first time in Excel, with links to relevant ASOPs. The Council periodically updates the Applicability Guidelines, as it did most recently in April 2015 after the promulgation of ASOP No. 49, *Medicaid Managed Care Capitation Rate Development and Certification*.

ACADEMY PROFESSIONALISM BODIES

Professionalism Committees

The Council on Professionalism oversees the Academy's work on professionalism issues. Its committees, task forces, and work groups include:

- Committee on Actuarial Public Service
- Committee on Professional Responsibility
- Committee on Qualifications
- Joint Committee on the Code of Professional Conduct
- Life and Health Qualifications Seminar Committee

Council on Professionalism

The Council on Professionalism encourages actuaries to achieve and maintain a high level of professionalism in their practice. It coordinates its activities with the Actuarial Standards Board and the Actuarial Board for Counseling and Discipline (ABCD), among other groups.

To facilitate coordination of professionalism activities and issues, the Council includes liaisons from all the U.S.-based actuarial organizations, each of the Academy's practice councils, and the various professionalism committees and boards described below.

The Council's mission is to "foster and reinforce members' desire to maintain professionalism in their daily practice and to provide members with the tools to do so." To that end, the Council, along with its committees:

- Maintains the Code of Professional Conduct and Qualification Standards;
- Publishes discussion papers on various aspects of actuarial professionalism;
- Publishes Applicability Guidelines to assist actuaries in applying the Actuarial Standards of Practice to particular professional assignments;
- Develops seminars and webinars on areas of actuarial practice involving significant professionalism content for actuaries practicing in the United States;
- Develops and presents sessions on professionalism topics at actuarial meetings; and
- Works within the Academy to represent the U.S. profession to public policy makers when dealing with professionalism issues.

Committee on Qualifications

The Committee on Qualifications (COQ) promulgates the U.S. Qualification Standards—with the approval of the Academy Board of Directors—that apply to actuaries credentialed by any of the U.S.-based actuarial organizations. The Committee on Qualifications considers what should be the minimum requirements for actuaries to issue all statements of actuarial opinion, including statutory statements of actuarial opinion. It recommends to the Academy Board of Directors appropriate qualification standards, including continuing education requirements for actuaries, and frequently responds to member questions regarding interpretation of the U.S. Qualification Standards. In December 2014, the COQ released an expanded FAQ page on the U.S. Qualification Standards to assist members and other interested parties in understanding to whom the U.S. Qualification Standards apply.

Actuarial Standards Board

The Actuarial Standards Board establishes and improves standards of actuarial practice. These actuarial standards of practice (ASOPs) identify what the actuary should consider, document, and disclose when performing an actuarial assignment. The ASB's goal is to set standards for appropriate practice for the United States.

The process for promulgating or revising an ASOP is deliberative and comprehensive. During this process, the ASB:

1. Reviews and evaluates current and emerging practices;
2. Determines appropriate guidance;
3. Publishes an exposure draft to obtain input from actuaries and other interested parties;
4. Considers all comments received; and
5. Publishes a final standard or another exposure draft.

The ASB is comprised of nine persons representing a broad range of backgrounds and areas of actuarial practice. Each ASB member is appointed to a three-year term, with staggered terms. No board member is permitted to serve more than two consecutive full terms.

Members of the ASB are appointed by a selection committee composed of the presidents and presidents-elect of the American Academy of Actuaries, the American Society of Pension Professionals and Actuaries, the Casualty Actuarial Society, the Conference of Consulting Actuaries, and the Society of Actuaries. The president of the Academy serves as the chairperson of the selection committee, which annually also appoints the chairperson and vice chairpersons of the ASB.

Actuarial Board for Counseling and Discipline

The Actuarial Board for Counseling and Discipline (ABCD) was established by the U.S. actuarial organizations to strengthen members' adherence to the recognized standards of ethical and professional conduct.

The Board has two primary functions:

1. It responds to actuaries' requests for guidance on professional issues.
2. It considers complaints about possible violations of the actuarial Code of Professional Conduct, and where warranted, it provides recommendations for disciplinary action to an actuary's membership organizations. The ABCD does not impose discipline; it recommends discipline to the participating organizations. The ABCD endeavors to mediate disputes that involve members of the five U.S.-based actuarial organizations and that appear to lend themselves to informal mediation.

The ABCD's members also conduct educational outreach efforts, which include making speeches and presentations and writing magazine articles to help actuaries, regulators, and other stakeholders become more familiar with the ABCD's work.

The ABCD's nine members represent all main areas of actuarial practice. Each of the four primary areas of actuarial practice—casualty, health, life, and pension—is represented by two or more members of the ABCD. The ABCD's members are appointed by a selection committee composed of the presidents and presidents-elect of the five participating organizations and chaired by the Academy president.



The greater the public reliance on the work of a profession, and the greater the complexity of that work, the greater the need for a code of conduct and standards of practice. In light of the significant contributions our profession makes to the financial security of individuals and organizations, and the high degree of complexity of our work, it is critical that we develop, continuously improve, and monitor professional requirements for actuaries.

—Patricia Matson
Chairperson

Actuarial Standards Board, 2015



Clockwise from top left:

Shawna Ackerman (left), the Academy's vice president for casualty issues, and Mary Simmons, a member of the Actuarial Standards Board's General Committee, debate during a 2015 Academy professionalism webinar, "The Great Modeling Debate: Which Standards Should Apply?"

Actuarial Standards Board (ASB) Chairperson Patricia Matson (third from right) makes a point during the ASB's public hearing on public pension plans in July 2015.

Committee on Qualifications Chairperson Keith Passwater and member John Gleba answer member questions during a 2014 webinar on the revised FAQs on the U.S. Qualification Standards.

The Academy regularly hosts regulator-only breakfasts at meetings of the National Association of Insurance Commissioners, like this one in August 2014.

Since its founding in 1965, the American Academy of Actuaries has focused both on providing an actuarial perspective on public policy issues and in ensuring that actuaries adhere to detailed standards of practice and embrace a professional code of conduct and discipline based on integrity, trust, and honest communications.

Every member of the profession, therefore, is invested in the success of the Academy.

PROFESSIONALISM TIMELINE

- 1965 American Academy of Actuaries founded
- 1973 First standards of practice issued
- 1981 U.S. Qualification Standards first established
- 1985 Interim Actuarial Standards Board formed
- 1988 Actuarial Standards Board established
- 1991 Academy elects first Vice President for Professionalism
- 1992 Actuarial Board for Counseling and Discipline established
- 1992 Code of Professional Conduct first takes effect
- 1992 Academy Council on Professionalism founded
- 1998 U.S. Qualification Standards revised
- 2000 First Life and Health Qualifications seminar conducted
- 2001 Revised Code of Professional Conduct takes effect
- 2007 Professionalism webinar series launched
- 2008 Revised Qualification Standards take effect
- 2011 Academy Conflict of Interest discussion paper published
- 2011 Academy begins requiring volunteers to attest to their compliance with continuing education requirements and the Academy's Conflict of Interest policy
- 2015 ASB's enhanced, mobile-friendly website debuts
- 2015 An interactive learning platform, the Actuarial eLearning Center, is launched

ABOUT THE ACADEMY

The American Academy of Actuaries is a D.C.-based 18,500+ member professional association whose mission is to serve the public and the U.S. actuarial profession. Academy members include consultants, corporate executives and staff, regulators, government officials, academicians, and retired actuaries. Their areas of practice cover pensions, life insurance, casualty insurance, health insurance, financial reporting, risk management, and more.

The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries credentialed by one or more of the five U.S.-based actuarial organizations.

Many of today's most pressing public policy issues require the sound application of actuarial principles. The Academy provides actuarial expertise and advice to public policy decision-makers on a wide array of issues that require the special set of skills and qualifications that actuaries offer. It also advocates on behalf of the profession and promotes the use of actuaries in non-traditional industries.

Recognizing the need for a single, inclusive body that would represent qualified actuaries in the United States across all specialties, the four actuarial organizations that then comprised the U.S. profession—the Casualty Actuarial Society, the Conference of Actuaries in Public Practice, the Fraternal Actuarial Association, and the Society of Actuaries—in 1964 agreed to the creation of the American Academy of Actuaries, which was incorporated in Illinois in 1965.



From the halls of Congress and state capitols to regulatory and professional bodies such as the NAIC, FASB, and the IAA, the Academy represents the interests of all U.S. actuaries. As a member of the Academy, you are demonstrating a personal commitment to responsible actuarial practice, professionalism, and sound public policy.

—Daniel J. McCarthy
Academy President, 2001–2002
Posthumous winner of the Jarvis Farley Service Award, 2010

PROFESSIONALISM LINKS

American Academy of Actuaries

<http://www.actuary.org/>

Council on Professionalism

<http://actuary.org/content/council-professionalism-committees>

Actuarial Standards Board

<http://www.actuarialstandardsboard.org/>

Actuarial Board for Counseling and Discipline

<http://www.abcdboard.org/>

Code of Professional Conduct

<http://actuary.org/content/code-professional-conduct>

Qualification Standards

<http://www.actuary.org/content/us-qualification-standards>

Actuarial Standards of Practice

<http://www.actuarialstandardsboard.org/standards-of-practice/>

Applicability Guidelines for Actuarial Standards of Practice

<http://www.actuary.org/content/applicability-guidelines-actuarial-standards-practice-0>

Academy Vision and Mission

<http://actuary.org/content/vision-mission>

The actuarial profession has a succinct Code of Professional Conduct, which is supported by a growing set of standards of practice that is the envy of other professions. Our guidance and discipline process is considered to be among the best in terms of clarity, fairness, and transparency. It is a three-part system that is a framework for professionalism.



—Janet Fagan
Chairperson, Actuarial Board for
Counseling and Discipline



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