

CHAIRPERSON'S LETTER

In 2009, the Actuarial Board for Counseling and Discipline (ABCD) handled 105 cases, 46 requests for guidance and 59 inquiries. It provided guidance in response to the 46 requests and closed 36 inquiry cases.

The nine ABCD members are appointed by the Council of U.S. Presidents and Presidents-Elect (“CUSP”) of the five U.S.-based actuarial organizations. The ABCD members broadly represent the four traditional practice areas and the five organizations. ABCD members, as a group, bring a wealth of experience to their service on the Board.

Much of what the ABCD does involves responding to requests for guidance (“RFGs”). Members of the participating actuarial organizations may contact the ABCD to seek guidance. Most responses to RFGs are by individual ABCD members, though an actuary can request that the ABCD as a whole respond to an RFG.

Often the guidance will take the form of listening to a requester’s concerns and helping the requester sort out a problem and arrive at his or her own conclusions. At other times, the guidance may be specific answers to questions, especially conduct and ethics questions; less often, questions involve standards of practice and methods. A summary of the kinds of issues raised in RFGs that are handled by the ABCD is included in this report.

The other large-time commitment by ABCD members involves working on inquiry cases. These cases stem primarily from complaints that are filed with the ABCD. They also include cases commenced on the ABCD’s own initiative - from news articles spotted by ABCD members and staff or from submissions that do not constitute complaints. The ABCD Chairperson and two Vice Chairpersons may, after a thorough review and appropriate determination, dismiss an inquiry case. Other inquiry cases go all the way through an investigation, hearing, and a recommendation that the membership organization(s) impose discipline. A chart showing the number of cases handled by the ABCD, including inquiry cases and RFGs, since its inception in 1992 is included in this report.

In 2009, the ABCD increased its efforts to participate in professionalism sessions, discussing with actuarial audiences how the investigation and discipline system works and illustrating some of the kinds of cases handled by the ABCD. Sessions were conducted for the five professional organizations, but also for actuarial clubs, regional affiliates, individual employers and university student-run groups. Organizations can inquire into the availability of an ABCD member for professionalism presentations at <http://www.abcdboard.org/speakers/request.asp>.

The ABCD also continued to describe its functions, illustrate problematic conduct, and discuss professionalism in *Contingencies* magazine’s “Up to Code” column.

In 2009 and into 2010, the ABCD has exchanged ideas with CUSP regarding the latter’s draft revision of the U.S. actuaries’ investigative and discipline system. CUSP’s proposals and concepts have already been presented to the five U.S.-based organizations’ leadership. Their goal is to streamline the discipline process while maintaining due process for members of the

profession whose actions are being reviewed.

At the conclusion of 2009, ABCD members Julia Philips and Michael Toothman completed six years each of outstanding service. They brought experience, expertise, and enthusiasm to all aspects of the ABCD's operations. The remainder of the ABCD is thankful to have had the opportunity to serve with Julia and Mike and wish them well.

Newly appointed members, replacing them, are James Guterman and John Purple. They have already vigorously taken on ABCD responsibilities in meetings, individual assignments, and responses to requests for guidance. They have been welcome additions to the ABCD family.

For 2010, CUSP appointed Carol Sears to serve as Chairperson, assisted by Paul Fleischacker and me as the two Vice Chairpersons.

Curtis E. Huntington
2009 ABCD Chairperson

CASES* CONSIDERED DURING 2009

Type of Case	Pending from 2008 and Earlier	Received in 2009	Total
Conduct	13	32	45
Practice	6	6	12
Conduct & Practice	0	2	2
Requests for Guidance	0	46	46
Total	19	86	105

Cases by Practice Area	Pending from 2008 and Earlier	Received in 2009	Total
Casualty	9	22	31
Health	1	20	21
Life	2	20	22
Pension	7	24	31
Total	19	86	105

* Including requests for guidance

CASES CLOSED

Action by Individual ABCD Members

Replied to requests for guidance 46

Disposition by Chairperson and Vice Chairpersons

Dismissed 27

(Referred to Investigators in 2009: 7)

Dismissed with Guidance 5

Disposition by Whole ABCD After Investigation

Dismissed 2

Dismissed with guidance 0

Counseled without hearing 0

Counseled after hearing 0

Recommended private reprimand 0

Recommended public reprimand 2

Recommended Expulsion 0

Total Cases Closed (including requests for guidance)

82

CASES IN PROGRESS (AS OF 12/31/09)

Pending disposition	2
Pending hearing	2
Pending investigation	2
Pending receipt of more information (from complainant, subject, other)	16
Cases suspended	1
Total Cases in Progress	23

Since its inception in 1992, the ABCD has completed its cases as follows:

Dispositions	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Dismissed	12	24	9	11	8	11	13	10	5	20
Dismissed with guidance	6	10	3	—	5	1	5	2	8	5
Counseled	—	2	8	1	6	2	5	—	2	3
Mediated	3	1	1	—	—	—	—	1	—	4
Recommended private reprimand	—	—	—	—	—	—	—	—	1	1
Recommended public discipline	—	1	2	—	3	—	1	—	3	—
Replied to requests for guidance	8	8	8	10	28	31	22	31	36	21
Total	29	46	31	22	50	45	46	44	55	54

Dispositions	2002	2003	2004	2005	2006	2007	2008	2009	Total
Dismissed	16	7	5	5	1	5	11	29	202
Dismissed with guidance	4	2	2	4	1	0	1	5	64
Counseled	2	4	1	4	3	1	2	0	46
Mediated	—	1	—	—	—	1	0	0	12
Recommended private reprimand	—	—	—	—	—	0	1	0	3
Recommended public discipline	—	1	—	2	1	1	3	2	20
Replied to requests for guidance	47	30	46	37	31	35	48	46	523
Total	69	45	54	52	37	43	66	82	870

2009 Summary of Requests for Guidance

The ABCD members responded to 46 requests for guidance during 2009. While detailed information cannot be released about any of these RFGs, the table below provides a summary of the major issues involved in these requests. Note that many RFGs involve more than one issue.

	Issue	Number
General	When should I treat a personal conversation as confidential?	1
	What should I do when others' assumptions affect results?	1
	What makes an opinion "qualified"?	1
	How can I do "best practice" work?	1
	Does the ABCD make legal determinations?	1
	What should actuarial students do to avoid unprofessional actions?	1
	When is an error material?	1
	If a report is not signed by an actuary but an actuary prepared it, is it an "actuarial opinion"?	1
Precept 1	When is a failure to reveal known information dishonest?	3
	What are unreasonable assumptions?	1
	Is it permissible to use unreasonable assumptions if I caveat them?	4
	How do I caveat an opinion for data problems?	1
	Must a mistake be corrected if the impact was immaterial?	1
	How should I resolve an error in my own work?	1
	How can I ensure compliance with legal requirements?	2
	What should I do when others may act dishonestly?	1
	What should I do if I find my designation has inadvertently lapsed through nonpayment of dues?	1
Precept 2	When is an actuary qualified? How do I determine if an actuary is qualified?	6
	What do I do when my continuing education is short?	1
	Is qualification to review work different than qualification to do the work?	1
Precept 3	How much documentation is necessary in a report? How do I document sources of assumptions, or prescribed assumptions, or select reasonable assumptions? When is it appropriate to use "safe harbor" assumptions?	7

	What should I do about an inadvertent error in following an ASOP?	1
	When can I deviate from an ASOP?	1
	What are the documentation requirements in ASOP 41?	1
	When should I restate prior incorrect results?	1
	When is an opinion an “Actuarial Opinion”?	1
	How can I be sure I have followed all applicable ASOPs?	1
	How to provide asset adequacy testing for a small company?	1
	How do I proceed when an actuarial opinion is rejected?	1
Precept 4	How do I proceed when an actuarial opinion is rejected? . . . that work is not acceptable?	2
	How do I communicate with a client?	1
	How do I communicate appropriate informations?	1
Precept 5	Who is the Principal?	1
Precept 6	none	0
Precept 7	How do I determine if there is a conflict of interest?	1
	How much information must I provide at no charge?	1
Precept 8	How can I ensure my work product is not misused?	4
	How do I deal with a client’s possible illegal act?	2
	How do I correct a prior inadvertent error?	1
	How do I prevent another firm from copying my work?	1
Precept 9	When is information confidential?	1
Precept 10	How much detail must I provide to reviewer of work?	1
	How must I cooperate appropriately with a successor actuary?	1
	What information is proprietary?	1
Precept 11	none	0
Precept 12	none	0
Precept 13	Should I file a complaint? How do I file a complaint?	8
	When should I discuss a possible violation with the other actuary?	1
	When is a possible violation considered resolved?	1
	How can I determine the materiality or illegality of actions?	1
Precept 14	none	0
	Total issues considered	76

2009 ABCD Members



(from left) front row, Carol Sears, Curtis Huntington (Chairperson), Julia Philips; back row, Linda Bell, Richard Robertson, Bob Rietz, Michael L. Toothman, Kurt Piper, Paul Fleischacker.

ABCD Financial Summary

Year Ended December 31, 2009¹

REVENUE

Interest	\$789
Total Revenue	\$789

EXPENSES

1. Staff Salaries ²	\$139,365
2. Staff Benefits	32,058
3. Office Operating Costs	55,927
4. Postage and Delivery Services	2,192
5. Staff Travel	3,848
6. ABCD Meetings and Conference Calls	33,419
7. ABCD Travel Reimbursement	44,397
8. Investigator-related Expenses	40,687
9. Professional Services	49,945
10. Other	4,355
Total Expenses	\$406,193

¹ The above figures associated with the ABCD are extracted from the American Academy of Actuaries 2009 audited financial statements which are available on the Academy's website. Many members of the actuarial profession have contributed significant amounts of volunteer time to the activities of the ABCD. The financial summary does not reflect the value of those contributed services.

² Includes salaries of full-time staff members and charges for actual time spent on the ABCD program by other Academy employees.