

## CHAIRPERSON'S LETTER

The Actuarial Board for Counseling and Discipline (ABCD) conducted its regular activities in 2010 and also embarked on several procedural improvements and outreach initiatives.

With regard to regular activities in 2010, the ABCD handled 98 cases, 55 requests for guidance (RFGs) and 43 inquiries. It provided guidance in response to the 55 RFGs and closed 22 inquiry cases. Of the closed inquiry cases, none were resolved with mediation. 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.

'Cases' refers to the combination of RFGs and inquiries.

RFGs are supportive communications between requesters and the ABCD. The most common RFG is between a requester and an individual ABCD member. The ABCD member provides a professionalism ear to the issue posed by the requester and then guidance. Individual RFGs are kept confidential. Occasionally, a written request is submitted to the whole ABCD with the intention of disseminating guidance to the profession broadly. This type of RFG and the ABCD response are carefully vetted. Both the RFG and the ABCD response are published so to advance professionalism of all actuaries. I am pleased to announce that a written RFG and full ABCD reply will soon be published. A summary of the kinds of issues raised in RFGs that are handled by the ABCD is included in this report.

Inquiries are complaints submitted for ABCD consideration. Not all complaints lead to an investigation and/or result in a hearing. When appropriate, the ABCD provides mediation services to help resolve the professionalism issues. For complaints that are subject to investigation and a hearing, the ABCD conducts the hearing, deliberates, and either dismisses, counsels, or recommends a level of discipline to the subject actuary's organization(s). The ABCD does not administer discipline.

With regard to procedural improvements initiatives considered during 2010, the ABCD worked on:

- content of our post-hearing findings and recommendation letters
- content of our dismissal letters to complainants and subject actuaries
- memorializing debriefing outgoing members so to capture their thoughts and ideas
- providing a half day training for incoming members

With regard to outreach initiatives during 2010, the ABCD:

- created, and assigned to an ABCD member the upkeep of, a thorough RFG issues summary spreadsheet
- had idea sharing joint meetings with the Council of US Presidents ("CUSP") about the components of their proposed joint disciplinary system revisions

- designed, and assigned to an ABCD member the upkeep of, a spreadsheet to record information regarding past inquiries to help establish discipline guidelines for any revised disciplinary system
- gathered and assessed CUSP's and other actuaries' feedback about transparency of ongoing ABCD cases expectations and/or concerns and determined we could:
  - put our quarterly reports to CUSP on our website
  - suggest that organizations link to or publish our reports on their websites
  - compose "Up to Code" articles about transparency and/or high profile cases
- performed complete review of our website and is working with the Academy web staff to implement user-friendly and additional enhancements
- continued to offer timely and thought provoking "Up to Code" articles in Contingencies
- continued existing speaking engagements and pursued additional opportunities for ABCD presentations
  - the ABCD spoke in at least 25 formal settings during 2010

At the conclusion of 2010, ABCD members Linda Bell, Richard Robertson and I completed six years of service. We all felt that being an ABCD member is vital to caring for the professionalism concerns of our industry. The service is both rewarding and at times gut wrenching. We hope that all nominated actuaries will affirmatively answer the call to ABCD duty. We leave the ABCD knowing that our replacements will serve you well. They are Nancy Behrens, Janet Fagan, and Kathy Riley.

For 2011, CUSP appointed Curtis Huntington to serve as Chairperson, assisted by Paul Fleischacker and Robert Rietz as the two Vice Chairpersons.

Being an actuary has been the best career choice I could have made. Having a strong professionalism base and vibrant discipline system that works is a major reason that actuarial science is among the most respected professions. Thank you to all actuaries for caring enough to approach your job with and to support unparalleled industry-wide professionalism.

Carol R. Sears  
 2010 ABCD Chairperson  
 January 2011

## CASES\* CONSIDERED DURING 2010

Type of Case	Pending from 2009 and Earlier	Received in 2010*	Total
Conduct	15	7	22
Practice	7	9	16
Conduct & Practice	1	4	5
Requests for Guidance	0	55	55
Total	23	75	98

Cases by Practice Area	Pending from 2009 and Earlier	Received in 2010*	Total
Casualty	12	11	23
Health	1	20	21
Life	5	12	17
Pension	5	32	37
Total	23	75	98

\* Including requests for guidance

## CASES CLOSED

### Action by Individual ABCD Members

Replied to requests for guidance 55

### Disposition by Chairperson and Vice Chairpersons

Dismissed 12

(Referred to Investigators in 2010: 11)

Dismissed with Guidance 1

### Disposition by Whole ABCD After Investigation

Dismissed 4

Recommended private reprimand 2

Recommended public reprimand 0

Recommended Suspension 3

Recommended Expulsion 0

---

**Total Cases Closed (including requests for guidance)** 77

## CASES IN PROGRESS (AS OF 12/31/10)

Pending disposition	0
Pending hearing	1
Pending investigation	8
Pending receipt of more information (from complainant, subject, other)	11
Cases suspended	1
<b>Total Cases in Progress</b>	<b>21</b>

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
<b>Total</b>	<b>29</b>	<b>46</b>	<b>31</b>	<b>22</b>	<b>50</b>	<b>45</b>	<b>46</b>	<b>44</b>	<b>55</b>	<b>54</b>

Dispositions	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
Dismissed	16	7	5	5	1	5	11	29	16	218
Dismissed with guidance	4	2	2	4	1	0	1	5	1	65
Counseled	2	4	1	4	3	1	2	0	0	46
Mediated	—	1	—	—	—	1	0	0	0	12
Recommended private reprimand	—	—	—	—	—	0	1	0	2	5
Recommended public discipline	—	1	—	2	1	1	3	2	3	23
Replied to requests for guidance	47	30	46	37	31	35	48	46	55	578
<b>Total</b>	<b>69</b>	<b>45</b>	<b>54</b>	<b>52</b>	<b>37</b>	<b>43</b>	<b>66</b>	<b>82</b>	<b>77</b>	<b>947</b>

## **2010 Summary of Requests for Guidance-RFGs**

The ABCD members responded to 54 requests for guidance during 2010. While detailed information cannot be released about any of these RFGs, the tables below provide summaries by practice area, by precepts of the Code of Professional Conduct, and by the major issues involved in these request. Note that many RFGs involve multiple issues.

<b><u>Practice Area</u></b>	<b><u>No. of RFGs</u></b>
General	3
Pension	19
Health	18
Life	8
Property & Casualty	6
Total	54

<b><u>Precept</u></b>	<b><u>No. of RFGs</u></b>
1	20
2	8
3	12
4	13
5	1
6	0
7	4
8	6
9	2
10	10
11	3
12	3
13	7
14	0
General	3
Total	92

## **Major Issues**

- Qualification Issues
  - Qualification standards and requirements for issuing various types of actuarial communications
  - Qualification requirements for performing actuarial work in certain practice areas and in new practice areas
  - Concerns on the qualifications and skills of another actuary on work performance and misrepresentation of skills
- Advertising and Solicitation of Clients
  - Use and misuse of titles and credentials
  - Concerns on improper solicitation of clients
  - Use of professional designation when membership expired
- Conflicts of Interest
  - Dual consulting roles, e.g., auditing reserves for a CPA firm and being appointed actuary for client company
  - What constitutes a conflict of interest
- Cooperation with Successor Actuaries
  - Attaining information from prior actuary
  - Cooperation requirements in a non-payment of fees situation
  - How much cooperation is necessary
  - Turning over proprietary data, models and software
  - Cooperation in an adversarial or competitive situation
  - Potential misuse or misinterpretation of information by successor actuary
  - Requirements on redoing prior work
- Communication Questions
  - Rendering statements of actuarial opinions and other types of reports when some of work performed by others not under your control
  - Reliance on work of others
  - Elements to be included in various types of actuarial communications
  - Reviewing and reporting on work of others
  - Types of communication subject to the Code of Professional Conduct and Actuarial Standards of Practice
  - Obligations for reporting mistakes to plan participants
  - Appropriate testing and use of data in actuarial opinions
- Precept 13 Issues
  - Requirements for reporting potential material violations of the code
  - What constitutes potential material violations of the Code of Professional Conduct; concerns regarding quality and accuracy of work product prepared by other actuaries
  - How to file a complaint
- Miscellaneous Actuarial Issues
  - Reasonable margins in reserves

- Required minimum interest to credit on annuities
- Requirements regarding funding and valuation methods for pension plans and retiree health and welfare plans
- Potential misuse of work product
- How to handle requests to do work believed not to be in conformance with the Code of Professional Conduct
- Disagreements between insurance departments and corporate or consulting actuary

- Other Issues
  - Retention of records
  - Software products – when are they actuarial work products subject to the Code of Professional Conduct
  - Non-actuarial activities and conduct subject to the Code of Professional Conduct

## 2010 ABCD Members



From left, back row: John Purple, Linda Bell, James Guterman, Kurt Piper, Robert Rietz

From left, front row: Curtis Huntington (Vice Chairperson), Carol Sears (Chairperson), Paul Fleischacker (Vice Chairperson)

Not present: Richard Robertson

## ABCD FINANCIAL SUMMARY

Year Ended December 31, 2010<sup>1</sup>

### REVENUE

Interest	\$ 33
Total Revenue	\$ 33

### EXPENSES

1. Staff Salaries <sup>2</sup>	\$140,294
2. Staff Benefits	33,520
3. Office Operating Costs	58,358
4. Postage and Delivery Services	3,316
5. Staff Travel	4,072
6. ABCD Meetings and Conference Calls	21,436
7. ABCD Travel Reimbursement	62,503
8. Investigator-related Expenses	33,689
9. Professional Services	41,203
10. Other	4,595
Total Expenses	\$402,986

---

<sup>1</sup> The above figures associated with the ABCD are extracted from the American Academy of Actuaries 2010 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.

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