

Professionalism

SOA Code of
Conduct
And
BEYOND!

What Is Professionalism?

The skill, good judgment, and polite behavior that is expected from a person who is trained to do a job well.

- Learner's Dictionary

What Is Professionalism?

The commitment to a high level of personal integrity and ethical conduct, as well as compliance with the profession's standards of conduct, qualifications, and practice.

- *Contingencies, March-April '17*

American Academy of Actuaries Professionalism Survey, 2012

- Key ethical concerns facing the actuarial profession
 - Responding to pressure from principals and/or management to select inappropriate assumptions used in pricing or reserving
 - False or misleading representation of products or services in marketing, advertising, or sales efforts

American Academy of Actuaries Professionalism Survey, 2012

- Key ethical concerns facing the actuarial profession
 - Failure to take appropriate action when another actuary misrepresents information
 - Conflicts of interest between opportunities for personal financial gain (or other personal benefits) and proper performance of one's responsibilities

American Academy of Actuaries Professionalism Survey, 2012

- Key ethical concerns facing the actuarial profession
 - Misrepresenting or concealing limitations in one's abilities to provide services
 - Misuse of proprietary/confidential information
 - Failure to provide complete and accurate information to regulators

Professionalism in Action

- The Code Of Professional Conduct
 - The foundation for self-regulation
 - Reinforces ethical behavior
 - Obligation to comply with the Code
 - Builds and maintains public trust
 - Contributes to others' well-being
 - Applies in all situations
 - Act "professionally" every day

SOA Code of Professional Conduct

Effective January 1, 2001



SOA Code of Professional Conduct

- Professional Integrity
 - 1. Act honestly, uphold reputation
- Qualification Standards
 - 2. Perform services only when qualified
- Standards of Practice
 - 3. Ensure standards of practice are met

SOA Code of Professional Conduct

- Communications and Disclosure
 - 4. Clear and appropriate
 - 5. Identify the client
 - 6. Disclose sources of compensation from others in relation to the assignment
- Conflict of Interest
 - 7. Disclose conflicts and gain agreement from client

SOA Code of Professional Conduct

- Control of Work Product
 - 8. Assure work is not used to mislead
- Confidentiality
 - 9. Do not disclose confidential information
- Courtesy and Cooperation
 - 10. Act with courtesy and respect and cooperate with others

SOA Code of Professional Conduct

- Advertising
 - 11. Do not falsely advertise
- Titles and Designations
 - 12. Use titles and designation appropriately

SOA Code of Professional Conduct

- Violations of the Code
 - 13. If aware of a violation, discuss with the other actuary. If not successful, inform the appropriate counseling and discipline body
 - 14. Respond promptly, truthfully and fully to any request for information and fully cooperate

Other Codes of Professional Conduct



Other Codes of Professional Conduct

- American Institute of CPAs
- Oregon State Bar
- Volunteer Income Tax Assistance Standards of Conduct
- Oregon Medication Association

The Scenarios

What Precepts Apply?
What Should You Do Next?



Missed Deadlines

You are an actuary who has been hired to develop a valuation system for benefit paying annuities. You have missed several promised deadlines and do not anticipate being able to complete the work any time soon due to higher priority projects. You have been paid \$40,000 for your work so far and you expect another actuary would be able to use the work you have done. You have a conference call scheduled with the client tomorrow. What Precepts should guide your actions and what should you do next?

The Letter To The Editor

You are a retired Fellow of the Society of Actuaries and have maintained your membership in the Society. You have decided not to pay the membership dues for the current year to the American Academy of Actuaries where you have been a member for more than 35 years. You are writing a letter to the editor of the local newspaper commenting on the funding of the state's public employee retirement program. You intend to sign your letter with your name and the FSA and MAAA designations to indicate your status as an actuary. What Precepts should guide your actions and what should you do next?

The Acquisition

You are an actuary for a Midwest insurance company. Your company recently agreed to sell a block of association disability income policies to an East coast insurance company. All of the policies have an annual billing date of January 1st. It is late-September and an actuary at the acquiring company is asking for information so her company can prepare the premium billings for the January due date. You are aware that the administrative services agreement with the association provides a substantial annual administrative fee of more than \$200,000 to the insurer who provides the billing services. Your company will collect the fee if the new company takes over the policies after January 1st. What Precepts should guide your actions and what should you do next?

The Immaterial Mistake

You are the valuation actuary for a life insurance company. You discover an error in reserve figures that have already been peer reviewed and submitted to accounting, but no financial statements have been yet been released. You know the error is below the materiality threshold and that redoing the downstream processes is a lot of work. It would be reasonably easy to fold the adjustment into the valuation work for the next quarter. What Precepts should guide your actions and what should you do next?

The Misbehaving Actuary

An actuary at another company – let's call him "Jack" - has been sending inappropriate emails of a harassing, threatening and intimidating nature to you and others at your company. Some of the emails were sent in disregard of a court order that the actuary cease sending such emails. You have talked with Jack numerous times and asked him to stop sending these emails, yet he continues to do so. What Precepts should guide your actions and what should you do next?

The ABCD Investigation

You have received a request from the ABCD for information relating to an investigation the Board is conducting regarding a rate filing completed by one of your employees. The Board is asking for a description of the internal processes followed when the rate filing was prepared. You believe the investigation is unnecessary and a waste of time for the Board and your company. What Precepts should guide your actions and what should you do next?

Information Provided To The Client and Legislature

You are a consulting actuary working for a client who has asked you to determine estimates of the future cost of proposed legislation affecting public pension obligations. Your client has asked you to provide a report relating to these estimates to the client and to the legislative committee considering the legislation. You just received a request for a similar report from another client. What Precepts should guide your actions as you prepare your report and what should you do next?

The Un-Enrolled Actuary

You are a member of the ABCD Board. You are presented with the case of an actuary who: (1) failed to renew his Enrolled Actuary status but continued to represent himself as an Enrolled Actuary, (2) signed Schedule B's to the IRS Form 5500 for several years during which he was not qualified to do so, (3) told several parties that he was qualified to sign statements as an Enrolled Actuary, and (4) failed to respond promptly to the ABCD during its investigation. What Precepts should guide your actions and what should you do next?

The Illustration Actuary

You are the illustration actuary for a life insurance company. As the illustration actuary, you have signed annual certifications that the company's illustrations were prepared in accord with state regulations and comply with ASOP 24. In fact, you have not performed the tests required to make the certifications or the necessary documentation to support the certification. When the case was brought before the ABCD, they found that he had violated three Precepts of the Code. What are those Precepts?

The Sister-In-Law

You are a consulting actuary with extensive experience with employee benefit plans of all types. You have been approached by a Fortune 500 firm and asked to conduct a review of all of their employee benefit plans with the goal of reducing the firm's employee benefit expenses by at least 10%. After starting to work on the project, you discover that your sister-in-law is a long-term employee of the firm. What Precepts should guide your actions and what should you do next?

The Unreported Violation

You are having coffee with a co-worker – let’s call her “Sam” - who is also an actuary. Sam tells you about a friend of hers who is also an actuary. The friend is starting a consulting business focusing on expert witness testimony valuing pension benefits in divorce cases. Sam tells you that her friend has been advertising in various bar publications offering her expert witness testimony.

Sam has seen one of the ads and believes that the ad misrepresents the friend’s qualifications and that the friend is in violation of the Code of Professional Conduct in doing so. Finally, Sam tells you that she has not discussed this with her friend because her friend is having financial difficulties and needs to succeed in this newest endeavor to support her family. What Precepts should guide your actions and what should you do next?

The Special Request

You are an associate actuary assisting an Enrolled Actuary who is also an FSA. You have prepared Schedule B data for a defined benefit plan for the last plan year. The Schedule B will show that the Plan's funding requirement for that plan year has not been met. You contact the broker for the plan to tell him about the problem. He asks you to change the figures on the Schedule B to show that the funding requirement was met. What Precepts should guide your actions and what should you do next?

The Boss Asks For An Assumption Change

You are an actuary who is preparing a rate filing. You have selected a trend factor indicating that loss costs will increase by 6 percent a year over the next two years. Your boss, who is not an actuary, has a negative reaction to the indicated rate levels and suggests that you use a trend of only 4 percent a year in order to produce lower rates. What Precepts should guide your actions and what should you do next?

A Family Matter

You are the staff actuary for a publicly traded insurance company. Through your work, you have learned that the current quarter's financial results will show substantial negative earnings per share, a result not anticipated by investors. You are certain that the company's share price will decline substantially. Your in-laws have told you that they have invested a significant portion of their retirement assets in your company. The earnings result will be made public in two weeks. What Precepts should guide your actions and what should you do next?

The 200% Solution

As chief actuary for the state insurance department, you have reviewed a major personal lines insurer a rate filing for a major personal lines insurer. Due to a rash of recent catastrophes, the company is asking for a 200% rate increase along the coastline.

You agree the rate increase is justified. The Insurance Commissioner tells you to disapprove the increase because it would result in rates that are not affordable. Your projection shows that without the full 200% rate increase, the insurer may go bankrupt within two years. You have shared this information with the Commissioner, but she still refuses to agree to the large increase. What Precepts should guide your actions and what should you do next?

How High Is Too High

You are the chief actuary for your company and develop a reserve estimate for year end using reasonable methods and assumptions. The opining actuary produces a range using reasonable assumptions and your estimate is materially above the opining actuary's range. Traditionally your company has booked your best estimate, but now insists that you lower your estimate to within the range, which is outside your reasonable range. You have discussed the difference with the opining actuary, but no changes have been made to either estimate. What Precepts should guide your actions and what should you do next?

A “Loser” Of A New Product

You are an actuary and have been VP of underwriting for the large accounts market for the last three years. The actuary supporting you market along with the marketing department have developed a new product with forms, rates and a 5-year pro forma of the expected results of this new product on the market's financial statements. You have reviewed the work and you believe there are some flaws in the pricing and financial modeling. Instead of generating a profit in year 1, the new product will not generate a profit until year 5. What Precepts should guide your actions and what should you do next?

The Acquisition That Wasn't

You are a consulting actuary who has been hired to assist in the review of a potential acquisition. You signed a confidentiality agreement with the acquiring company prior to being engaged on the assignment. After completing your analysis, you discover that the target is materially under-reserved. The target received an unqualified Statement of Actuarial Opinion from another consulting actuary. As a result of your work, the acquiring company walks away from the target. What Precepts should guide your actions and what should you do next?

Misguided Testimony

You are an actuary and attended a rate hearing related to the work you had done. During the hearing, the Insurance Department's actuary made several misrepresentations of the data and suggested several alternatives that are in conflict with the Statement of Principles on Ratemaking and with certain Actuarial Standards of Practice. What Precepts should guide your actions and what should you do next?

The Blame Game

You are an actuary for an insurance company. You are in a meeting with several senior officers of your company – one of the officers is also an actuary, let's call him "Fred." During the meeting, Fred blames a significant error on the work of another employee who is not in the meeting. You know that this is an incorrect statement, that is, you know that the error was made by Fred. What Precepts should guide your actions and what should you do next?

Reviewing Another Consulting Actuary's Work

You are a disability income insurance actuary. Your company has just acquired another health insurance company. The acquired company is about to introduce a new series of individual disability income insurance policies. You have been asked to review the work of the acquired company's actuaries. What Precepts should guide your actions and the actions of the acquired company's actuaries and what should both parties do next?

The Hit and Run

Your best friend, Bill, also an actuary, has just told you that he was involved in a traffic accident last night. Because he had been drinking, Bill left the scene of the accident. He has heard on the news that the driver of the other car was not seriously injured, although that driver's car was totaled. What Precepts should guide your actions and what should you do next?

Beyond The Code of Conduct

More Aspects Of Professionalism



Beyond The Code of Conduct

- Competence
- Behavior
- Appearance
- Communication
- Other
- *The Seven Habits*

Competence



Competence

- Look for opportunities to develop skills
- Look for leadership opportunities
- Become a good public speaker
- Become a resource for others
- Strive for excellence in all endeavors

Competence

- Find a way to get the job done
- Meet deadlines
- Take responsibility – be accountable for your actions
- If you bring a problem, bring a solution
- **Bloom where you are planted**

Behavior



Behavior

- Be a role model
- Be polite and respectful
- Be honorable
- Be trustworthy
- Don't be a grump – have a positive attitude

Behavior

- Be on time (or early)
- Be organized and prepared
- Exhibit appropriate behavior at all times
- Understand and follow company policy
- Avoid office politics and gossip

Behavior

- Be confident
- Be open and transparent
- Be poised and keep calm
- Offer assistance to colleagues
- Choose your words carefully

Appearance



Appearance

- Sloppy dress implies sloppy work
- Follow the company dress code
- Dress for the job you want

Communication



Communication

- Respond promptly
- Respond to the question you are asked
- If you don't know, say so
- Manage expectations
- Don't be afraid to ask questions
- Address conflict

Communication

- Consider your audience
- Don't dominate the conversation – listen to the other party
- Identify yourself by name, title and company
- Keep written communication brief and to the point

Other



Other

- Build strong business relationships
- Have a sense of humor, particularly about yourself
- Look forward to each day

The Seven Habits

- 1. Be proactive
- 2. Begin with the End in Mind
- 3. Put First Things First
- 4. Think Win/Win

The Seven Habits

- 5. Seek First to Understand, Then to Be Understood
- 6. Synergize
- 7. Sharpen the Saw

How To Sleep Better

When you have to make a decision, always, make the decision that will let you sleep better, not the one that will let you eat better.

- Edward A. Lew, SOA President, 1973-74

Questions and Comments

Thank You

