



Actuarial Board for Counseling and Discipline

**A presentation to the
Actuaries Club of the Southwest**

by

FRANK IRISH

Chairperson

Actuarial Board for Counseling and Discipline

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San Antonio, Texas



ABCD Membership

Area of Actuarial Practice

Frank Irish, Chairperson

Life

David Flynn, Vice Chairperson

Casualty

Howard Philips, Vice Chairperson

Pension

Edward Burrows

Pension

Sue Ann Collins

Life

William Falk

Health

Lawrence Johansen

Pension

Julia Phillips

Health

Michael Toothman

Casualty



ABCD Activity

Requests for Guidance – Actuaries requesting help in conforming their own work to the Code of Professional Conduct:

2000	36
2001	21
2002	47
2003	30
2004 (part)	36



ABCD Activity

Matters for Inquiry – Based on Complaints or information indicating possible material violations of the Code of Professional Conduct:

Year	Number of Cases
2000	19
2001	33
2002	22
2003	15
2004 (part)	6



ABCD Activity

Matters for Inquiry (continued):

Mode of Completion	Number of Cases
Dismissed	53
Dismissed with Guidance	20
Counseled	11
Mediated	5
Recommended Discipline	6



ABCD Activity

Matters for Inquiry (continued):

Cases Currently in Progress	Number of Cases
Pending Disposition	2
Pending Hearing	5
Under Investigation	5
Initial Processing	6



Requesting ABCD Guidance

Requests may be sent to
Tom Griffin or **Lauren Bloom**
at the
American Academy of Actuaries
1100 17th Street, N.W., 7th Floor
Washington, D.C. 20036-4601

- State nature of the problem in general terms
- Request may be oral or written.
- Anonymous requests are rare and hard to manage.
- Requests received are assigned to one board member for response.



Requesting ABCD Guidance

Responses by the Board

- Responder will normally have some experience in the subject.
- Response will be rapid and usually by telephone.
- Key elements of a response include the following:
 - Informality
 - Dialogue about Details
 - Answer based on Code and Standards, but other advice about good practices may be given
 - One person's opinion
- Possibility of referral to the entire ABCD (Time consuming)
- Hypothetical Questions – Usually referred to the entire ABCD.



Examples of Requests for ABCD Guidance

CASE #1

THE SITUATION

The company issues Universal Life, and the actuary has discovered that some of its policies violate Section 7702 (tax on policyholders).

- Some are Modified Endowments.
- Some Fail to Qualify as Life Insurance.
- It is Difficult to Estimate the Size of the Problem.
- Management is Unwilling to Authorize a Study of the Problem.



Examples of Requests for ABCD Guidance

CASE #1 (continued)

CONSIDERATIONS

The Internal Revenue Service (IRS) has not been actively pursuing the issue, and several competitors are known to be ignoring the problem.

- Possible Consequences: Fines,irate Customers, Extra Taxes.
- As Valuation Actuary, there is a Concern about Reserves.
- There is also a Concern about a Possible IRS Request to Certify Compliance.
- Legal Opinions may Contradict Actuarial Findings.



Examples of Requests for ABCD Guidance

CASE #2

THE SITUATION

An actuary has accepted a job in another company, starting six months from now.

The actuary has compiled much useful data on the effects of various underwriting tools, such as inspection reports and medical tests.

The actuary has just completed a study on a block of business reinsured with her future employer and was about to make a report questioning the need for the reinsurance.



Examples of Requests for ABCD Guidance

CASE #2 (continued)

CONSIDERATIONS

The compiled data would be of use in the new job.

Even without the data tables, the actuary has much knowledge.

The report the actuary was about to make would harm the future employer.



Examples of Requests for ABCD Guidance

CASE #3

THE SITUATION

A mutual company suffered serious stock market losses in the crash of 2000- 2001.

The pricing actuary's boss has asked/stated the following:

- 1. How should the losses be reflected in the dividend scale?**
- 2. Call other companies and ask how they are handling the matter.**



Examples of Requests for ABCD Guidance

CASE #3 (continued)

CONSIDERATIONS

Several sections of Actuarial Standards of Practice #24 address to this issue.

The obvious anti-trust problems are not covered directly in the Code of Professional Conduct or the Standards of Practice.



ABCD Complaint Procedures

Step	Options
1. Complaint Received	-Dismiss -Ask for Further Details -Commence Inquiry
2. Sent to Subject Actuary for Comment	-Dismiss -Continue
3. Appoint an Investigator	
4. Ask Subject Actuary for Objections	-Appoint a New Investigator -Continue
5. Investigation Completed	-Dismiss -Counsel -Go to Hearing
6. Hearing	-Dismiss -Counsel -Recommend Discipline



Actuarial Board for Counseling and Discipline

Questions?

FRANK IRISH
Chairperson

Actuarial Board for Counseling and Discipline

Attention: Tom Griffin or Lauren Bloom

1100 17th Street, N.W., 7th Floor

Washington, D.C. 20036-4601

202-785-7860

THANK YOU