



Recent Developments In Professionalism Requirements

The Middle Atlantic Actuarial Club

Sheila J. Kalkunte, Assistant General Counsel,

American Academy of Actuaries

September 22, 2011 – Baltimore, Maryland





Reasons to Emphasize Professionalism

- Personal accomplishment
 - Including individual professional standing
- Respect for the profession;
- Avoiding discipline;
- Reducing litigation risks; and
- Importance of actuary's work to the public.





Academy Mission

The Academy's mission is to serve the public and the United States actuarial profession. To accomplish this, the Academy, among other things:

- Provides for the establishment, maintenance, and enforcement of high professional standards of actuarial ***qualification, practice, and conduct.***



U.S. Qualification Standards



- The American Academy of Actuaries issues the qualification standards that apply to all actuaries credentialed by the five U.S.-based actuarial organizations.
- The Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (Including Continuing Education requirements) became effective January 1, 2008.





Basic Structure of the U.S. Qualification Standards

The U.S. Qualification Standards are set out as follows:

- Introduction (including definitions)
- General Qualification Standard
 - Basic Education and Experience Requirements
 - Continuing Education Requirements
- Specific Qualification Standards (when applicable)
- Changes in Practice and Application (general and specific)
- Acknowledgement of Qualification (suggested language)
- Recordkeeping Requirements





Expanded Scope

- While the pre-2008 Qualification Standards applied more restrictively to only “Prescribed” Statements of Actuarial Opinion, the revised Qualification Standards apply to all actuaries issuing “Statements of Actuarial Opinion” in the United States.
- It is important to note that the U.S. Qualification Standards do not apply to you if you do not issue Statements of Actuarial Opinion.





SAO Defined

- “Statement of Actuarial Opinion” is defined as “an opinion expressed by the actuary in the course of performing Actuarial Services and intended by that actuary to be relied upon by the person or organization to which the opinion is addressed.”
- “Actuarial Services” are defined in the *Code of Professional Conduct* as “[p]rofessional services provided to a Principal (client or employer) by an individual acting in the capacity of an actuary. Such services include the rendering of advice, recommendations, findings, or opinions based upon actuarial considerations.”





SAO Defined

(continued)

- Appendix 1 to the U.S. Qualification Standards sets forth various examples of what constitutes an SAO and what does not constitute an SAO.





Basic Education and Experience

Before issuing an SAO, an actuary must meet the following three criteria:

- Be a Member of the Academy, a Fellow or Associate of the SOA or the CAS, a member of the CCA, a Member or Fellow of ASPPA, or a fully qualified member of another IAA-member organization; and
- Have three years of responsible actuarial experience, which is defined as work that requires knowledge and skill in solving actuarial problems; and
- Be knowledgeable, through examination or documented professional development, of the Law applicable to the statement of actuarial opinion.





Additional BEE

Section 2.1 of the standards also require the actuary to satisfy one of the following three requirements to issue SAOs in an area of practice covered by a *specialty track* offered by SOA, or covered by *exams* of the CAS or ASPPA:

- Attain the highest possible actuarial designation and complete a specialty track in the area of actuarial practice relevant to the subject of the SAO; **or**
- Attain the highest possible actuarial designation and have a minimum of one year of responsible actuarial experience in the area of actuarial practice relevant to the subject of the SAO under the review of a qualified actuary; **or**
- Have a minimum of three years of responsible actuarial experience in the area of actuarial practice relevant to the subject of the SAO under the review of a qualified actuary.





Grandfather Clause

- Once an actuary is qualified to issue an SAO, the actuary's basic education and experience requirement is met "forever"; therefore future changes in the basic education and experience components do not apply retroactively.
- However, keep in mind that if you change areas of practice you should review Section 2.1 to determine if you have met the BEE component of the U.S. Qualification Standards.





Continuing Education

- **30 CE Hours** – Actuaries subject to the U.S. Qualification Standards must complete and document at least **30 hours** each calendar year of relevant CE.
- **Organized Activity Requirement** – At least six (6) CE hours must be from “Organized Activities.”
- **Professionalism Requirement** – At least three (3) CE hours must be on professionalism topics.
- **Cap on General Business Courses** - General business courses are limited to three (3) CE hours per year.
- A CE hour is defined as 50 minutes for all activities (whether self study or organized activities).





Continuing Education

(continued)

- Ultimately, it is an actuary's responsibility to make a reasonable, good-faith determination of what continuing education opportunities will enhance an actuary's ability to practice in a desired field.
- Actuaries should use a reasonableness standard when determining the amount of time attributable to self-study and other types of "other activities" that count towards CE.





Organized Activities

- “Organized activities” involve interaction with actuaries or other professionals working for different employers.
- Examples of organized activities include, but are not limited to, conferences, seminars, webcasts, in-person or online courses, or committee work that is relevant CE.
- In-house meetings can constitute “organized activities” by using outside speakers, otherwise in-house meetings without an outside speaker could qualify as an “other activity” for CE credit purposes.





Other Activities

- **“Other activities”** – include, but are not limited to:
 - reading actuarial literature, statutes or regulations,
 - reading other books, papers or articles on relevant technical or professional topics,
 - writing professional papers or articles,
 - listening to tapes of actuarial meetings or other relevant seminar or conferences,
 - in-house meetings (without outside speakers),
 - studying for actuarial exams,
 - drafting actuarial exam questions, and
 - preparing to speak or lead a discussion at a continuing education activity.





Professionalism Topics

- **Professionalism topics** – include, but are not limited to, the following:
 - studying and reviewing ASOPs, or providing input on an Exposure Draft;
 - studying or reviewing the Code of Professional Conduct or the U.S. Qualification Standards; or
 - serving on the ASB or a professionalism committee of an actuarial organization.
- Professionalism topics should not be confused with “general business” topics which are limited to 3 CE hours annually.





Specific Qualification Standards

- The requirements under Section 3 of the U.S. Qualification Standards only apply to actuaries who issue SAOs for the following:
 - NAIC Life and A&H Annual Statement;
 - NAIC Property and Casualty Annual Statement; or
 - NAIC Health Annual Statement.





CE Compliance

- The **American Academy of Actuaries** does not require that you attest to your CE compliance under the U.S. qualification standards for membership at this time (relies on other organizations).
- The **Society of Actuaries** currently requires that its members attest to CE compliance.
- The **Casualty Actuarial Society** will commence the requirement that its members attest to CE compliance on December 31, 2011.



SOA CE Compliance



- All SOA members must meet requirement
 - ASA, CERA and FSA;
 - An ASA/CERA still taking exams can use study time to meet CPD requirements;
 - Retirees must comply, but there are no penalties for non-compliance.
- At the end of each year, members certify compliance with the requirement during the past two calendar years.



How most SOA members will meet the SOA CE Requirement

Practicing in the US?	Practicing in Canada?	Member of the UKAP or Institute of Actuaries of Australia?	Retired?
Meet the U.S. (Academy) Qualification Standard.	Meet the CIA Qualification Standard.	Meet Category 1 or 2 of the UKAP CPD Scheme or the IAAust CPD Standard.	The membership directory will show your status as "Retired."
Annually notify the SOA you fulfilled the CE Requirement by meeting the U.S. Qualification Standard, beginning Dec. 31, 2010.	Annually notify the SOA you fulfilled the CPD Requirement by meeting the CIA Qualification Standard, beginning Dec. 31, 2010.	Annually notify the SOA you fulfilled the CPD Requirement by meeting the UK AP or IAAust CPD standards, beginning Dec. 31, 2010.	You may voluntarily comply, and attest compliance, with the CE Requirement if you wish, beginning Dec. 31, 2010.

If none of the above (*e.g., practicing in Asia*), then meet the *Basic Requirement Provisions of Section B*. Annually notify the SOA you fulfilled the CE Requirement by meeting the Basic Requirement Provisions, beginning Dec. 31, 2010.

CAS CE Compliance



- All CAS members are subject to the CAS' continuing education policy and attestation.
- ACAS and FCAS who perform “Actuarial Services” (as defined in the Code of Professional Conduct) must comply with the new CAS continuing education requirements.
- The CAS CE Policy will first apply to actuarial services rendered on or after January 1, 2012. Members must certify compliance as of December 31 of each year, beginning on December 31, 2011.
- For more information see http://www.casact.org/cms/files/CAS_CE_Policy.pdf



CE Compliance



- Based on their respective policies, approximately 1 percent of SOA and CAS members may be audited by their respective organizations each cycle.
- The SOA and CAS directories respectively will contain indication of compliance, non-compliance, or “retired” (in the case of SOA) or “not currently providing actuarial services” (in the case of CAS) in connection with CE.
- What do I need for audit?
 - Log of CE compliance including the date of the activity, a brief description of the activity, the sponsoring organization, the number of credits earned, etc.



CE Compliance



- Actuaries may track CE in any tracking system available to them or may utilize any one of the following:
 - Academy tracking tool – available to members and non-members (TRACE <http://www.actuary.org/trace.asp>);
 - CIA tracking tool – available to its members (https://www.actuaries.ca/members/security/index_e.cfm) ;
 - CCA tracking tool – available to its members (<http://www.actuarialcpd.org/>).





Frequently Asked Questions

Question: Should I be concerned about the differences between the U.S. Qualification Standards (US QS) and the other organizations' CE requirements?

Answer:

- Generally no. If you are subject to (or potentially subject to) the US QS you do NOT need to consider any variations between the other organizations' CE requirements and the US QS. You meet the other organizations' CE requirements by meeting the US QS.





Frequently Asked Questions

Question: Do the requirements of the US QS apply to me only when I become a member of the Academy?

Answer:

- The US QS applies to all actuaries when they first become credentialed by any of the five U.S.-based actuarial organizations if the actuary is issuing SAOs in the United States. You do not need to be a member of the Academy for the US QS to apply to you.





Joint Discipline

*Streamlining the U.S. actuarial profession's
discipline process*





Background

- The presidents and presidents-elect of the U.S.-based actuarial organizations conducted a comprehensive review of the current discipline process.
- They concluded that the current process is sound, but identified inefficiencies.
- U.S.-based organizations approved in principle a proposal to address these inefficiencies.





The Current Process

- Too many hearings
 - Two to three hearings if subject actuary is a member of one organization
 - Fact-finding hearing
 - Disciplinary panel hearing
 - Appeal hearing (potential)
 - Up to seven hearings if subject actuary is a member of three organizations
 - Two additional hearings for each organization





The Current Process

- Too many hearings =
 - Inefficient and potentially financially costly
 - Potential for disparate outcomes
- May be a need for more transparency
 - Current confidentiality requirements may create impression that process strives to protect actuaries rather than public
- Failure to address shortcomings could threaten the profession's independence
- Profession could become vulnerable to external criticism; similar to U.S. auditors and U.K. actuaries





The Proposal: Holdovers

- Retain key attributes of current system
 - Examples:
 - ABCD will continue to perform investigations and make appropriate discipline recommendations
 - The subject actuary will continue to be judged by panel of his/her true peers
 - Each organization will retain ultimate control over its membership





The Proposal: Improvements

- Streamline the current process
 - Number of hearings reduced to two or three regardless of how many memberships the subject actuary has
 - Decisions generally apply to all memberships except in cases of expulsion and long-term suspensions
- Develop case studies
 - ABCD will be charged with developing case studies to assist panels and increase consistency
 - Process will not change how investigative bodies operate





How The Proposal Works

- Disciplinary panels
- Decisions
- Appeal process





Disciplinary Panels

- Discipline recommendations will be submitted to a single representative Joint Discipline Panel
 - Appointed by leaders of the organizations
 - Majority of panel's members will be from subject actuary's organizations
- Joint Discipline Panel will decide whether to accept, reduce, dismiss, or increase recommended penalty





Decisions

- Any decision to impose discipline would be by a supermajority of the discipline panel members
- Decisions for no discipline (w/ or w/o counseling), a private or public reprimand, or suspension up to two years are final
- Determinations of expulsion or suspension greater than two years are referred to the member's organizations for further review and final decision





Appeal Process

- All appeals will be considered by a Joint Appeal Panel
 - Appointed by leaders of the organizations
 - Joint Appeal Panel members must be different than Joint Discipline Panel members
- Grounds for appeal are limited to procedural errors or if new evidence surfaces that was not reasonably available at time of disciplinary hearing
- Appeal Panel can affirm the decision or remand the case to either new or same discipline panel (depending on the reason for remand)
- Appeal Panel decisions are by a simple-majority vote





Current Process vs. Proposed Process

Current process

Proposed process

Hypothetical example: Subject Actuary is FCAS, MAAA, and FCA

A complaint of a violation of the Code of Professional Conduct is referred to the ABCD.

The ABCD reviews and decides complaint has merit; opens an investigation; investigator reports findings

The ABCD reviews report and agrees complaint should move forward; recommends a fact finding hearing





Current Process vs. Proposed Process (cont'd)

Current process

Following the hearing, ABCD recommends discipline and sends report to CAS, Academy, and CCA.

Proposed process

Following the hearing, ABCD recommends discipline and sends report to CAS, Academy, and CCA. Each organization forwards to the Joint Discipline Council.





Current Process vs. Proposed Process (cont'd)

Current process

Upon receipt of the discipline recommendation, the three organizations initiate their own internal discipline procedures. In each of the three organizations, the matter is referred to a discipline committee.

Proposed process

Upon receipt of the discipline recommendation, the Joint Discipline Council appoints a discipline panel. The panel has a majority of members in each of the participating organizations of which the subject actuary is a member.





Current Process vs. Proposed Process

Current process

Each organization holds a disciplinary hearing under its own procedures. The subject actuary may appear at each hearing.

Each discipline panel reaches its own (and potentially different) discipline decision.

Proposed process

The Disciplinary Panel holds a hearing to consider the matter under the joint discipline provisions. The subject actuary may appear at the hearing.

The Disciplinary Panel reaches a discipline decision, avoiding a situation in which different discipline outcomes are implemented for the same violation.





Current Process vs. Proposed Process

Current process

The subject actuary notifies each organization that he/she is appealing the decision, which initiates three appeal processes.

Proposed process

The subject actuary notifies the Joint Discipline Council of appeal, initiating one appeal process. The grounds for the appeal must be stated and are limited to a purported procedural error or presentation of new evidence that was not reasonably available earlier.





Current Process vs. Proposed Process

<u>Current process</u>	<u>Proposed process</u>
Each organization carries out its own appeal process and makes its own decision.	An Appeal Panel is formed by the JDC that meets the same selection criteria established for Disciplinary Panels. The panel holds a hearing and makes a decision.
The discipline decisions are implemented.	The discipline decision is implemented.





Advancing The Proposal

- Implementation task force was formed and was directed to finalize and communicate the details.
- Members of the actuarial organizations have been asked to vote on bylaw/constitutional amendments, if necessary, to allow organizations to enter into joint discipline agreement
- Members of the Society of Actuaries and the Casualty Actuarial Society completed their votes and an overwhelming majority of their members voted in favor of this new joint discipline proposal.
- The other organizations have not announced their results yet.





Advancing The Proposal

- A working agreement (Agreement on Joint Discipline; See http://www.actuary.org/email/2011/072511_Draft_Agreement_on_Joint_Discipline.pdf) once approved and signed by the respective boards will set forth the particulars of the discipline panel and the appeals process.





QUESTIONS?

