

# OLIVER WYMAN

## Consulting Actuaries

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### **Atlanta Actuarial Club** Professionalism Refresher

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# **Code of Professional Conduct**



## Code of Professional Conduct

- Effective: May 9, 1993, Amended November 12, 2000
- Similar to that used by all other professional actuarial organizations - it provides a universal definition of acceptable behavior
- Alleged violations are investigated by the Canadian Institute of Actuaries for actuarial practice in Canada or the ABCD, elsewhere.



## Code of Professional Conduct

- Categorized into 11 Divisions with 14 “Precepts” and 23 “Annotations”:
  - “The Precepts identify the professional and ethical standards with which an actuary must comply...”
  - “The Annotations provide explanatory, educational and advisory material...on how the precepts are to be interpreted and applied”
- “An Actuary must be familiar with, and keep current with, revisions to the code of professional conduct, its precepts and annotations”



## Key Definitions within Code

- Actuary
  - A member of an organization that has adopted the Code (e.g. CAS)
- Principal
  - Client or employer of Actuary
- Actuarial Services
  - Provided to Principal by individual acting in the capacity of an actuary



## Key Definitions within Code

- Actuarial Communication
  - Written, oral, or electronic issued by Actuary with respect to Actuarial Services
- Confidential Information
  - Information not in public domain obtained as a result of providing Actuarial Services to a Principal



## Key Definitions within Code

- Law
  - Statutes, regulations, judicial decisions, and other statements having legally binding authority
- Recognized Actuarial Organization
  - An organization that has been accepted for full membership in the International Actuarial Association or a standards setting, counseling, or discipline body to which authority has been delegated by such an organization



## Question #1

- Which one of the following statements are True:
  - A. The Precepts provide explanatory, educational and advisory material on how the annotations are to be interpreted.
  - B. Actuaries are only required to comply with Parts of the Code of which they familiar.
  - C. Actuarial Communication, as defined by the Code, can be either written, oral or electronic.



## Answer #1

- The following statement is True:
  - C. Actuarial Communication, as defined by the Code, can be either written, oral or electronic.

## Professional Integrity

### PRECEPT 1:

- An Actuary shall act honestly, with integrity and competence, and in a manner to fulfill the profession's responsibility to the public and to uphold the reputation of the actuarial profession



## Qualification Standards

### PRECEPT 2:

- An Actuary shall perform Actuarial Services only when the Actuary is qualified to do so on the basis of basic and continuing education and experience and only when the Actuary satisfies applicable qualification standards



## Qualification Standards

### ANNOTATION 2-1:

- It is the professional responsibility of an Actuary to observe applicable qualification standards that have been promulgated by a Recognized Actuarial Organization for the jurisdictions in which the Actuary renders Actuarial Services and to keep current regarding changes in these standards.



## Standards of Practice

### PRECEPT 3:

- An Actuary shall ensure that Actuarial Services performed by or under the direction of the Actuary satisfy applicable standards of practice



### ANNOTATION 3-1:

- It is the professional responsibility of an Actuary to observe applicable standards of practice that have been promulgated by a Recognized Actuarial Organization for the jurisdictions in which the Actuary renders Actuarial Services and to keep current regarding changes in these standards.





### PRECEPT 4:

- An Actuary who issues an Actuarial Communication shall take appropriate steps to ensure that the Actuarial Communication is clear and appropriate to the circumstances and its intended audience and satisfies applicable standards of practice



### ANNOTATION 4-1:

- An Actuary who issues an Actuarial Communication shall ensure that the Actuarial Communication clearly identifies the Actuary as being responsible for it.

### PRECEPT 5:

- An Actuary who issues an Actuarial Communication shall, as appropriate, identify the Principal(s) for whom the Actuarial Communication is issued and describe the capacity in which the Actuary serves

### PRECEPT 6:

- An Actuary shall make appropriate and timely disclosure to a present or prospective Principal of the sources of all direct and indirect material compensation that the Actuary or the Actuary's firm has received, or may receive, from another party in relation to an assignment for which the Actuary has provided, or will provide, Actuarial Services for that Principal. The disclosure of sources of material compensation that the Actuary's firm has received, or may receive, is limited to those sources known to, or reasonably ascertainable by, the Actuary



## Conflict of Interest

### PRECEPT 7:

- An Actuary shall not knowingly perform Actuarial Services involving an actual or potential conflict of interest unless:
  - the Actuary’s ability to act fairly is unimpaired;
  - there has been disclosure of the conflict to all present and known prospective Principals whose interests would be affected by the conflict; and
  - all such Principals have expressly agreed to the performance of the Actuarial Services by the Actuary



## Question #2

- True or False: To be in compliance with Precept 6 of the Code, a consulting Actuary who expects to receive a larger Company bonus at the end of the year for working late and on weekends to complete a high profile project for a Client must disclose his increased bonus expectation to that Client.
  - True
  - False



## Answer #2

- The following statement is False:
  - To be in compliance with Precept 6 of the Code, a consulting Actuary who expects to receive a larger Company bonus at the end of the year for working late and on weekends to complete a high profile project for a Client must disclose his increased bonus expectation to that Client.

This precept is referring to outside compensation the Actuary or the Actuary's company will receive (not compensation from the Actuary's employer).



### PRECEPT 8:

- An Actuary who performs Actuarial Services shall take reasonable steps to ensure that such services are not used to mislead other parties

## Confidentiality

### PRECEPT 9:

- An Actuary shall not disclose to another party any Confidential Information unless authorized to do so by the Principal or required to do so by Law



## Courtesy and Cooperation



### PRECEPT 10:

- An Actuary shall perform Actuarial Services with courtesy and professional respect and shall cooperate with others in the Principal's interest

### PRECEPT 11:

- An Actuary shall not engage in any advertising or business solicitation activities with respect to Actuarial Services that the Actuary knows or should know are false or misleading





### PRECEPT 12

- An Actuary shall make use of membership titles and designations of a Recognized Actuarial Organization only in a manner that conforms to the practices authorized by that organization



## Violations of the Code of Professional Conduct

### PRECEPT 13:

- An Actuary with knowledge of an apparent, unresolved, material violation of the Code by another Actuary should consider discussing the situation with the other Actuary and attempt to resolve the apparent violation. If such discussion is not attempted or is not successful, the Actuary shall disclose such violation to the appropriate counseling and discipline body of the profession, except where the disclosure would be contrary to law or would divulge Confidential Information



## Violations of the Code of Professional Conduct

### PRECEPT 14:

- An Actuary shall respond promptly, truthfully, and fully to any request for information by, and cooperate fully with, an appropriate counseling and disciplinary body of the profession in connection with any disciplinary, counseling or other proceeding of such body relating to the Code. The Actuary's responsibility to respond shall be subject to applicable restrictions on Confidential Information and those imposed by Law

## Canadian Rules of Professional Conduct

- The Rules of Professional Conduct in Canada require that certain procedures must be followed when a member is aware of a violation of the Rules
  - Affirmative responsibility to act to correct violation
  - No confidentiality agreement or employment protections exist





### Question #3

- Which of the following statements are not true? If contacted by the ABCD, an Actuary is required respond:
  - A. Within 24 hours
  - B. Truthfully
  - C. Fully



## Answer #3

- The correct answer is A.
- The following statement *is not true*:
  - A. If contacted by the ABCD, an Actuary is required respond within 24 hours.

An Actuary is required to respond promptly but the Precept does not specify a particular timeframe.

**Actuarial Standard of Practice No. 41  
(ASOP 41 – Actuarial Communications)**



## Purpose and Scope

- Guidance for written, electronic or oral actuarial communications
- Applies to all actuarial communications that include actuarial opinions or other actuarial findings
- Effective for any actuarial communications dated or occurring on or after May 1, 2011



## Issues Addressed

- Requirements for Actuarial Communications
- Actuarial Reports
- Disclosures
- Explanation of Material Differences
- Responsibility to Other Users
- Compliance with Other Standards
- Documentation
- Deviation from Standard



## Requirements for Actuarial Communications

- Identify Responsible Actuary
- Identify Principal for whom findings are made; clearly state scope and any limitations or constraints
- Communicate methods, procedures, assumptions, data and other information required to complete the work
- Form and content clear and appropriate to audience
- Issued in timely manner



## Actuarial Reports

- The actuary should complete an actuarial report if they intend their findings to be relied upon by any intended user
- May comprise one or several documents
- Must state, with sufficient clarity, findings and identify methods, procedures, assumptions and data used



## Question #4

- ASOP 41 does not apply to which forms of communication:
  - A. E-mails to consulting client.
  - B. Testimony to Congress.
  - C. Draft reserve reports.
  - D. None of the above.



## Answer #4

- This is the correct answer:
  - D. None of the above.

**ASOP 41 does provide guidance for electronic actuarial communication, oral actuarial communication, and written actuarial communication.**



## Disclosures

- Uncertainty or Risk
- Conflict of Interest
- Reliance on Others
- Responsibility for Assumptions and Methods
- Information Date of the Report
- Subsequent Events – more info on next slide



## Subsequent Events

- The actuary should disclose any events that
  - Became known after the latest information date
  - Become known to the actuary before the report is issued
  - Have a material effect on the actuary's findings if it were reflected, and
  - Are not practical to reflect in the report before it is issued



## Explanation of Material Differences

- Necessary if a later communication includes materially different results or expresses a different opinion than a former communication on the same issue
- Should make clear that earlier results are no longer valid, and should explain the reasons for the change



## Responsibility to Other Users

- Use of Actuarial Communication By Others – recognize risk of misquotation, misinterpretation. To prevent misuse may include limits on distribution
- No obligation to communicate with any person other than the intended audience



## Compliance with Other Standards

- Other ASOPs may supersede or give additional clarity to this standard
- Compliance with law, regulation, or another profession's standards may be sufficient to deem compliance with this standard



## Deviation from Standard

- Must justify any material deviation from standard



## Question #5

- Which of the following disclosures are not required by ASOP 41?
  - A. Using methods prescribed by a law that are inconsistent with actuarial standards of practice.
  - B. Conflict of interest.
  - C. The actuary's number of years of experience providing communications in the area in question.
  - D. All of the above are required.



## Answer #5

- This is the correct answer:
  - C. The actuary's number of years of experience providing communications in the area in question.



## Questions

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