



Actuarial Board for Counseling & Discipline

2005 Annual Report

CHAIRPERSON'S LETTER

The ABCD began fifteen inquiries into possible violations of the Code of Professional Conduct during 2005. This is an increase from 2004 but still below the long term average. Board members handled 37 requests for guidance (in which actuaries ask for advice about their own conduct or practice), down from 44 in 2004. Members strive to answer these requests rapidly and with individual attention to the particular circumstances. We encourage any actuary who would like help in thinking through an issue that involves the Code or standards to contact us.

During 2005, the Board worked with the Selection Committee to improve the process by which ABCD members are selected and appointed. (The Selection Committee consists of the Presidents and Presidents-elect of the five U.S. organizations that employ the ABCD.) Additional general criteria for ABCD members were developed, along with a process that has the ABCD providing additional input to the Selection Committee regarding the skills and expertise needed in new members. In addition, the Selection Committee agreed to find ways to obtain suggestions for new ABCD members from the members of the supporting organizations.

ABCD investigations are now conducted by a group of experienced, dedicated investigators we call the cadre. Since the cadre was initiated, the time needed to complete an investigation and determine the disposition has been reduced. The ABCD has also improved its communications with subject actuaries and complainants during the process, sending each a quarterly update on the status.

Frank Irish completed his term of service in 2005. During his time on the ABCD, Frank served as Chair and as a Vice-Chair. Those of us who worked with Frank will remember him for his attention to detail, especially his ability to analyze claim triangles, and his calm demeanor in the face of adversity. His leadership and insights will be missed.

William J. Falk, FSA, MAAA, FCA
March 9, 2006



2005 Actuarial Board for Counseling and Discipline

Standing: Frank S. Irish, Vice Chairperson,
William J. Falk, Chairperson, Lawrence A. Johansen, Vice Chairperson

Sitting: Edward E. Burrows, Linda L. Bell, Carol R. Sears, Julia T. Philips, Michael L. Toothman

Not pictured: Richard S. Robertson

Summary of Alleged Violations

There were 32 inquiries in process with the ABCD during 2005, based on either complaints or adverse information. Fifteen of these were disposed of during 2005. While detailed information can not be released about any of these inquiries, the table below provides a summary of the major issue areas into which the alleged violations of the Code of Professional Conduct fall. Note that some inquiries involve multiple issues. Note also that an ABCD disposition of discipline means the ABCD recommended discipline to the appropriate organization(s).

Major Issue Alleged	ABCD Disposition					In Process by Year Initiated				Total
	Discipline	Counsel	Dismiss	Mediate	Total	Earlier	2004	2005	Total	
Precept 1: Failure to act with integrity	1	5	5		11	3	4	1	8	19
Failure to perform services with competence			3		3					3
Calculation or data errors		2	3		5	1		1	2	7
Other errors in work							1	2	3	3
Business issues								1	1	1
Precept 2: Performing work when not qualified								1	1	1
Precept 3: Work fails to satisfy an ASOP			2		2			1	1	3
Improper reserve estimate for insurer		3			3					3
Use of unreasonable assumptions			2		2			1	1	3
Precept 4: Inadequate actuarial communication			1		1		1		1	2
Precept 5: Failure to identify Principal, capacity										
Precept 6: Failure to disclose										
Precept 7: Conflict of Interest			1		1					1
Precept 8: Failure to take reasonable steps to prevent misuse of work product							1		1	1
Precept 9: Disclosure of confidential information										
Precept 10: Failure to cooperate with other actuary				1	1			2	2	3
Precept 11: Improper advertising										
Precept 12: Improper use of designation										
Precept 13: Failure to report violation										
Precept 14: Failure to respond completely, honestly and promptly to the ABCD	1				1					1

Summary of Requests for Guidance

The ABCD members responded to 37 requests for guidance during 2005. While detailed information can not be released about any of these RFGs, the table below provides a summary of the major issues involved in these requests. Note that some RFGs involve more than one issue.

Issue	Number
General: Dealing with a non-actuary who is acting unethically or illegally	1
Definition of Actuarial Services – Does the Code apply?	2
Predecessor actuary is unavailable	1
How to handle a business issue	3
How to resolve difference in two actuaries' reserve estimates	1
Precept 1: How to handle an error found in one's own work	1
How to handle pressure from a client	2
What to do if I believe client is providing false data	1
Precept 2: Am I qualified?	4
Precept 3: How to apply an ASOP	8
How to reflect a situation in an Actuarial Opinion	1
Precept 4: How to communicate something	1
Precept 7: Handling a potential conflict of interest	1
Precept 8: How to protect work product	1
Precept 10: What to do if predecessor actuary fails to cooperate	4
Precept 11: Restrictions on advertising	1
Precept 13: Should I file a complaint?	7

CASES CONSIDERED DURING 2005

Type of Case	Pending from 2004 and Earlier	Received in 2005	Total
Conduct	8	3	11
Practice	5	7	12
Conduct & Practice	4	5	9
Requests for Guidance	0	37	37
Total	17	52	69

Cases by Practice Area	Pending from 2004 and Earlier	Received in 2005	Total
Casualty	4	4	8
Health	2	6	8
Life	3	9	12
Pension	8	33	41
Total	17	52	69

CASES CLOSED

Action by Individual ABCD Members

Replied to requests for guidance	37
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Disposition by Chairperson and Vice Chairpersons

Dismissed (Referred to Investigators in 2005–6)	5
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Disposition by Whole ABCD After Investigation

Dismissed with guidance	4
Counseled after hearing	4
Recommended public reprimand	1
Recommended expulsion	1

Total Cases Closed (including requests for guidance)	52
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CASES IN PROGRESS (AS OF 12/31/05)

Pending disposition	1
Pending investigation (including cases initially referred in 2005)	8
Pending hearing	2
Pending receipt of more information (from complainant, subject, other)	3
Cases suspended	3

Total Cases in Progress	17
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Since its inception in 1992, the ABCD has completed its cases as follows:

Dispositions	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Total
Dismissed	12	24	9	11	8	11	13	10	5	20	16	7	5	5	156
Dismissed with guidance	6	10	3	---	5	1	5	2	8	5	4	2	2	4	57
Counseled	---	2	8	1	6	2	5	---	2	3	2	4	1	4	40
Mediated	3	1	1	---	---	---	---	1	---	4	---	1	---	---	11
Recommended private reprimand	---	---	---	---	---	---	---	---	1	1	---	---	---	---	2
Recommended public discipline	---	1	2	---	3	---	1	---	3	---	---	1	---	2	13
Replied to requests for guidance	8	8	8	10	28	31	22	31	36	21	47	30	46	37	363
Total	29	46	31	22	50	45	46	44	55	54	69	45	54	52	642

Financial Summary

Year Ended December 31, 2005¹

REVENUE

Interest	<u>\$5,112</u>
Total Revenue	<u>\$5,112</u>

EXPENSES

1. Staff Salaries ²	\$117,420
2. Staff Benefits	28,449
3. Office Operating Costs	43,378
4. Postage and Delivery Services	3,022
5. Staff Travel	6,395
6. ABCD Meetings and Conference Calls	23,679
7. ABCD Travel Reimbursement	35,466
8. Investigator-related Expenses	26,162
9. Other	<u>5,392</u>
Total Expenses	<u>\$289,363</u>

1. The above figures are unaudited costs associated with the ABCD. The audited financial statements of the American Academy of Actuaries will be posted on the Academy website in May 2005. 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.

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