

## CHAIRPERSON'S LETTER

During 2006, the ABCD began nine inquiries into possible violations of the Code of Professional Conduct. This is a significant decrease from 2005 and well below the long term average.

Board members handled 31 requests for guidance (in which actuaries ask for advice about their own conduct or practice), down from 37 in 2005 and 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. Requests for guidance are always confidential, unless the requestor agrees otherwise.

The ABCD process has been more efficient since the creation of the cadre of dedicated investigators. The time to complete an investigation has been cut significantly. The most common reason for delay is the actuary's request that the investigation be suspended as a result of ongoing litigation.

During 2006, the CRUSAP task force released its report on the profession. The report generally supported the ABCD's investigation processes, while suggesting potential improvements in the profession's discipline processes. The ABCD will be working with the Presidents of the U.S. organizations to consider what, if any, changes should be made as a result of the report.

The Board began redesigning its web site, [www.abcdboard.org](http://www.abcdboard.org), during 2006. The newly designed site will be up and running later in 2007. Improvements will include the ability to request guidance and to request an ABCD speaker for an upcoming function.

Ed Burrows completed his term of service in 2006. His knowledge of pension issues served to educate the non-pension members regarding the technical aspects of pension practice. Ed's straightforward approach and willingness to tackle tough issues was of great benefit to the Board. His thinking and his humor will be missed at future meetings.

William J. Falk, FSA, MAAA, FCA  
July 5, 2007

Actuarial Board for Counseling and Discipline  
2006 Annual Report

**CASES CONSIDERED DURING 2006**

Type of Case	Pending From 2005 and Earlier	Received in 2006	Total
Conduct	7	8	15
Practice	7	0	7
Conduct and practice	3	1	4
Request for guidance	0	31	31
<b>Total</b>	<b>17</b>	<b>40</b>	<b>57</b>

Cases by Practice Area	Pending From 2005 and Earlier	Received in 2006	Total
Casualty	2	8	10
Health	2	7	9
Life	2	11	13
Pension	11	14	25
<b>Total</b>	<b>17</b>	<b>40</b>	<b>57</b>

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**CASES CLOSED**

**Action by Individual ABCD Members**

Replied to request for guidance 31

**Disposition by Chairperson and Vice Chairpersons**

Dismissed 2

Dismissed with guidance 1

(Referred to investigators in 2006 - 2)

**Disposition by Whole ABCD After Investigation**

Counseled after hearing 2

Recommended public reprimand 1

**Total Cases Closed** (including requests for guidance) **37**

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**CASES IN PROGRESS (AS OF 12/31/06)**

Pending disposition 1

Pending investigation 5

Pending hearing 3

Pending receipt of more information (from complainant, subject, other) 2

Cases suspended 9

**Total Cases in Progress** **20**

Since its inception in 1992, the ABCD has completed its cases as follows:

Disposition	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Total
Dismissed	12	24	9	11	8	11	13	10	5	20	16	7	5	5	1	157
Dismissed with guidance	6	10	3	—	5	1	5	2	8	5	4	2	2	4	1	58
Counseled	—	2	8	1	6	2	5	—	2	3	2	4	1	4	3	43
Mediated	3	1	1	—	—	—	—	1	—	4	—	1	—	—	—	11
Recommended private reprimand	—	—	—	—	—	—	—	—	1	1	—	—	—	—	—	2
Recommended public discipline	—	1	2	—	3	—	1	—	3	—	—	1	—	2	1	14
Replied to requests for guidance	8	8	8	10	28	31	22	31	36	21	47	30	46	37	31	394
<b>Total</b>	29	46	31	22	50	45	46	44	55	54	69	45	54	52	37	679

## Summary of Requests for Guidance

The ABCD members responded to 31 requests for guidance during 2006. 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
<b>General:</b> Dealing with a non-actuary who is acting unethically or illegally	1
Definition of actuarial services: Does the Code apply?	1
Predecessor actuary is unavailable	0
How to handle a business issue	7
How to resolve difference in two actuaries' reserve estimates	1
Technical issue	1
ABCD processes	1
<b>Precept 1:</b> How to handle an error found in one's own work	0
How to handle pressure from a principal	5
What to do if I believe client is providing false data	0
Am I acting with integrity?	4
<b>Precept 2:</b> Am I qualified?	5
Which qualification standards apply?	1
<b>Precept 3:</b> How to apply an ASOP	4
How to reflect a situation in an actuarial opinion	2
Which standards of practice apply?	1
<b>Precept 4:</b> How to communicate something	2
<b>Precept 7:</b> Handling a potential conflict of interest	1
<b>Precept 8:</b> How to protect work product	3
<b>Precept 10:</b> What to do if predecessor actuary fails to cooperate	0
<b>Precept 11:</b> Restrictions on advertising	0
<b>Precept 13:</b> Should I file a complaint?	7

## Summary of Alleged Violations

There were 26 inquiries in process with the ABCD during 2006, based on either complaints or adverse information. Six of these were disposed of during 2006. 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	2005	2006	Total	
Precept 1: Failure to act with integrity	2	1	1		4	5	1	8	14	18
Failure to perform services with competence	1				1			2	2	3
Calculation or data errors						1	1		2	2
Other errors in work			1		1	1	1		2	3
Business issues			1		1					1
Precept 2: Performing work when not qualified							1		1	1
Precept 3: Work fails to satisfy an ASOP		1			1			2	2	3
Improper reserve estimate for insurer										
Use of unreasonable assumptions							1		1	1
Precept 4: Inadequate actuarial communication		1			1					1
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	1				1					1
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	1				1					1
Precept 14: Failure to respond completely, honestly and promptly to the ABCD	2				2					2

## Financial Summary

Year Ended December 31, 2006<sup>1</sup>

### REVENUE

Interest	\$8,624
Total Revenue	\$8,624

### EXPENSES

1. Staff salaries <sup>2</sup>	\$112,642
2. Staff Benefits	26,436
3. Office Operating Costs	44,262
4. Postage and Delivery Services	2,050
5. Staff Travel	4,378
6. ABCD Meetings and Conference Calls	28,090
7. ABCD Travel Reimbursement	35,566
8. Investigator-related Expenses	38,666
9. Other	<u>743</u>
Total Expenses	\$292,833

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<sup>1</sup> The above figures are audited costs associated with the ABCD. The 2007 audited financial statements of the American Academy of Actuaries will be posted on the Academy website in May 2008. 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.

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