

## Council on Professionalism

### Letter from the Vice President



In reaction to corporate financial scandals, Congress passed and President Bush signed the Sarbanes-Oxley Act of 2002 in record time. Now the accounting industry must adapt to a new environment and a new attitude toward potential (or even only apparent) conflicts of interest regarding the services they provide their SEC-registered audit clients. Fortunately, the actuarial profession has not had similar issues for any number of reasons. One government official recently said that the actuarial profession should be the paradigm for the other professions, due to its well established processes for setting and enforcing professional standards. While the actuarial profession should not rest on its laurels, we should be proud of our record and continue serving our clients, employers, and publics with skill and integrity.

The Council on Professionalism has spent much of its time and energy over the last year drafting and debating various discussion papers. Topics include a potential change to the Qualification Standards, the relationship between actuaries and the users of their work product, and professional standards in international practice — all of which can be found on the Academy website.

Discussion papers being considered for the coming year are the role of the actuary, materiality, and updating the exist-

ing discussion paper on peer review. These discussion papers are just as the name suggests — papers designed to stimulate discussion. Please read them and send your comments to [paper@actuary.org](mailto:paper@actuary.org), with the name of the paper in the subject line of your e-mail. These papers are often discussed at the annual meetings of the Academy's sister organizations, so you can also provide your perspective in person. The Academy and the Council on Professionalism need your input so we'll know we're meeting member needs. Please let us know what's on your mind.

One of the Council's goals for the coming year is to embed professionalism even further into each actuary's daily practice. Liaisons have been established with the other practice councils, and we look forward to working on this project together.

The Council on Professionalism is fortunate to have such talented and selfless volunteers serving on it. Our discussions are often frank and candid, and the result is always a better decision or plan. I'd like to recognize their efforts and thank them for their contributions. Their commitment to professionalism is greatly appreciated.

*Robert J. Rietz*  
*Vice President for Professionalism*  
*American Academy of Actuaries*

## Committee on Qualifications

### Letter from the Chair

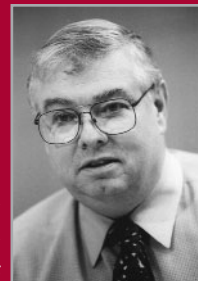
During 2002 the Committee on Qualifications developed, presented, and circulated an exposure draft of a proposed revision to the Qualification Standards. This proposed revision would extend the applicability of the Qualification Standards to statements of actuarial opinion, which do not fall within the current definition of a "prescribed statement of actuarial opinion" (PSAO) in cases where another party will or may rely upon those statements.

The Academy Board approved the discussion draft for release by September 2002. It was released November 1, 2002, with a comment deadline of March 15, 2003. The Committee on Qualifications will review the comments received and will then decide whether amendments to the

proposal are warranted and whether to propose that the Qualification Standards be revised.

I would like to express my thanks to the members of the Committee on Qualifications for their hard work and perseverance in developing the discussion draft, and I look forward to working with the Committee and its staff at the Academy to review and respond to members' comments.

*Charles L. McClenahan*  
*Chairperson*  
*Committee on Qualifications*



## ***Actuarial Standards Board***

Top (L-R): Alan J. Stonewall; Heidi Rackley, Vice Chairperson;  
Karen F. Terry; Roland E. (Guy) King, Vice Chairperson;  
Robert E. Wilcox; William C. Weller; Ken W. Hartwell.

Bottom (L-R): Michael A. LaMonica; William C. Koenig, Chairperson.



## **Actuarial Standards Board** **Letter from the Chair**



**T**he Actuarial Standards Board (ASB) serves the actuarial community and the public by codifying generally accepted actuarial practice through the issuance of Actuarial Standards of Practice (ASOPs). The principle purpose of an ASOP is to provide guidance to actuaries who practice in the subject area covered by the ASOP.

In 2002, the ASB adopted one new standard and revisions of two existing standards. It also issued exposure drafts of one new standard and two revised standards. The increasing activity surrounding revised standards is an indication of the need to keep up-to-date with evolving (and improving) actuarial practice.

In addition, the ASB repealed two standards (or in these cases their predecessors' interpretive opinions) as subsequent events rendered them unnecessary.

The ASB also withdrew a proposed ASOP issued in 2001, *Projected Benefit Illustrations in Connection with Retirement Plan Amendments*. The exposure draft had elicited many comments, both favorable and unfavorable. The ASB concluded that there is a lack of consensus with-

in the profession about what constitutes generally accepted actuarial practice in this area.

The ASB took two actions to improve the accessibility of the ASOPs and the ASB itself to the membership. The ASB website was launched in July, and the first CD-ROM of ASOPs was mailed in August, with annual updates anticipated.

Throughout the year it has become increasingly apparent that the ASB and the profession are far better served when ASOP exposures get wide and careful consideration, as evidenced by numerous thoughtful comments. We ask you to take the time to review exposures and we encourage you to submit your thoughts.

I would like to extend my thanks to the board members, to the chairpersons and other members of the operating committees, and to our supportive staff for their time and dedication to the standards-setting process. Special thanks go to Guy King and Alan Stonewall, who completed their six years of board service at the end of 2002.

*Bill Koenig*  
*Chairperson*  
*Actuarial Standards Board*

## **Joint Committee on the Code of Professional Conduct** **Letter from the Chair**

**A**s we move into a new year, the Code of Professional Conduct continues to enjoy the unified support of the five U.S.-based actuarial organizations and the profession at large. The Committee continues to provide an open forum for members to raise any potential issues concerning the various precepts as they are applied to actuaries' professional conduct.

In the coming year, the Committee plans to meet with individuals who have raised questions about the Code to better understand how our publics apply it to measure the quality of actuaries' work products and conduct. We will also continue to explore various concepts embraced in the Code through articles and educational sessions at meetings across the country. These efforts are intended to help actu-

aries understand and employ the level of professionalism envisioned by the Code and to maintain the reputation of the actuarial profession.

I encourage every member to review and apply the precepts in the Code of Professional Conduct and to raise awareness of the Code among co-workers and other professionals. The Committee members are available to answer any questions member actuaries may have.

*Kenneth A. Kent*  
*Chairperson*  
*Joint Committee on the*  
*Code of Professional Conduct*

