



# AMERICAN ACADEMY *of* ACTUARIES

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## MEMORANDUM

TO: The Board of Directors  
FROM: The Committee on Professional Responsibility  
RE: Summary of Professionalism Survey Results  
DATE: January 10, 2000

In March of last year, the Committee on Professional Responsibility conducted a survey on professionalism topics. The survey's purpose was to test actuaries' level of familiarity and comfort with the profession's standards of conduct, practice and qualification and the counseling and discipline process. The survey also arose out of the work of the Task Force on Public Perception of Pension Actuaries, whose recommendations included a suggestion that such a survey be conducted among enrolled actuaries. This report summarizes the survey results.

### *I. Background*

The survey consisted of forty-six questions covering the Code of Professional Conduct, Qualification Standards, the Actuarial Standards of Practice and the Actuarial Board for Counseling and Discipline (ABCD). Opportunities were given for respondents to provide handwritten comments as well as multiple choice responses. A copy of the survey appears as Attachment 1 to this report.

The survey was sent to all actuaries practicing in the United States and to Academy members practicing outside the United States. To determine who these actuaries were, the Committee relied on the 1999 *Actuarial Directory*.

More than 2800 responses to the survey were received. Based on the initial demographic questions, we believe that the respondents represent a good cross-section of the Academy's membership. While we recognize the tendency for interested parties to "self-select" on such a survey, we believe that the responses were sufficiently numerous to offer valuable insights into the thinking of the Academy's membership as whole.<sup>1</sup>

We analyzed the survey data in total and broken down by organization. This analysis did not yield any significant surprises, except perhaps that there was so much commonality of response among the members of the various organizations.

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<sup>1</sup> Some of the subsets of respondents were fairly small, however. For example, the number of non-MAAA enrolled actuaries who responded was small enough that their responses, although informative, probably should not be considered statistically significant.

## ***II. Summary of Responses***

Most of the respondents (between 75 and 85% in most demographic groups) indicated positive levels of familiarity and comfort with the profession's standards and the respondents seemed to be broadly aware of the activities of the ABCD. Thus, the survey data and written responses do not so much indicate the existence of major problems, but instead offer opportunities to enhance members' understanding of the profession's standards and counseling and discipline process. This report contains some recommendations to take advantage of those opportunities; those recommendations are distributed through the subsections below.

We were pleased to see that nearly all of the non-MAAA respondents indicated that they had full or some access to the profession's standards, with less than 1% of respondents indicating that they had no access. Most of them also understood that, even though they were not members of the Academy, they are bound by the profession's standards of conduct, practice and qualification, with fewer than 1% indicating that they did not believe themselves to be so bound and from 1 to 3% (depending on organizational affiliation) indicating that they were not sure whether they were so bound.

### ***A. Code of Professional Conduct***

Only 4% of respondents indicated that they were unaware of the Code; 64% said they refer to it as necessary, 26% said they read it only once, and 6% said they refer to it on a regular basis. Over 90% of the respondents indicated that they believed the Code of Professional Conduct to be appropriately restrictive; less than 3% said it was too lenient, and a comparable 3% said it was too strict. Approximately 90% of the respondents said it was somewhat or very clear and somewhat or very useful. 99% said it was consistent with their approach to professional practice, with 15% indicating that they had changed their practice at some point due to the Code. Several commentators offered specific suggestions on possible changes to the Code, including: revision or elimination of Precept 14; a request that the Code offer actuaries more support in standing up to improper demands of a client or employer; and requests that the obligations imposed by the Code on in-house and regulatory actuaries be clarified.

### ***B. Actuarial Standards of Practice***

The Actuarial Standards of Practice proved to be the best understood and most appreciated of the professionalism standards. Less than 4% of respondents were unaware of the ASOPs; 74% said they refer to them as necessary, 15% said they had read the ASOPs only once, and 7% said they refer to them on a regular basis. 87% of the respondents indicated that they believed the ASOPs to be appropriately restrictive; 5.5% said they were too lenient, and 7% said they were too strict. Approximately 87% of the respondents said the ASOPs are somewhat or very clear and 94% said they were somewhat or very useful. 97% said the ASOPs were consistent with their approach to professional practice.

However, the questions regarding the number of ASOPs raised some interesting issues, as did the responses to requests for suggested topics to add or delete from the ASOPs. Although 67% of those responding said there are the right number of standards in their primary practice areas, 14% thought there were too few and 19% thought there were too many. The written comments reflected this division of opinion. Some respondents felt that the ASB has been pressing too hard to develop standards and, as a result, is making it difficult for actuaries to keep abreast of their professional responsibilities. With respect to content, some actuaries thought the ASOPs are too restrictive while others would prefer more detailed guidance. These responses suggest the difficulty of striking the proper balance when attempting to write standards of practice for the a profession of such diverse opinion and, we believe, indicate the need to communicate more clearly to members why standards are necessary.

One significant fact that emerged from the survey is that more than 54% of the respondents were unaware of the existence of the Applicability Guidelines published by the Council on Professionalism to accompany the ASOPs. Given the tremendous value that the Applicability Guidelines have to help members determine which ASOPs are likely to apply to a particular project, it is clear that more should be done to publicize their availability.

Members also indicated a significant willingness to attend sessions on ASOPs, with 74% stating that they would be interested in attending such sessions if offered.

### *C. Qualification Standards*

Fewer respondents were familiar with the Qualification Standards, with 18% of the respondents indicating that they were not aware of them at all. 88% of those who were aware of them thought they were appropriately restrictive; 5.6% said they were too lenient, and 6.4% said they were too strict. 89% of the respondents found the Qualification Standards to be somewhat or very clear and 82% found them to be somewhat or very useful. 98% said the Qualification Standards were consistent with their approach to actuarial practice; 11% said they had changed their practice in response to the Qualification Standards. Written comments suggested in a few instances that the Qualification Standards could be clearer and that the continuing education requirements should be more prominently published. Several commentators also expressed an interest in attending professionalism sessions as part of their continuing education. They urged that there be more of such sessions at actuarial meetings and that the sessions not be held concurrent with technical sessions. We believe that the responses to this portion of the survey indicate a need for more communication about the Qualification Standards to the membership as well as a need for more independently scheduled professionalism sessions at meetings. We would urge all of the U.S.-based organizations to make such sessions part of their meeting agendas hereafter and, in fact, have offered our assistance to the organizations' program committees to help with development of program content.

#### ***D. Actuarial Board for Counseling and Discipline***

The ABCD's full range of functions does not seem to be as well understood as it might be by the membership. Although 98% of the respondents indicated that they knew the ABCD investigates complaints against actuaries and 94% knew that the ABCD recommends discipline, only 88% knew that the ABCD confidentially counsels actuaries, 78.5% knew that the ABCD provides confidential voluntary guidance to actuaries, and only 67% knew that the ABCD mediates disputes between actuaries. Almost two-thirds of the respondents had no opinion as to whether the ABCD is fair or effective, perhaps because they had no personal experience with the ABCD.

As for Precept 14, 31% of those responding indicated that they had been aware of an actuary who had been in apparent breach of professional standards, but 92% of those individuals had not reported the matter to the ABCD. Their most common reason for not doing so was lacking enough information to complain (25%), but other frequently cited reasons were: the conduct was not that objectionable (11%); the matter was resolved confidentially (8%); the actuary didn't believe reporting the breach would do any good (11%); or the matter was in litigation or otherwise confidential (14% combined). 6% said they were afraid of being sued; 4% were afraid that the breaching actuary would cross-complain; and 4% said they did not understand the ABCD process.

Perhaps most disturbing was that only 23% of the respondents said they would come to the ABCD for confidential guidance. Most frequently, they indicated that: they preferred to get their guidance from other sources (33%); they did not believe the guidance would be kept confidential (13.5%); they did not understand the ABCD process (11.5%); they saw no need for guidance (11%); or they were afraid of being investigated (10%).

The responses suggest that more needs to be done to educate the profession about the ABCD's counseling and mediation functions. We recognize that the confidential nature of the ABCD's activities limits its ability to communicate with the members and outside audiences. However, increased communication about the ABCD's "gentler" activities could have the dual benefits of increasing members' understanding of the ABCD's functions and enhancing the profession's appreciation of the ABCD's value.

#### ***E. Other Issues***

Three other issues emerged out of the handwritten responses that warrant separate mention. First, several respondents asked for more assistance from the profession to manage client and employer relations. Second, some respondents suggested that regulatory actuaries do not appear to be held to the same standards as other members of the profession. This perception, we believe, needs to be addressed. Finally, some commentators accused members of the profession's leadership of being less than fully professional in their own businesses. While we give these comments little individual credence,

they do serve as a reminder that the profession is best served if its leaders consistently demonstrate high ethical standards in their professional lives.

### ***III. Next Steps***

The survey results were presented at a concurrent session at the October SoA meeting and additional presentations are planned for the EA Meeting and the Spring 2000 SoA meetings. Further, the Committee plans a series of articles in the *Update* and other newsletters to discuss aspects of the survey. The Committee is also working on a professionalism “ad” campaign involving cartoons and lapel buttons to “raise the profession’s consciousness” in a fresh and appealing manner. Finally, we would be pleased to support the other committees of the Council on Professionalism as well as the ABCD and ASB to implement the suggestions set forth in this summary, in particular, making the profession more aware of the counseling and mediation functions of the ABCD and of the Applicability Guidelines for the Actuarial Standards of Practice. We welcome your further thoughts on how to make use of the survey data, and would be pleased to discuss the survey as appropriate.