

Academy History

“From the halls of Congress and state capitols to regulatory and professional bodies such as the NAIC, FASB, and the IAA, the Academy represents the interests of all U.S. actuaries. As a member of the Academy, you are demonstrating a personal commitment to responsible actuarial practice, professionalism, and sound public policy.”

— Dan McCarthy, Academy past president

FOR MANY YEARS, the actuarial profession in North America consisted of four organizations: the Casualty Actuarial Society (CAS), the Conference of Actuaries in Public Practice, the Fraternal Actuarial Association, and the Society of Actuaries (SOA). In 1964, these organizations recognized the need for a single inclusive body that would represent qualified American actuaries of all specialties. They approved the creation of a new organization.

The American Academy of Actuaries was born Oct. 25, 1965, as an unincorporated association serving the actuarial profession in the United States. In 1966, it became a corporation under the Illinois General Not For Profit Corporation Act. The Academy’s first president was Henry F. Rood — the actuary who had first formally proposed the creation of such an organization in 1958, when he was SOA president. Initially, the Academy shared administrative facilities with the SOA in Chicago; then, in January 1976, the Academy moved to its headquarters to the nation’s capital, where it remains.

Today, the Academy serves as the voice of American actuaries on public policy and professionalism issues, representing the U.S. actuarial profession at the state, federal, and international levels. It provides independent, objective actuarial expertise on public policy issues to legislators, regulators, policymakers, and others, and it develops and maintains professional standards.

The Academy started out with 1,427 charter members, automatically offering membership to all U.S. residents who were fellows (or the equivalent) of the four existing American actuarial organizations. Today, the Academy has nearly 16,000 members — most of the actuaries in North America. They include consultants, corporate executives, regulators, university professors, government officials, and retirees. Their areas of practice range from pensions and financial reporting to casualty, life, and health insurance.

Mission

The mission statement articulates the main purposes of the Academy’s work:

The Academy’s mission is to serve the public on behalf of the United States actuarial profession.

To accomplish this, the Academy:

- *Provides independent and objective actuarial information, analysis, and education for the formation of sound public policy;*
- *Proactively identifies and addresses issues on behalf of the public in matters where actuarial science provides a unique understanding;*
- *Increases the public’s understanding and recognition of the value of the actuarial profession;*
- *Facilitates and coordinates issues of common interest among the U.S.-based actuarial associations;*
- *Provides for the establishment, maintenance, and enforcement of high professional standards of actuarial qualification, practice, and conduct; and*

► *Coordinates the representation of the U.S. profession globally.*

The mission statement was last updated in 2007, as part of a new strategic plan for the Academy. The strategic plan aims to reverse the historic splintering of the U.S. actuarial profession among different professional organizations, and it asserts the importance of the Academy's advocating in the public interest on important issues.

Leadership

The Academy's work is primarily governed by three groups: the Board of Directors, the Executive Committee (the president, president-elect, immediate past president, secretary-treasurer, and the six vice presidents), and the President's Advisory Committee (the current president, immediate past president, and president-elect).

In 2007, the Board created a new leadership group: The Council of U.S. Presidents. Its 10 members consist of the Academy president and president-elect and the Academy's special directors (the presidents and presidents-elect of the other four national actuarial associations). CUSP has a dual role: to help the five organizations' leaders find ways to make the profession more efficient and more effective, and to manage most of the Academy's interactions with the ASB and ABCD.

Councils

The vice presidents head the Academy's six councils for public policy and professionalism issues. Each council has broad authority to set its own agenda, and specific initiatives are carried out by Academy committees that report to it.

One multidisciplinary council and four practice councils focus on public policy. In 1990, the Board of Directors established four councils to represent the major areas of actuarial practice—casualty, health, life, and pensions—in public policy activities. The Risk Management and Financial Reporting Council (originally the Financial Reporting Council) was added in 1996. On the professionalism side, the Council on Professionalism was creat-

ed in 1992; it oversees the Academy's efforts in setting and maintaining professional standards and in advancing professionalism through educational offerings, publications, and other activities.

Legal Recognition

Academy membership is the hallmark of a qualified actuary in the United States.

In December 1966, the National Association of Insurance Commissioners (NAIC) adopted a resolution supporting recognized standards of actuarial competence and conduct and urging commissioners to support the Academy's efforts to gain official recognition. Today, every state has regulations that recognize Academy membership as a qualification for signing insurance company annual statements. Some states also have corresponding recognition for public employee retirement systems.

Indiana was the first state to act; in a 1968 law, it provided for actuarial certification by a state board. In other states, the general pattern has been to issue administrative orders or regulations. In 1975, the responsibility expected of actuaries was spelled out by a new requirement that an actuary who signed a life insurance company annual statement must express an opinion on the actuarial elements, including an opinion on the adequacy of reserves. The Academy responded with recommendations to the profession on how that responsibility should be met (as it did again in 1983 when a comparable actuarial opinion began to be required for health service corporation and HMO annual statements). In 1980, a similar requirement was added to the property and liability insurance company annual statement; this requirement, however, was at the discretion of the domiciliary insurance commissioner. Again, the Academy responded with appropriate recommendations to the profession.

In 1990, at the Academy's urging, the NAIC eliminated the discretion of individual states. As a result, virtually all annual statements from property/casualty companies in the United States must be accompanied by a loss reserve

opinion from a “qualified actuary,” which is defined as either an Academy member approved by the Casualty Practice Council, a member of the Casualty Actuarial Society, or an individual approved by the domiciliary commissioner. (In the pension field, the Employee Retirement Income Security Act of 1974 [ERISA] established extensive and specific standards for actuarial reports, for disclosure and fiduciary relationships, and for the qualifications of actuaries in pension work.)

In 2006, Academy membership also became a legal requirement for actuaries filing actuarial equivalence attestations for retiree health plans seeking a Medicare Part D subsidy.

Membership Requirements

Initially, the Academy required applicants who were ineligible for charter membership to demonstrate appropriate knowledge and skills before they were admitted as members. Many were admitted by this route, some after passing special proctored exams. A requirement was imposed of seven years of responsible actuarial experience (five years for fellows by examination of the existing bodies).

From 1970 until 1976, the educational requirements gradually increased. In January 1976, a bylaw amendment created a new non-voting class of membership, the designated affiliate, for enrolled actuaries. In 1979, the bylaws were changed to eliminate the distinction between affiliates and members and to set the experience requirement at three years of responsible work.

Subsequently, the Academy board set the basic educational requirement as follows: associate in the Casualty Actuarial Society or Society of Actuaries; or qualified member or fellow in the American Society of Pension Professionals and Actuaries; or member in the Conference of Consulting Actuaries; or status as an enrolled actuary under ERISA; or fellow in the Institute of Actuaries, the Faculty of Actuaries, or the Institute of Actuaries of Australia; or member in the Colegio Nacional de Actuarios.

U.S. residents and nonresidents alike can

be admitted if they meet the Academy’s educational and experience standards, can demonstrate familiarity with U.S. actuarial practices and, in the case of nonresidents, have a need to perform actuarial duties in the United States.

Code of Conduct

The Code of Professional Conduct includes precepts and annotations that require a high standard of ethics and responsible performance expected of professionals. The precepts require actuaries to abide by standards of practice, as promulgated by the Actuarial Standards Board, and to abide by Qualification Standards adopted by the Academy.

As a predecessor of the code, the Guides to Professional Conduct were first issued in 1965, and they were revised over time. Together, the guides and the interpretative opinions that supplemented them formed a core of ethical guidance for Academy members in all phases of their professional lives. In 1991, the Board of Directors approved a new set of ethical precepts recommended by the Council of Presidents Task Force on the Code of Professional Conduct. These precepts were intended to be a common code of ethical tenets for all organizations representing actuaries in North America.

The Academy was the first to adopt the Code of Professional Conduct, which took effect Jan. 1, 1992. The code has been periodically updated, and the current version has been in effect since Jan. 1, 2001. The code has been adopted in substantially similar form by every professional society representing actuaries in the United States and Canada.

Qualification Standards

U.S. actuarial standards of conduct have always required that an actuary provide advice or services only when he or she is qualified to do so. To help actuaries make that determination, the Academy established Qualification Standards with specific experience and education requirements for certain types of actuarial assignments and services.

The first Qualification Standards, which

were adopted by the Academy in 1981, consisted of education and experience requirements for actuaries signing the actuarial opinions in life and casualty insurers' annual statements. Over the years, as actuarial specialization, new areas of actuarial practice, regulatory complexities, and advances in actuarial theory and technology have all continued to grow, the Qualification Standards have been updated and expanded.

Mandatory continuing education requirements were first included in the 1991 standards, which applied to public statements of actuarial opinion (PSAOs). Later, the "P" in PSAO was changed to "prescribed" to help clarify the nature of those statements.

In 2004, the Board of Directors approved an exposure draft that would significantly expand the standards. The Committee on Qualifications' draft was based on the recognition that while Precept 2 of the 2001 Code of Professional Conduct requires that all actuaries be qualified "on the basis of basic and continuing education and experience" when performing actuarial services, the Qualification Standards then in effect applied only to actuaries who issued PSAOs. The exposure draft broadened the scope of the standards to include all statements of actuarial opinion (SAOs), not just statutory and regulatory work. After additional debate and a second exposure draft in 2006, the final draft was approved by the Board of Directors in 2007. The newly revised standards took effect on Jan. 1, 2008. They include significantly increased continuing education requirements and, for the first time, apply to most practicing actuaries in the United States.

Standards of Practice

The Academy began issuing standards of practice — initially called recommendations — in 1973. They were supplemented by interpretations. A major advance in the development and management of standards of practice came in 1985 with the creation of the Interim Actuarial Standards Board. It was the prototype for the permanent Actuarial Standards Board (ASB),

which was created in July 1988 after a bylaw amendment vote.

Like the Actuarial Board for Counseling and Discipline, the ASB is a separate entity supported by Academy staff and housed at the Academy. It has sole responsibility to initiate, develop, and adopt new actuarial standards of practice (ASOPs). ASOPs include statements on the techniques, applications, procedures, and methods that have been generally accepted by the profession. The Code of Professional Conduct requires actuaries to be knowledgeable about and to abide by these standards.

Counseling and Discipline

From the start, the Academy recognized the need for a disciplinary procedure to enforce standards of conduct and provide an avenue to express grievances regarding the professional activities of Academy members. For many years, the Committee on Discipline was responsible for handling complaints, investigating charges, and proposing disciplinary measures. Because duplications of effort by disciplinary committees of the various actuarial organizations frustrated effective discipline, and because a common Code of Professional Conduct was being adopted, Academy members voted in 1991 to create the Actuarial Board for Counseling and Discipline (ABCD).

The ABCD serves the profession and the public by investigating complaints against individual actuaries, by providing confidential guidance to actuaries requesting it, and, to a limited extent, by mediating professional disputes.

A separate entity supported by Academy staff and housed at the Academy, the ABCD investigates apparent violations of the Code of Conduct by members of any organization that represents actuaries and that has delegated investigative authority to the ABCD. (The Academy and other organizations have delegated such authority.) For activities that in the ABCD's opinion do not merit public discipline, or in response to actuaries' requests for guidance, actuaries are counseled privately and are pro-

vided guidance in complying with the requirements of the code, Qualification Standards, and standards of practice.

Public Policy

As the public policy arm of the American actuarial profession, the Academy provides independent, objective analysis to policymakers and regulators. Academy members use their actuarial expertise to contribute to the public debate on major issues—ranging from Social Security solvency to terrorism insurance—and on important regulatory efforts, such as principle-based reserving and capital requirements.

For many years, Academy groups have worked extensively with the National Association of Insurance Commissioners on state insurance issues. While close work with the NAIC has continued, the Academy has broadened its efforts in recent years, working on state insurance issues with, for example, the National Conference of Insurance Legislators, the Federal Accounting Standards Board, the Governmental Accounting Standards Board, the American Institute of Certified Public Accountants, and AARP. To provide an actuarial perspective on key federal issues, the Academy sponsors Capitol Hill briefings, testifies at congressional hearings, publishes comments and analyses, makes annual Capitol Hill visits, and provides informal assistance to policymaking and regulatory officials, among other efforts. The Academy has also significantly expanded its international activities in recent years. It is working to give the U.S. profession a greater voice on a variety of international issues, including proposed regulatory changes that could affect U.S. actuarial practice.

The Academy's public policy efforts are supported by the Casualty Practice Council, Health Practice Council, Life Practice Council, Pension Practice Council, and the Risk Management and Financial Reporting Council. The Academy's senior health fellow and senior pension fellow play a major role in representing the Academy on public policy issues, as do other Academy members.

Joint Activities

The U.S. actuarial organizations cooperate in ways large and small. Their members are all governed by a single Code of Professional Conduct, they facilitate joint research and public policy projects, and they jointly sponsor a number of professionalism seminars and webcasts, to name a few examples.

Also, the Academy's Board of Directors includes the presidents and presidents-elect of all national U.S. actuarial organizations, ensuring that the Board represents actuaries in all types of practice. Those presidents and presidents-elect also make up the Council of U.S. Presidents (CUSP), an Academy committee that was established in 2007 to help make the U.S. profession more efficient and more effective.

In 1972, the Academy was instrumental in creating an informal body, the Council of Presidents, to foster greater understanding and common purpose in the North American actuarial community. The council was renamed in 2004 and is now the North American Actuarial Council. It is composed of the members of CUSP and their counterparts in Canada and Mexico.