

Statement by CUSP
Academy Strategic Plan initiative 1.1.1:
ASB, ABCD work with CUSP to clarify accountability, independence

Purpose

The Council of U.S. Presidents (CUSP) is composed of the presidents and presidents-elect of the five U.S.-based actuarial organizations.¹ In April 2007, the members of CUSP signed a statement that acting in the public interest is of paramount importance to the actuarial profession. In keeping with that objective, the Board of the American Academy of Actuaries (Academy) has delegated to CUSP oversight of the Actuarial Standards Board (ASB) and the Actuarial Board for Counseling and Discipline (ABCD). The ABCD and ASB are entities established within the corporate organization structure of the Academy. They are not legally independent organizations. However, the actuarial profession best serves the public's interests by granting a substantial amount of autonomy to the ASB and ABCD in the course of their work. The purpose of this statement is to elaborate on that basic principle.

Code of Professional Conduct

Effective January 1, 2001, the five U.S.-based actuarial organizations adopted a uniform *Code of Professional Conduct* (the *Code*). The *Code* states and further describes, through annotations, fundamental precepts of professional conduct that must be followed by actuaries practicing in the United States. Failure to follow these precepts can lead to disciplinary action by the organizations to which a subject actuary belongs, up to and including expulsion from such organizations.

Administrative procedures

Under the Academy's Bylaws, members of both the ASB and the ABCD are selected and appointed by CUSP, which also retains the right to remove members of the ASB and ABCD. CUSP selects the chairperson and two vice-chairpersons of each body from its members. The ASB and ABCD are funded by annual assessments on the dues of Academy members, supplemented by annual assessments on the dues of those U.S.-based actuaries who may have chosen not to be members of the Academy. The Academy Board approves the budgets of the ASB and ABCD. The Academy provides all staff support for the ASB and for the ABCD, except that the ABCD has additional authority to hire outside investigators and counsel, in order to obtain expertise that would otherwise not be available.

¹ The five U.S.-based actuarial organizations are the American Academy of Actuaries, the American Society of Pension Professionals and Actuaries (ASPPA), the Casualty Actuarial Society (CAS), the Conference of Consulting Actuaries (CCA) and the Society of Actuaries (SOA).

The work of the Actuarial Standards Board

Precept 3 of the *Code*, entitled Standards of Practice, states: “An Actuary shall ensure that Actuarial Services performed by or under the direction of the Actuary satisfy applicable standards of practice.” Implementation of this precept dictates that a body issue actuarial standards of practice (ASOPs), and that body is the ASB. By adherence to the uniform *Code*, all five U.S.-based actuarial organizations require their members practicing in the U.S. to follow the ASOPs.

ASOPs are developed and drafted by the ASB and its operating committees. The ASB promulgates ASOPs, following specified procedures regarding public exposure and comment. CUSP does not itself have any specific oversight role in this aspect of ASB operations. Of course, CUSP’s members are ordinarily actuaries, who can comment on draft ASOPs like any other observer can. CUSP can suggest the development or revision of ASOPs in specific areas but does not have the authority to direct the ASB to perform such work.

The work of the Actuarial Board for Counseling and Discipline

Actuaries who violate the *Code* are subject to disciplinary action, as noted above, but determining whether a violation has occurred can be a highly complex and technical matter. In all cases, even relatively simple ones, the facts and circumstances surrounding any alleged violation of the *Code* must be investigated under procedures that afford due process to the accused. The ABCD is the body that was created to conduct such investigations on behalf of the five U.S.-based actuarial organizations, all of which have agreed to use the ABCD to conduct investigations of their members who have been accused of violating the uniform *Code* with respect to work intended to be used in the U.S.

Investigations of subject actuaries are conducted in strict secrecy. Unless public discipline occurs, the fact that an actuary has been investigated should never routinely become known. CUSP has no involvement whatsoever in investigating subject actuaries, determining whether a violation of the *Code* has occurred, or recommending discipline. CUSP does not initiate investigations, although its members can – and, under some circumstances, may be required to – report possible violations of the *Code* as individuals.