COUNCIL ON PROFESSIONALISM HIGHLIGHTS

- The Committee on Qualifications is in the process of completing a revised draft of the proposed amendments to the Qualification Standards after reviewing nearly 200 comments from individuals and groups on the second exposure draft. The Council hopes to review the revised draft in the next month. [See Section II, Paragraph 4, and Section IV, Paragraph 2 below]

- The Council met on January 8, 2007 in Orlando, Florida and covered a variety of issues including the formation of a CRUSAP Task Force to determine whether the Council should undertake any professionalism projects resulting from the CRUSAP Report. The Council on Professionalism welcomed two new members: Dan McCarthy and Michael Toothman. [See Section I, Paragraph 3, Section IV, Paragraph 1 below]

- The Council is awaiting response from the newly formed CUSP, also known as the U.S. members of NAAC, to the Council’s letter to them requesting guidance on CUSP’s suggestion that the Council take a larger role in serving the actuarial community and the Council looks forward to CUSP’s response. [See Section IV, Paragraph 1 below]

The Council’s next meeting is scheduled for April 4, 2007 in Washington, D.C. In addition to the items set forth herein, the Council continues to pursue implementation of the professionalism vision statement, mission statement and suggested strategies adopted at prior meetings.
STRATEGIC DIRECTIONS

I. Develop and promote to members practical materials (e.g., case studies, discussion papers) that will inspire them to incorporate exceptional professionalism in their daily practice.

Proposed Strategies:

1. Offer speakers on professionalism topics to interested audiences (e.g., employers of actuaries, actuarial clubs, college classes, actuarial meetings).

The Committee on Professional Responsibility is preparing a comprehensive power-point presentation on Professionalism and the Actuarial Profession, to be used by Members or Academy committees in presentations on the topic of Professionalism at other organizations and actuarial clubs.

The Committee on Professional Responsibility also intends to prepare a speaker’s kit on Peer Review for use by Members interested in providing a general presentation on the subject to other organizations and actuarial clubs.

The Committee on Professional Responsibility continues to develop programs for the Academy’s annual meeting.

The Academy professionalism volunteers and staff plan to participate in presentations and discussions on professionalism issues at the 2007 Enrolled Actuaries meeting (in which the Academy is a co-sponsor), the 2007 CAS Professionalism Courses, the 2007 Employee Benefits Spring Meeting, and other meetings.

2. Develop case studies on application of standards in real life situations.

The Council is considering how to develop a “library” of case studies with a delicate balance between informational case analysis and avoiding creating a de facto standard of practice when analyzing on a case-by-case basis.

The Committee on Professional Responsibility is in the midst of preparing a discussion paper for publication regarding the use of ASOPs as a tool for actuaries in their daily practices.

The Council is considering updating the Applicability Guidelines with the intent to publish in the second half of 2007 (if Academy practice councils determine such update is necessary).
The Life and Health Qualifications Seminar Task Force continues to review and prepare study materials for the Life and Health Qualifications Seminar scheduled for November 2007.

3. **Develop articles on professionalism topics for the Update, Contingencies, other publications, and Academy website.**

The Committee on Professional Responsibility continues to prepare a discussion paper for publication regarding the use of ASOPs as a tool for actuaries in their daily practices.

The Council’s revised Guidelines for the Development of Practice Notes were published in the 2007 Yearbook and Leadership Manual.

The Council formed a CRUSAP Task Force to review in greater detail the CRUSAP Report and determine whether the Council should embark on any projects on professionalism issues resulting from the CRUSAP Report.

The Council is considering requesting the Committee on Professional Responsibility to prepare a discussion paper on Precept 13.

Professionalism cartoons continue to run periodically in issues of the Actuarial *Update*.

**Outlook: The Council has already made substantial efforts in the area of materials development, and expects to make further progress throughout the year.**

II. **Educate policymakers, regulators, actuaries’ principals and other users of actuarial services on the nature and value of the profession’s standard-setting and discipline process and the importance of incorporating principles of professionalism into laws and regulations applicable to actuaries’ practice.**

**Proposed Strategies:**

1. **Conduct regular meetings with NAIC, Joint Board and other regulators and legislators to discuss relevant professionalism topics.**

The Council Chairperson has met with the Joint Board for the Enrollment of Actuaries (JBEA) to continue discussions on the EA exam syllabus and coordination to satisfy IAA professionalism standards.

In addition, the Council has had discussions with the JBEA to sponsor joint professionalism presentations, and Academy volunteers and staff are participating in the 2007 Enrolled Actuaries meeting which the Academy co-sponsors.
The Council continues to review and monitor reports and comments from the various committees of the Academy’s life, health, casualty, and risk management and financial reporting practice groups in connection with proposed model regulations, peer review, principles-based approach, and other issues being discussed with NAIC and state insurance regulators.

2. **Conduct periodic meetings with actuaries’ principals and other users of actuarial work products to discuss relevant professionalism topics.**

Casualty Practice Council liaison Chap Cook has agreed to design a proposed program for Council consideration.

3. **Research what other professions do to educate their principals and other publics on their own professionalism initiatives and borrow any good ideas.**

The Executive Committee requested that the Council create an acknowledgment form to be signed by Academy members who participate on any Academy councils or committees confirming such member’s understanding of, and adherence to, the Academy’s conflict of interest policy. The Council discussed this issue and, due to the Council’s concern that volunteers may view such form as too onerous, decided instead to propose to the Executive Committee that such acknowledgments be signed only by Academy practice council members and “more senior” committees. The Council further proposed that other members would receive a copy of the Academy’s conflict of interest policy upon joining any Academy committees, task forces, or work groups. The Council has instructed the Council Chairperson to draft a proposal setting forth the Council’s position for consideration by the Executive Committee.

4. **Advise the general public of aspects of actuarial professionalism that are relevant to the public interest.**

The Council plans to work with the Joint Board for the Enrollment of Actuaries on programs and presentations to provide the public with information on professionalism. The Academy’s 2007 Spring Meeting will be held with the annual Enrolled Actuaries Meeting in March 2007 in an effort to reach out to Enrolled Actuaries.

The Committee on Qualifications is completing a revised draft of the proposed amendments to the Qualification Standards after reviewing nearly 200 comments from individuals and groups on the second exposure draft of the Qualification Standards. The Council hopes to review the revised draft in the next month.
The Committee on Actuarial Public Service recommended a candidate to receive the Robert J. Myers Public Service Award, which will be presented at the Academy’s 2007 Spring Meeting on March 28, 2007.

**Outlook:** The Council expects to continue to make significant progress in this area throughout the year.

### III. Coordinate with the Practice Councils to more thoroughly incorporate professionalism into their activities.

**Proposed Strategies:**

1. **Have Practice Councils review and comment on all ASB exposure drafts and Qualification Standards exposure drafts and recommend subjects for new standards or changes to existing standards.**

   The Practice Council liaisons have been charged with having their respective councils develop appropriate review processes, and meaningful progress has been made in this area. Most practice groups provide feedback on ASOP exposure drafts. In addition, most practice groups have provided thoughtful comments on the recent Qualification Standards second exposure draft proposed changes.

2. **Work with Practice Councils to incorporate relevant professionalism information into Hill briefings and visits.**

   The Council published in 2004 a professionalism brochure for broad public distribution and to serve as a “leave behind” for a variety of situations. It has been widely distributed in hard copy to the members and also posted on the Academy’s website. The Council plans to review this brochure and determine if updates are necessary in 2007.

3. **Continue peer and legal review of Academy public statements.**

   Academy committees and task forces have charged council liaisons with encouraging appropriate peer review of public statements. Legal review continues on an ongoing basis. The Academy’s guidelines for issuing public statements were approved by the Board in January 2006. The revised Guidelines for Practice Notes were approved by the Board of Directors and have been published in the 2007 Yearbook and Leadership Manual.

**Outlook:** The Council is making good progress in this area, but much of its future success depends on the Practice Council liaisons. We would ask the Vice Presidents to support their liaisons and encourage them to include relevant professionalism topics as part of their regular meeting agendas.
IV. Develop and promote continuing education opportunities that emphasize practice-based professionalism, both with the Practice Councils and with the Academy’s sister organizations.

Proposed Strategies:

1. *Develop a strategy for the Council to better serve the professionalism needs of all five of the U.S.-based actuarial organizations, as recommended by the U.S. members of the North American Actuarial Council.*

The North American Actuarial Council (U.S. members) recommended to the Council on Professionalism that it broaden its scope to address professionalism issues facing all five of the U.S.-based actuarial organizations.

The Council held its first meeting of 2007 on January 8th and discussed a number of matters including the formation of a Task Force comprised of certain Council members reviewing the CRUSAP Report to determine if the Council should develop any professionalism projects or papers as a result of the report.

The Council is awaiting response from the newly formed CUSP, also known as the U.S. members of NAAC, to the Council’s letter to them requesting guidance on CUSP’s suggestion that the Council take a larger role in servicing the actuarial community and the Council looks forward to CUSP’s response. A copy of the Council’s letter to CUSP is attached hereto.

The Council welcomed Dan McCarthy as a representative from the IAA Professionalism Committee, and Michael Toothman, as a representative of the ABCD.

2. *Work to develop a mechanism to move the Academy toward a process requiring all members to have continuing education, including mandatory continuing education on professionalism topics.*

A portion of this strategy was assigned to the Committee on Qualifications, which has now received over 200 comments on its proposed changes to the Qualification Standards and is completing a revised draft of the proposed changes to the Qualification Standards.

Given the directive from CUSP to coordinate continuing education amongst the five U.S.-based actuarial organizations, the Council has decided to defer exploration of requiring a certification of compliance by members of Academy for CE requirements until finalization of the proposed changes to the Qualification Standards.
3. **Offer one-day seminars on professionalism topics.**

The Council continues to consider topics for power-point presentations and web casts on professionalism issues, such as the Peer Review and Professionalism presentations referenced above.

4. **Get professionalism topics on programs of all actuarial organizations’ meetings in general sessions for at least one year.**

This strategy was assigned to the organizational liaisons. Historically, the Council has been successful in getting professionalism topics included in breakout sessions, but it has been more difficult to have them included in general sessions. The Council continues to actively work for increasing program exposure for professionalism issues.

5. **Encourage development of Web-based continuing education opportunities.**

The Committee on Professional Responsibility, working with the SoA, completed a Web-based professionalism program. The program has been designed to link to the Academy Web site and prominently features the Academy logo. The use of Web-based, cost-effective methods of providing continuing education, such as professionalism topics, figures prominently into the proposed modifications to the Qualification Standards.

6. **Plan and implement the annual Life and Health Qualifications Seminar**

The annual Academy’s Life and Health Qualifications Seminar was designed to help actuaries meet the eligibility requirements for issuing annual statement reserve opinions for life and health insurers. In addition, the seminar serves as a basic education refresher or a continuing education component for more experienced actuaries. The Life and Health Qualifications Seminar Task Force is well underway in planning and preparing for the Life and Health Qualifications Seminar to be held in November 2007; this seminar has proven to improve on its success each year with attendance at the 2006 Seminar reaching a record number of 112 attendees.

**Outlook:** The Council has made solid progress in fostering professionalism continuing education. However, for this Strategic Direction to be fully implemented, the Council will need the support of the Academy’s Practice Councils and sister organizations.

V. **Take a leadership role in incorporating professionalism in international aspects of actuarial work through; a) the Academy’s membership in the**
International Actuarial Association; and b) the Academy’s role in developing and implementing international trade agreements as they apply to U.S. actuaries.

**Proposed Strategies:** *Make the Academy’s professionalism resources available to developing actuarial organizations in other countries.*

The Council has assisted the Academy in responding to various survey questions from the IAA and anticipates continuing such involvement in the future.

The Council anticipates greater involvement and understanding of the professionalism issues that affect the international arena with the appointment of Dan McCarthy to the Council as representative from the IAA Professionalism Committee.

When appropriate, Academy legal staff will assist IAA on certain editorial review of proposed guidelines and standards, as it has done in the past.

**Outlook:** *The international arena remains complex, but the Council continues to make progress in this area.*

**EXTERNAL CONTACTS:**

- Joint Board for the Enrollment of Actuaries
- NAIC
- IAA
- CAS
- CCA
- SOA
- ASPPA
- Actuaries Club of Boston
- Southeastern Actuarial Conference
- Middle Atlantic Actuarial Club
- Baltimore Actuaries Club

**PUBLICATIONS:**

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<tr>
<th>Publication</th>
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<tr>
<td>Second exposure draft of changes to Qualification Standards</td>
<td>Membership</td>
<td>Comment period closed July 1, 2006.</td>
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<td>Revised Guidelines for the Development of Practice Notes.</td>
<td>Membership &amp; public</td>
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<tr>
<td>Use and Application of Actuarial Standards of Practice</td>
<td>Membership &amp; public</td>
<td>To be published in 2007 online as part of the series of “Concepts in Professionalism”.</td>
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MEMORANDUM

To: U.S. Members of the North American Actuarial Council

From: Allan Ryan, Chairman of the Council on Professionalism,
Vice President of the American Academy of Actuaries

Re: Role of Council on Professionalism in Serving all U.S.-based Actuarial Organizations

Date: January 29, 2007

We understand that the U.S.-based members of the North American Actuarial Council (“U.S. COP”) have had discussions concerning the relationship of the Council on Professionalism (the “Council”) to the U.S. COP members (comprising the presidents and presidents-elect of the five U.S.-based actuarial organizations). We understand that the U.S. COP may be considering having the Academy take a larger profession wide role with respect to professionalism issues. As noted in the Discussion Paper, Structural Framework of U.S. Actuarial Professionalism (prepared by the Task Force on Professional Framework Discussion Paper of the Council on Professionalism in October 2004), liaisons from the four U.S.-based actuarial organizations were added to the Council to “facilitate coordination of the professionalism activities of all of the U.S.-based organizations representing actuaries.” Id at p. 29.

In this spirit, the Council would like to propose some specific questions for the U.S. COP to further develop in its discussions regarding the Council’s role:

1. Report to the U.S. COP – How often, in what form, and what content would the U.S. COP members like to see in a periodic report from the Council.

2. Role of the Council on Professionalism – generally how does the U.S. COP envision the Council expanding its scope in serving the five U.S.-based actuarial organizations?

3. Specifics – Are there any particular areas of interest in which the U.S. COP recommends the Council become more involved?

   - Does U.S. COP support the Council providing annual continuing education on the subject of professionalism?
   - Does U.S. COP want the Council to develop additional committees or task forces in any particular actuarial field or area of interest?
   - Does the U.S. COP want the Council to work on homogenizing the continuing education requirements of all the U.S. actuarial organizations with certain baseline minimum requirements? If so, what would be the baseline requirements?
This list is certainly not exhaustive, but serves to provide some preliminary questions that the Council has contemplated in connection with the U.S. COP recommendations. Our next Council meeting is scheduled for April 4, 2007 and we would welcome a representative of U.S. COP to speak at our meeting, and in the interim provide us with a response to the above questions or any other comments that the U.S. COP may have regarding the role of the Council.

Please do not hesitate to contact me, or Sheila Kalkunte, the Council’s staff liaison, to discuss further.