

## The Dog Ate My Homework, and Other Justifications

I AM A MOTHER AND GRANDMOTHER, and have served on the Actuarial Board for Counseling and Discipline (ABCD) for six years. I think I have heard everything. You may recall your childhood years and the imaginative excuses kids offer up for forgetting assignments and notes from school. As an adult, you likely have heard many justifications for poor or late assignments at your workplace. The ABCD has also heard a wide array of these excuses from our colleagues.

When faced with an accusation of wrongdoing, our natural instinct is to be defensive. That response is probably universal. At some point in adulthood, most people begin to own up to their mistakes—and correct them. But even when faced with evidence of their wrongdoing, some members of the actuarial profession stubbornly maintain that their actions were either correct or justifiable.

These excuses can be broadly

categorized as “assumptions,” “end justifies the means,” “validation by others,” and “age and continuing education.”

### Assumptions

As actuaries, our regular work requires that we make many assumptions. These assumptions are most frequently made based on a thorough review of information available and determined by experience. However, this is not always the case; in

such cases, actuaries are required to appropriately disclose reliance on others. Improper reliance can get you in trouble.

In the “assumption” category, I have heard that “it’s OK to use the assumptions that the client specified, without disclosure,” “that’s the number the software gave me,” or “the actuarial standards of practice (ASOPs) aren’t clear on the point.”

While it is permissible to use assumptions specified by others, such use must be disclosed in accordance with ASOP No. 41, *Actuarial Communications*. If the work product relies on a “black box,” that also requires disclosure. It is never acceptable to just use output derived from an unknown set of assumptions and algorithms. For example, reliance on outside models is addressed in ASOP No. 38, *Using Models Outside the Actuary’s Area of Expertise (Property and Casualty)*. Selection of assumptions for pension valuations is covered in ASOPs 27 and 35.

Remember, if you sign a report, you own everything in it—including the assumptions—unless specified otherwise in accordance with the disclosure requirements of the ASOPs.

### The End Justifies the Means

“The end justifies the means” is a broad category I am using for the excuses that wave off the need to follow standards because everyone seems happy. Usually, this justification comes in the form of “as long as the client is happy with the report, following ASOPs is not necessary.” At times we have been told that the intended user is happy so all is well, even though the actuary knew that the report would be published and others would have access to it. Because these other readers are not the “intended users,” the reasoning goes, the report does not need to provide any more information to them.



*When you're done with those, I need you to take care of these unvalidated assumptions.*

Not so—someone should be reading ASOP No. 41.

Also in this category are the excuses I find most absurd, like “that was how it was done last year.” Would you accept that rationalization from someone on your staff? Frighteningly, I’ve even heard “the right way doesn’t make sense” as justification for deviation from standards, without any further explanation.

And there is the common “I’m not paid enough to do more work” as an excuse for shortcuts, lazy selection of assumptions, and lack of documentation. Nonsense. The appropriate degree of professionalism should never be based on your compensation.

If you are requested to justify a position or an answer, regardless of whether it is actuarially supportable, then your excuse may fall into this category. Whether it means a ratemaking exercise or a reserving or valuation assignment, backing into a conclusion may require you to justify your work. The end does not justify the means.

### **Validation by Others**

There are cases where some actuaries have offered what I call “validation by others” as an excuse. These excuses range from saying that “a lawyer said it was OK,” “everybody does it,” “other folks are even worse,” or “the prior auditor let it pass.” As professionals, we are responsible for our own work, and getting approval or validation from third parties does not let you off the hook for a poor work product. Remember, if you are questioned about your work, none of these folks will be there to defend you.

Your work stands on its own and is subject to the actuarial standards of practice. Even if there are others who commit similar questionable acts and avoid being the subject of an ABCD inquiry, you cannot justify your work by using this type of excuse.

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### **Age and Continuing Education**

As our population ages, more people are continuing to work part time or intermittently after their official “retirement.” With many years of experience and a successful career under their belts, some actuaries have indicated that they are either too old to change or that they have been practicing for so long that they know everything in their practice area.

Simply indicating “retired” status in your organization’s directory while doing a small amount of actuarial work does not exempt you from the continuing education (CE) requirements. If you are offering an actuarial work product, you must remain current with your CE. Actuarial practices constantly evolve, and meeting your continuing education obligations is an essential component of actuarial practice. (See the U.S. Qualification Standards, as well as Precepts 2 and 3 of the Code of Professional Conduct.) It is your responsibility to remain current on these changes. Do not assume that the laws and regulations in place 15 years ago are the same as the current ones. Standard methodology also has evolved, and your exam knowledge rapidly becomes dated as technology and data analytics improve. Continuing education is how we remain current and relevant in our work.

While these excuses may sound amusing, they often are indicative of an attitude that is quite dangerous. We have an obligation to our clients, employers, the public, and one another to behave in a professional manner. The ASOPs and the Code of Professional Conduct exist to ensure that all of these parties are dealing with individuals with high standards of ethics and professional integrity. Simply casting aside these requirements when they are inconvenient—and offering immature and disrespectful excuses as your rationale—cannot be tolerated. □

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