

Test Your Professionalism IQ

If it has been awhile since you earned your actuarial credentials—and if you enjoyed taking exams as much as I did—this article should be entertaining as well as educational. In a nod to nostalgia, I have created an older-style exam; rather than short-answer format, it consists of six multiple-choice questions and four true/false questions. You can find the answers on page 20, along with explanation as appropriate.

Note that “Code” refers to the Code of Professional Conduct, “ASOP” to actuarial standard of practice, and “USQS” to *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States, Including Continuing Education Requirements*. And Actuary (with a capital A) refers to an actuary who is a member of at least one of the five recognized U.S.-based actuarial organizations.

Multiple Choice (select one answer)

Question 1

Which of the following are considered binding guidance for actuaries who are members of at least one of the five recognized North American actuarial organizations?

1. The Code
 2. ASOPs
 3. USQS
 4. Practice notes of the American Academy of Actuaries
- A. 1 only
 B. 1 and 2
 C. 1 and 3
 D. 1, 2, and 3
 E. All

Question 2

In order to be qualified to perform a particular actuarial service, an actuary must:

1. Meet applicable qualification standards
 2. Be able to look at oneself and say “I am qualified to do this work”
 3. Be familiar with every ASOP
- Which of the above phrases completes a true statement?

- A. 1 only
 B. 2 only
 C. 1 and 2
 D. 1 and 3
 E. All

Question 3

Which of the following could be a potential material violation of the Code:

1. Refusal to disclose confidential information
 2. Understating reserves due to management pressure
 3. Intentionally failing to file personal tax returns
 4. Refusal to cooperate with a successor actuary
- A. None
 B. 1 and 2
 C. 2 and 3
 D. 2, 3, and 4
 E. All



Have you always had trouble with multiple choice?

Question 4

Which of the following are true with respect to the USQS:

1. The General Qualification Standard applies to actuaries issuing any Statement of Actuarial Opinion
2. The Specific Qualification Standard applies to actuaries issuing three specific opinions only
3. In order to meet the Specific Qualification Standard, an actuary must first meet the General Qualification Standard
4. The USQS do not apply to non-actuarial services

- A. 1 only
 B. 1 and 2
 C. 1, 2, and 3
 D. 1, 2, and 4
 E. All

Question 5

Under Precept 13 of the Code, an Actuary with “knowledge of an apparent, unresolved, material violation of the Code by another Actuary” is obligated to:

1. Discuss the situation with the other Actuary in an attempt to resolve it
2. Report the apparent violation to the ABCD whether resolved or not
3. Report the apparent violation even if such action would be contrary to Law

- A. None
 B. 1 only
 C. 1 and 2
 D. 2 and 3
 E. All

Question 6

ASOP No. 41, *Actuarial Communications*, along with Precept 4 of the Code, is one standard that will apply to virtually all actuarial services. “Section 4. Communications and Disclosures” in ASOP No. 41 contains four subsections: 4.1 discusses the disclosures that should be in any actuarial communication; section

4.2 discusses “Certain Assumptions or Methods Prescribed by Law”; section 4.3 is “Responsibility for Assumptions and Methods”; and section 4.4 covers “Deviation from the Guidance of an ASOP.” The Actuarial Standards Board has brought consistency to the format of ASOPs, including a “Communications and Disclosures” section in each ASOP. The “Communications and Disclosures” sections in other ASOPs, in addition to providing guidance specific to that ASOP, refer the Actuary to ASOP No. 41 Section 4, including specific reference to sections 4.2, 4.3, and 4.4 described above. Concerning these three sections, which of the following statements are true?

1. Section 4.2 requires, where assumptions are set by law, that the

actuary estimate the impact of using assumptions he or she believes are reasonable, if practicable

2. Section 4.3 describes what must be disclosed, where in situations other than described in section 4.2, the actuary states reliance on other sources for assumptions and/or methods
 3. Section 4.4 describes how an actuary can comply with a particular ASOP, even where, in the actuary’s professional judgment, the actuary has deviated materially from the guidance in that ASOP
- A. 2 only
 B. 2 and 3
 C. 1 and 2
 D. 1 and 3
 E. All

True or False

(Select one answer—note there is one trick question!)

Question 7

Actuaries who designate themselves as “retired” in the actuarial directory may perform actuarial services, including issuing statements of actuarial opinion, on occasion without meeting the continuing education requirements of the USQS, as long as they meet all other requirements, met the continuing education requirements when they were working full time, and currently qualify for dues waivers based on age.

- True
 False

Question 8

Enrolled Actuaries are bound by the Code.

- True
 False

Question 9

Discussion papers issued by the Academy’s Council on Professionalism provide useful guidance but are not binding upon actuaries.

- True
 False

Question 10

An actuary in a senior management position who is no longer providing “actuarial services” (as defined in the Code) is not bound by the Code.

- True
 False

Answers and notes appear on page 20 →

Answers

- 1. D
- 2. C
- 3. D
- 4. E
- 5. A
- 6. B
- 7. F
- 8. “It depends” (trick question)
- 9. T
- 10. F

Notes

- **Question 1:** All are binding guidance except practice notes. Practice notes provide useful information, but an Actuary is not obligated to follow any practices that may be described in them.
- **Question 2:** Refer to Precept 2 of the Code. Note that II is what we refer to sometimes as the “Look in the Mirror Test.” Familiarity with every ASOP might be admirable, but I would be hard-pressed to come up with a situation in which it would be required.
- **Question 3:** All but I have the potential to be a violation. Note that with respect to I, Precept 3 of the Code states: “The Actuary

shall disclose such violation ... except where the disclosure would be contrary to Law or would divulge Confidential Information.” III, while perhaps not actuarial services per se, could violate Precept 1, Professional Integrity, which has broader applicability than Precepts applying only to “actuarial services.”

- **Question 4:** All statements are true, which should be clear from a careful reading of the USQS.
- **Question 5:** All statements are false. Note that an Actuary is encouraged to discuss apparent violations with the other Actuary, but not required to do so. If the issue is resolved, there is no need to report, and finally Precept 13 states disclosure should not be made where such action would be contrary to Law (just as with confidential information, as discussed above).
- **Question 6:** This question presents a lot of information on an important topic. Note that II and III are correct, as they state correctly what must be disclosed when an actuary relies on methods or assumptions he or she is not taking responsibility for and what an actuary must do in case of deviation from the guidance of an ASOP. Statement I is false, as there is

no such requirement where an assumption is determined by law.

- **Question 7:** This is false because retirement status and age have no bearing on being qualified to perform actuarial services and issue statements of actuarial opinion.
- **Question 8:** This is the trick question! If the enrolled actuary is also a member of any of the five U.S.-based actuarial organizations that have adopted the Code of Professional Conduct, then the answer is true. Otherwise, false—the enrolled actuary would be bound only by the federal regulations of the Joint Board for the Enrollment of Actuaries, which do include standards of performance and eligibility requirements to perform actuarial services under ERISA.
- **Question 9:** True; discussion papers, while very useful, are not considered binding guidance.
- **Question 10:** False, as Precept 1 always applies.

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