

PROFESSIONALISM

OCTOBER 7TH 2022

SARAYYAH BAKSH

CHUBB

CASUALTY ACTUARIES OF EUROPE (CAE)



DISCLAIMER: CONTENT AND VIEWS PRESENTED IN THIS WORKSHOP
ARE THOSE OF THE PRESENTER AND MEANT FOR GENERAL DISCUSSION
AND EDUCATIONAL PURPOSES ONLY. THEY DO NOT NECESSARILY
REFLECT THE VIEWS OF THE PRESENTER'S EMPLOYER AND
PROFESSIONAL ASSOCIATIONS, NOR DO THEY CONSTITUTE LEGAL OR
PROFESSIONAL ADVICE.

AGENDA

Group Exercise

Game

ABCD Annual Report

GROUP EXERCISE

Penelope got hired as a data scientist in an up-and-coming insurance start-up, Company FastFastFast one year ago.

Her previous work experience included working as an actuarial intern for one year as part of a large commercial insurer QuoteQuoteQuote's pricing team. Her highest level of education is a Bachelor's Degree, majoring in data science and statistics.

She started doing actuarial exams while she was an intern but since getting hired as a data scientist, she decided to pause her exam progress while she figured out what career path she wanted to pursue.

At work, she is the only employee in a data focused role. There are no business intelligence analysts, data analysts, actuaries or other data scientists.

Most of her tasks include cleaning data, preparing reports and presenting her insights to the management board. There are no actuarial calculations involved but she has the nickname "actuary" in the office given her previous work experience and in meetings, comments are made like "Well if the actuary says so, it must be true" or "Let's get the actuary to crunch the numbers".

Open questions:

1. Should Penelope be held to the actuarial professionalism standards?
2. Should data scientists working in an insurance company have their own professional standards?
3. What actions (if any) should Penelope take?

GAME ANSWERS

Q: What are some steps the actuary can take when validating / checking the quality of data?

2.5.2

- 1) Reconcile the data with audited financial statements provisional balance sheets or other relevant documents, if available;
- 2) Evaluate the reasonableness of the data with regard to external data or independent data
- 3) Evaluate the internal consistency of the data
- 4) Compare the data with those of one or more previous exercises.

What are some things an actuary must declare about himself in his report when introducing himself?

- 3.2.3
 - a. The name of the actuary;
 - b. If applicable, the name of the organization that the actuary represents and the position he occupies in this organization;
 - c. The title under which the actuary acts;
 - d. The qualifications of the actuary;
 - e. The code of ethics and the actuarial standards in accordance with which the work has been done, in case there might be any ambiguity;
 - f. Where applicable, the declarations and references made by the client or another part and used by the actuary in his work

What are some factors to consider when selecting another party on whose data you will be relying?

3.3.1 If the actuary selects the party on whom to rely, the actuary should consider the following:

- a. The other party's qualifications;
- b. The other party's competence, integrity and objectivity;
- c. The other party's awareness of how the information is expected to be used;
- d. Discussions and correspondence between the actuary and the other party regarding any facts known to the actuary that are likely to have a material effect upon the information used; and
- e. The need to review the other party's supporting documentation.

What are some suggestions / strategies for dealing with conflict?

5.33 There may be internal guidance in Members' organisations on how conflicts of interest are to be managed. Members need to satisfy themselves that such guidance is appropriate and sufficient, and if/where necessary supplement it with their own arrangements and tools for managing conflicts. These arrangements and tools may incorporate some or all of the following, taking into account any established market practices for handling such conflicts:

- *Scoping the engagement*

When agreeing the scope of an engagement, Members may wish to define especially clearly any limitations on the extent of their role and the type of advice which they can provide on the engagement.

- *Conflicts management plan*

A written 'conflicts management plan' can be shared with (and may be explicitly agreed by) the relevant user(s). Such a plan might typically cover:

- The extent to which information will remain confidential;
- The systems and controls in place to identify and assess potential and actual conflicts of interest;
- The steps taken to reconcile any conflict, and the steps to be taken if the Member cannot continue to act because of an irreconcilable conflict.

- *Separation of teams*

If a Member works within an organisation that has engagements with two users with competing interests, it may be possible to ensure that the users are advised by different teams within the organisation. In some cases, the more 'mechanical' work might still be undertaken for both users by a common team.

What are some suggestions / strategies for dealing with conflict? (cont'd)

Information barriers

One option for managing conflicts of interest internally is to establish and maintain arrangements which restrict the flow of sensitive information within the Member's organisation. Information barriers are administrative, electronic and/or physical barriers to ensure that information used by one part of the organisation is withheld from, or not used by, other parts of the organisation.

- *Work review*

The work review under APS X2 can form an appropriate component of a conflict management policy. Where the work for one user might be seen as potentially creating a conflict with work for another user, independent peer review of that work can form part of the process for ensuring the transparency and objectivity of a Member's work.

- *Remuneration arrangements*

It is important that Members ensure that they are not incentivised by their employer in a way that might be seen to encourage them to provide anything other than the most suitable and appropriate advice to a user of their work.

- *User consent*

Members may be able to reconcile a potential or perceived conflict by obtaining consent from a user to act or continue to act for another user with conflicting interests. In such cases, the Member will need to consider what will happen if that consent is withdrawn, making it likely that they will have to cease acting for one or both users.

What are some ways an actuary can act unlawfully or unprofessionally on social media?

8.9 Members can put their professional reputation and membership of the IFoA at risk if they act in a way on social media that is unprofessional or unlawful. This might include (but is not limited to):

- sharing confidential information inappropriately - often there will be legal requirements prohibiting the disclosure of certain personal and sensitive information whether online or otherwise;

- posting inappropriate comments about others (including users and other Members);
- using inappropriate language;
- implicating oneself in unprofessional or unlawful conduct or encouraging others to behave unprofessionally or unlawfully;
- posting comments that are bullying or threatening; and
- posting anything that may be viewed as inappropriately discriminatory or that incites hatred or such discrimination.

When actuaries use catastrophe models, what should be considered when selecting the model?

ASOP 38

3.1 Introduction—In performing actuarial services, the actuary may find it appropriate to select, use, review, or evaluate catastrophe models. When selecting, using, reviewing or evaluating a catastrophe model, the actuary should do the following:

- a) determine the appropriate level of reliance on experts;
- b) have a basic understanding of the catastrophe model;
- c) evaluate whether the catastrophe model is appropriate for the intended purpose;
- d) determine that appropriate validation of the catastrophe model and output has occurred; and
- e) determine the appropriate use of the catastrophe model and output.

The actuary's level of effort in understanding and evaluating a catastrophe model should be consistent with the intended purpose and the catastrophe model output's materiality to the results of the actuarial analysis .

When actuaries catastrophe models, what reasonability checks should be performed on the outputs?

ASOP 38

3.5 OUTPUT VALIDATION

The actuary should validate that the output reasonably represents that which is being modeled. Depending on the intended purpose, output validation may include the following:

- a) comparing output to those of an alternative model(s) , where appropriate;
- b) comparing the output produced by the catastrophe model with historical observations, if applicable;
- c) comparing the consistency and reasonableness of relationships within the output; and
- d) evaluating the reasonableness of changes in the output due to variations in the user input.

THAT'S IT!

DISCLAIMER: CONTENT AND VIEWS PRESENTED IN THIS WORKSHOP ARE THOSE OF THE PRESENTER AND MEANT FOR GENERAL DISCUSSION AND EDUCATIONAL PURPOSES ONLY. THEY DO NOT NECESSARILY REFLECT THE VIEWS OF THE PRESENTER'S EMPLOYER AND PROFESSIONAL ASSOCIATIONS, NOR DO THEY CONSTITUTE LEGAL OR PROFESSIONAL ADVICE.

RESOURCES

1. CAS – Casualty Actuarial Society
<https://www.casact.org/professionalism/standards/>
2. AAA – American Academy of Actuaries (ASOP – Actuarial Standards of Practice)
<http://www.actuarialstandardsboard.org/standards-of-practice/>
3. AAE – Actuarial Association of Europe (ESAP – European Standard of Actuarial Practice)
<https://actuary.eu/about-the-aae/european-standards-of-actuarial-practice/>
4. Institut des Actuaire (France)
<https://www.institutdesactuaire.com/decouvrir-l-institut/textes/normes-professionnelles-25>
5. IFoA – Institute & Faculty of Actuaries
<https://www.actuaries.org.uk/upholding-standards/standards-and-guidance/actuaries-code>
6. IAA – International Actuarial Association
https://www.actuaires.org/index.cfm?lang=EN&DSP=PUBLICATIONS&ACT=STANDARDS_ISAP
7. CIA – Canadian Institute of Actuaries
<https://www.cia-ica.ca/publications/standards-of-practice>
8. ABCD – Actuarial Board for Counselling and Discipline
<http://www.abcdboard.org/standards/>