

2025

SUPPLEMENTAL HEALTH,
DI & LTC CONFERENCE

Expanding Horizons

Actuarial Professionalism

LIMRA

Navigate With Confidence

LOMA



SOCIETY OF
ACTUARIES



Achilles Natsis, FSA, MAAA, FLMI

Health Research Actuary

Society of Actuaries Research Institute



David Steinbrunner, ASA, MAAA

*Director, Assistant Actuary and GSI
Underwriter; Product Development –
Disability Income*

Ameritas

Agenda

Code of Professional Conduct

US Qualification Standards (USQS)

Actuarial Standards of Practice (ASOPs)

Case Study #1 (10 Minutes)

Case Study #2 (10 Minutes)

Actuarial Board for Counseling and Discipline (ABCD) (If we have time, or move to after ASOPs)

Code of Professional Conduct



Code of Professional Conduct

- Background

- Created by the Academy's Joint Committee on the Code of Professional Conduct
- Adopted by the 5 US-based actuarial organizations and effective 1/1/2001
- Sets forth guidelines for actuaries acting professionally
- Identifies responsibilities of actuaries to:
 - Clients
 - Employers
 - The actuarial profession
 - The public

Main Precepts of the Code of Conduct

- Professional Integrity (Precept 1)
- Qualification Standards (Precept 2)
- Actuarial Standards of Practice (Precept 3)
- Communications and Disclosures (Precepts 4-6)
- Other Precepts (7-12)
- Violations of the Code (Precepts 13-14)

Precept 1: Professional Integrity

- Covers not only actuarial work but also all aspects of an actuary's behavior

PRECEPT 1: An Actuary shall act honestly, with integrity and competence, and in a manner to fulfill the profession's responsibility to the public and to uphold the reputation of the actuarial profession.

- Precept 1 exemplifies the main purpose of the Code and is a key guiding principle for the remaining precepts

Precept 2 of the Code – Qualification Standards

“Look in the Mirror” Precept

Requires its members to perform Actuarial Services:

Only when they are qualified to do so on the basis of basic and continuing education and experience, and

Only when they satisfy applicable qualification standards.

Actuarial Services include rendering of advice and recommendations or opinions based upon actuarial considerations, including the issuance of Statements of Actuarial Opinion (SAOs).

SAO:

An opinion expressed by an actuary in the course of performing Actuarial Services, and

Intended by the actuary to be relied upon by the person or organization to which the opinion is addressed.



Who needs to adhere to the USQS?

The USQS apply to US-based actuarial organization members who render actuarial services in the United States per Precept 2 of the *Code of Professional Conduct*

The five US-based actuarial organizations that have adopted the *Code of Professional Conduct* are:

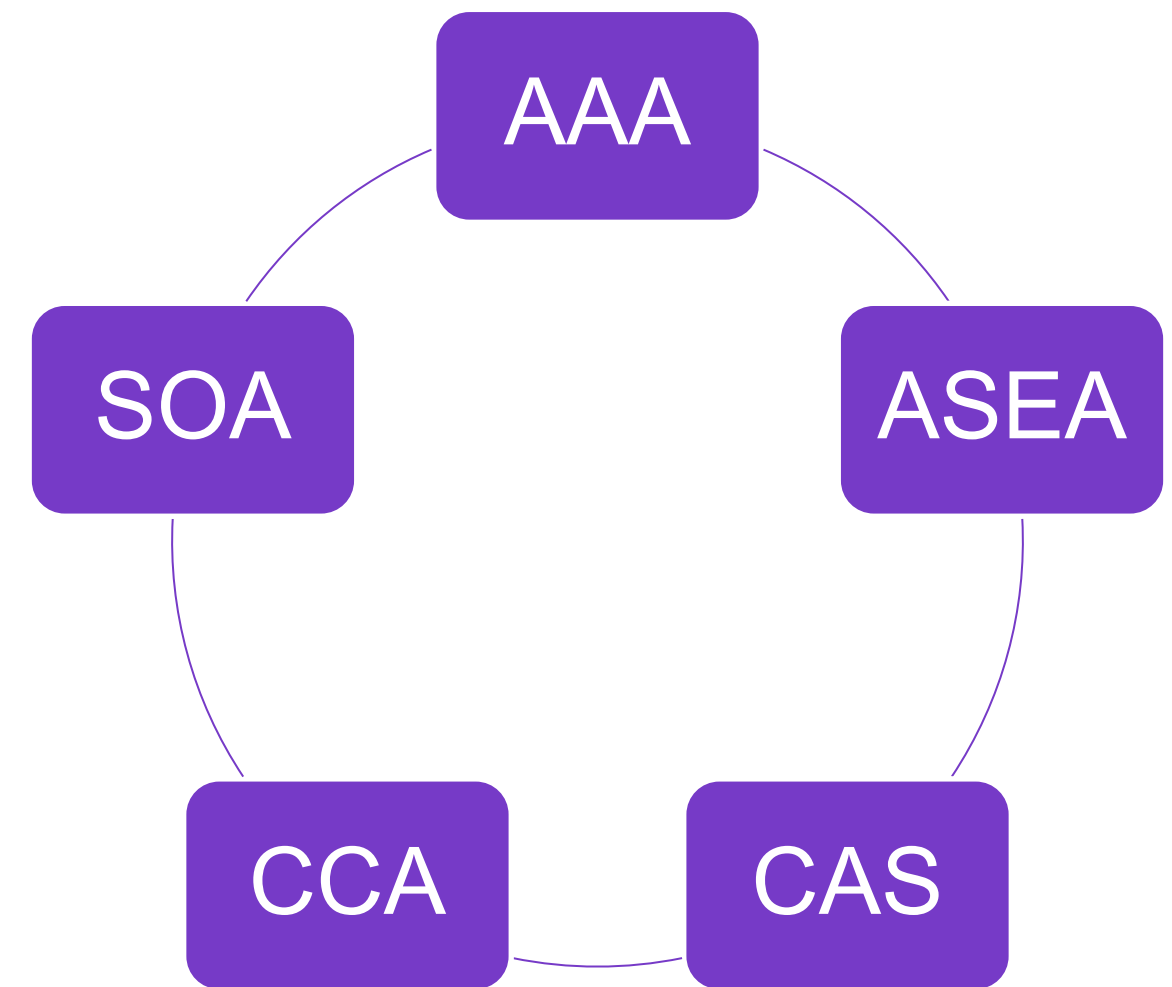
American Academy of Actuaries (AAA)

American Society of Enrolled Actuaries (ASEA)

Casualty Actuarial Society (CAS)

Conference of Consulting Actuaries (CCA)

Society of Actuaries (SOA)



Polling Question

Which of the following is **NOT** a Statement of Actuarial Opinion (SAO)?

- A. Reserve Opinion
- B. Experience Study
- C. NAIC Annual Statement Opinion
- D. Cash Flow Testing
- E. Expert Testimony

Polling Question

Which of the following is **NOT** a Statement of Actuarial Opinion (SAO)?

- A. Reserve Opinion
- B. Experience Study**
- C. NAIC Annual Statement Opinion
- D. Cash Flow Testing
- E. Expert Testimony

An experience study is not an SAO when used alone without an opinion as to what the results suggest.

Appendix 1 of the USQS includes many examples of what is (and is not) considered an SAO.

Continuing Education Requirements

Basic
Education

Experience
Requirements

Basic Education and Experience Requirements

Basic Education evidenced by being:

A Member of the American Academy of Actuaries

A Fellow or Associate of the SOA or CAS

A Fellow of the CCA

A Member or Fellow of ASEA

A fully qualified member of another IAA-member organization

Have three years of responsible actuarial experience

Be knowledgeable, through examination or documented professional development, of the Law applicable to the SAO.



Continuing Education Requirement

You must complete 30 hours of relevant continuing education annually.

You may not issue an SAO without completing the requirements for the previous calendar year.

Shortfalls can be made up the same year prior to issuing an SAO.

Cannot “double count” hours. That is...

...if hours are used to make up a prior year’s shortfall, they cannot also be used to meet the current year’s requirement.

Excess hours may be carried over for one year.

NOTE: 1 CE Hour = 50 minutes

The 30 Hours of CE Must Include:

Organized Activities (At least 6 CE hrs)

- Interaction with professionals from different organizations required
- Conferences, seminars, live attendance at webinars, courses (in-person or online if interactive), outside speakers at in-house meetings, and relevant actuarial committee work.

Professionalism (At least 3 CE hrs)

- Content that assists in understanding and applying the *Code of Professional Conduct*, ASOPs, and related actuarial professionalism guidance.
- Studying, reviewing, or providing input on an exposure draft of an ASOP; studying or reviewing the *Code*; attending an actuarial professionalism webinar; and serving on the ASB or a professionalism committee.

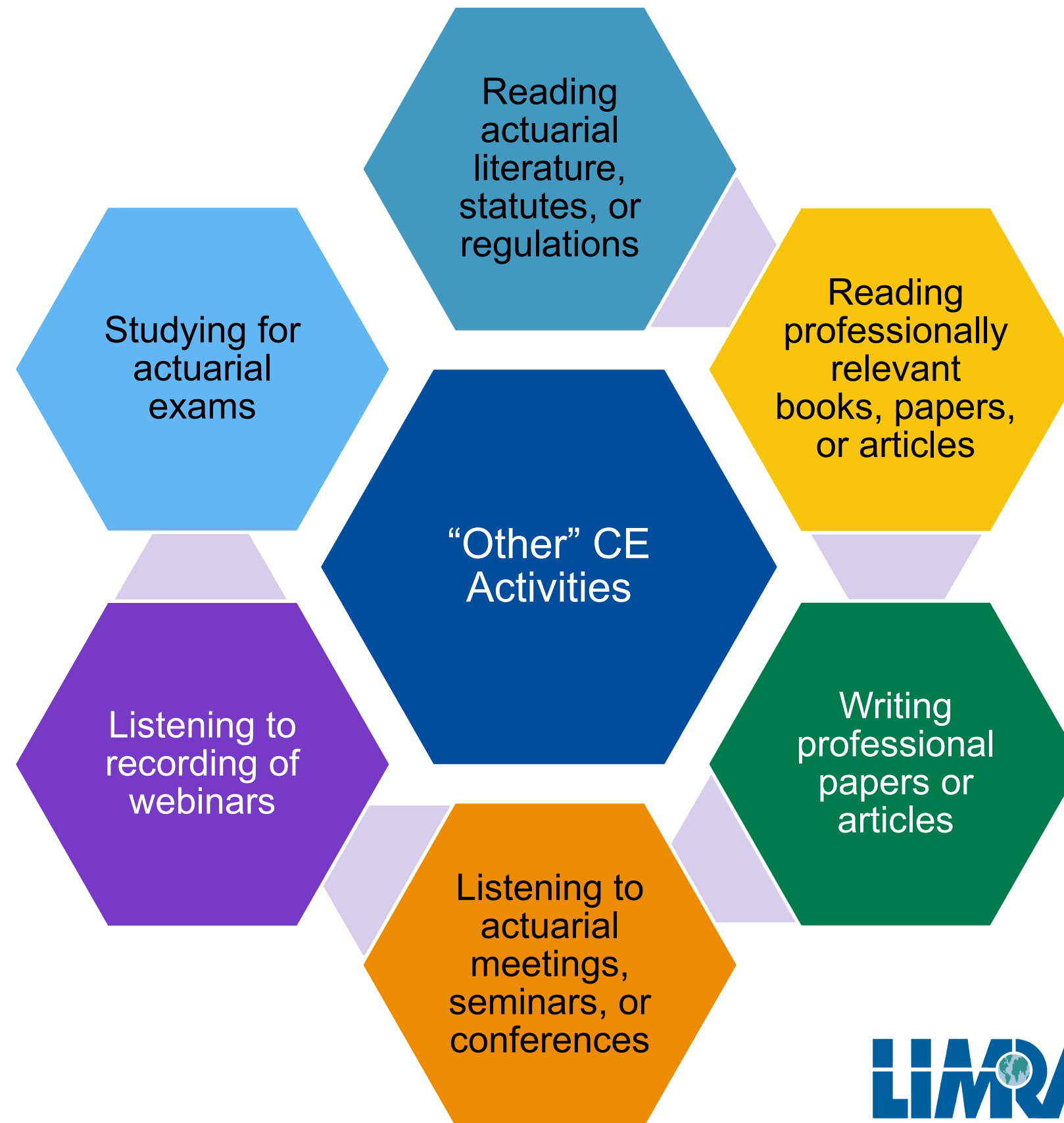
Bias (At least 1 CE hour)

- Content that provides knowledge and perspective that assist in identifying and assessing biases that may exist in data, assumptions, algorithms, and models that impact actuarial services, including statistical, cognitive, and social biases.

General Business Skills (At MOST 3 CE hrs)

- Content that assists in developing client relationship management skills, presentation skills, communication skills, project management, and personnel management.
- Another way to think of this: At least 27 hours of your annual CE must be related to actuarial topics.

Continuing Education Requirement (Cont'd)



Question

Who can determine if a session counts as continuing education for USQS purposes?

- A. AAA
- B. SOA
- C. You
- D. A & B
- E. All of the above

Who can determine if a session counts as continuing education for USQS purposes?

- A. AAA
- B. SOA
- C. You**
- D. A & B
- E. All of the above

Precept 3: Actuarial Standards of Practice

- The rules binding actuaries in conducting many types of works actuaries do

***PRECEPT 3:** An Actuary shall ensure that Actuarial Services performed by or under the direction of the Actuary satisfy applicable standards of practice.*

- *Actuaries must follow applicable standards of practice related to the work they are doing*
- *If no Standard exists, Actuaries should use professional judgment and generally accepted actuarial principles and practices*
- *Actuaries must justify any material departure from an applicable standard of practice*
- *Actuarial Standards of Practice are subordinate to laws*

ASOPs in General

All ASOPs have four sections

1. Purpose, Scope, and Effective Date
2. Definitions (of terms used in the ASOP)
3. Analysis of Issues and Recommended Practices
4. Communication and Disclosures

ASOPs Applicable to Supp. Health, DI and LTC

ASOP No. 1: Introductory Actuarial Standard of Practice. (Effective Date 2013)

ASOP No. 5: Incurred Health Claim Liabilities (Effective Date 2017)

This ASOP is relevant for actuaries working on Supplemental Health, DI and LTC insurance as it addresses the estimation of incurred health claim liabilities.

ASOP No. 18: Long-Term Care Insurance (Effective Date 2022)

This ASOP provides guidance to actuaries involved in designing, pricing, funding, or evaluating liabilities for LTC insurance products. It covers individual and group LTC plans, LTC insurance as a rider with other insurance or annuity products, and self-insured plans providing LTC benefits.

ASOP No. 22: Statutory Statements of Opinion Based on Asset Adequacy Analysis by Appointed Actuaries for Life and Health Insurers (Effective Date 2022)

This ASOP is also pertinent as it provides guidance on asset adequacy analysis, which is crucial for determining adequate reserve levels for all types of insurance covered by this Conference, especially those with longer term liabilities.

ASOP No. 23: Data Quality (Effective Date 2017)

This ASOP provides guidance on the quality of data used in actuarial work, which is essential for accurate pricing and reserving of all 3 types of insurance.

ASOP No. 25: Credibility Procedures (Effective Date 2014)

This ASOP offers guidance on the application of credibility theory to data, which is needed for setting assumptions and evaluating experience all 3 types of insurance.

ASOP No. 41: Actuarial Communication (Effective Date 2011)

This ASOP outlines the standards for actuarial communication, ensuring that the work is clearly and appropriately documented and communicated.



ASOPs Applicable to Supp. Health, DI and LTC Continued . . .

ASOP 21: Responding to or Assisting Auditors or Examiners in Connection with Financial Audits, Financial Reviews, and Financial Examinations (Effective Date 2016)

This ASOP provides guidance to actuaries when responding to or assisting auditors or examiners in connection with financial audits, reviews, and examinations, ensuring that actuarial services are performed consistently and in compliance with relevant standards. The standard has been revised to align with current practices, including risk-focused audits and the requirements of Sarbanes-Oxley and the Model Audit Rule.

ASOP 42: Health and Disability Actuarial Assets and Liabilities Other Than Liabilities for Incurred Claims (Effective Date 2018)

This ASOP provides guidance to actuaries in estimating or reviewing health benefit plan actuarial assets and liabilities, other than liabilities for incurred claims, for financial reports, claims studies, rates, or other actuarial communications.

ASOP 56: Modeling - Actuarial Standards Board **Actuarial Standards Board** (Effective Date 2020)

This ASOP provides guidance to actuaries on designing, developing, selecting, modifying, using, reviewing, or evaluating models to ensure appropriate actuarial practice

Other ASOP Updates:

ASOP 46 Risk Evaluation in Enterprise Risk Management and ASOP 47 Risk Treatment in Enterprise Risk Management were repealed and replaced with ASOP 58 Enterprise Risk Management effective May 1, 2025

Table Discussion: What ASOPs do you refer to in your work?



Communications and Disclosure Precepts

PRECEPT 4. *Actuarial Communication must be clear, appropriate to circumstances and audience and satisfies the applicable ASOPs.*

PRECEPT 5. *The Actuarial Communication should identify the Principal(s) that the Communication is directed to and describe the capacity in which the Actuary serves.*

PRECEPT 6. *An Actuary shall make appropriate and timely disclosure to a present or prospective Principal of the sources of all direct and indirect known or ascertainable material compensation that the Actuary or the Actuary's firm has received, or may receive, from another party in relation to an assignment for which the Actuary has provided, or will provide, Actuarial Services for that Principal.*

Other Precepts of the Code

PRECEPT 7. Conflict of Interest - This can't interfere with an Actuary's ability to act fairly and all instances of potential conflict must be disclosed

PRECEPT 8. Control of Work Product – The Actuary should limit the distribution of a work product and communicate the scope of its appropriate utilization

PRECEPT 9. Confidentiality - limit disclosures unless authorized by the principal or required by law

PRECEPT 10. Courtesy and Cooperation – Interactions with Principals and other actuaries must be courteous and cooperative, including when a Principal transfers actuarial services to a different party.

PRECEPT 11. Advertising – False or misleading advertising is not allowed by any means of communication

PRECEPT 12. Titles and Designations – Use of titles and designations must be appropriate to the member organization's authorized practices

Violations of the Code: Precepts 13-14

- What to do if the code is violated

PRECEPT 13. *An Actuary with knowledge of an apparent, unresolved, material violation of the Code by another Actuary should consider discussing the situation with the other Actuary and attempt to resolve the apparent violation. If such discussion is not attempted or is not successful, the Actuary shall disclose such violation to the appropriate counseling and discipline body of the profession, except where the disclosure would be contrary to Law or would divulge Confidential Information.*

ANNOTATION 13-1. A violation of the Code is deemed to be material if it is important or affects the outcome of a situation, as opposed to a violation that is trivial, does not affect an outcome, or is one merely of form.

ANNOTATION 13-2. An Actuary is not expected to discuss an apparent, unresolved material violation of the Code with the other Actuary if either Actuary is prohibited by Law from doing so or is acting in an adversarial environment involving the other Actuary.

PRECEPT 14. *An Actuary shall respond promptly, truthfully, and fully to any request for information by, and cooperate fully with, an appropriate counseling and disciplinary body of the profession in connection with any disciplinary, counseling, or other proceeding of such body relating to the Code. The Actuary's responsibility to respond shall be subject to applicable restrictions on Confidential Information and those imposed by Law.*



Case Studies



Case Study #1

Background:

Shamu Orca is an experienced actuary working at a large multi-line insurance company that includes Supplemental Health and Individual Disability Income products

Her role involves evaluating the company's reserves, premium pricing, and setting the best estimate assumptions for future claims related to these policies.

Recent claim experience has been unfavorable compared to expectation.

In reviewing the quarterly board reports, she finds that each year the poor results were attributed to volatility.

Case Study #1

Situation:

Upon reviewing the unfavorable results deeper, Ms. Orca discovers that the cost of IDI claims has been elevating in recent years faster than the assumptions expected.

Working with her actuarial staff, she also identifies a mismatch between assumption development and implementation methodology for the cost of IDI claims leading to more issues in experience.

Shamu understands that as part of a large insurance company, all changes to assumptions and modeling require significant oversight and review. Shamu determines that the assumption changes need to happen very fast to align with the company's year end financial reporting schedule.

Shamu understands her ethical responsibility as an actuary to maintain the integrity of the actuarial work. She is obligated to ensure that the assumptions used are reasonable, grounded in data, and reflective of the true risks of the product while working within the governance of the company.

Case Study #1

Discussion Points:

- As the signing actuary, how can Shamu Orca navigate this situation?
- What actuarial standards can Shamu Orca rely on for her work?
- Which parts of the code of conduct should she review prior to completing a recommendation?

Case Study #2

Background:

Anthony Gouin is an experienced actuary, but with minimal LTC knowledge. He has been promoted to appointed actuary which includes oversight of all product lines. He learns that the LTC experience has been stable and in line with expectations for an extended period of time. In the recent years, the company has explored several wellness and other customer initiatives for their LTC policies

Case Study #2

Situation:

Executives at the company have asked Anthony Gouin to analyze the results of the recent pilots and initiatives and determine their financial viability going forward.

Anthony determines that one of pilots has shown strong results, but he is unsure about the scalability.

Upon hearing Anthony Gouin's reports of the pilot success and his concerns, the executives suggest rolling out the program to the entire policyholder population. They continue by saying the program will be funded through a release of reserves based on the extrapolation of the pilot.

Anthony Gouin does not believe a full rollout is a good idea and feels pressure to change reserving assumptions to fund the program. Anthony was feeling like a batting average champion after the promotion but is struggling to decide how to proceed.

Case Study #2

Discussion Points:

- How should Anthony Gouin navigate this situation?
- What actuarial standards can Anthony Gouin rely on for his work?
- Which parts of the code of conduct should he review prior to completing a recommendation.



Actuarial Board for Counseling & Discipline (ABCD)





- **Mission:** Established by the AAA to strengthen adherence by 5 US based actuarial organizations to recognized standards of ethical and professional conduct
- **Primary Functions:**
 - **Respond to requests for guidance** regarding professionalism
 - **Consider complaints** about possible violations about the Code of Conduct (“Code”)





- **Request for Guidance:** Questions raised by an actuary (or actuarial student) about the proper interpretation of the Code or standards but which are not complaints
- **Complaints:** Written assertion that there has been a violation of the code leading to a matter of inquiry and formal investigation process
- 2023 Year-in-Review:

<https://www.abcdboard.org/resources/annual/>

119 Requests for Guidance

- 22 Inquiries: 14 new in 2023, 8 pending from 2022
 - Closed 16 inquiries: 11 dismissed, 3 dismissed with guidance, 1 resolved via counseling, and 1 recommended disciplining



We Want to Hear From You. Leave a Rating & Review.



Module Option

2025 Supplemental Health Co...

Event Feed

Agenda

Community Engagement

Conference Resources

Speakers

Attendees

Exhibitors

Sponsors

Ratings & Reviews

Leaderboard

Search

May-

Reg
10:00

Gen
02:00
↓ Sea

GS1
02:30
↓ Dur

Br:
03:30

1.1
03:45
↓ Jav

1.2
03:45
↓ Nat

1.3
03:45
↓ Del

Agenda Option

Detail

General Session – Supplemental Health Industry Overview
Date and Time

(no ratings yet)

Sean O' Donnell, LLIF

Location

Session Chat

Add To Calendar



Thank You



Navigate With Confidence



**SOCIETY OF
ACTUARIES**