

# Professionalism and Actuaries

## Actuarial Practice - Professionalism and Actuaries<sup>1</sup>

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12 August 2021

- 1 Professionalism
- 2 Jessica Leong, President of the CAS
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# 1 Professionalism

- Introduction to Professional Ethics
- What are the additional rules?
- How many actuaries have gone to jail for professional negligence?
- Other Recent Spectacular Failures

# Introduction to Professional Ethics

- An Actuary is a professional - a member of a professional body, e.g. Institute of Actuaries (IA), Institute of Actuaries of Australia (AI), Society of Actuaries (SoA), Casualty Actuarial Society (CAS), etc ...
- Overarching body is the "International Actuarial Association"
- Professionals must protect the reputation of their profession, lest its value vanishes
- Everyone must follow the law, but professionals (actuaries) **MUST ALSO** follow the rules set by the profession, and they are very wide-ranging

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# What are the additional rules?

- Actuaries are governed by Code of Conduct, which saw major changes effective 31 March 2020
  - Please read it.
    - see Actuaries Institute website
  - Knowledge comes with responsibility.
    - **Are students also bound by those rules?**
- This governs general behaviour, but there are also rules about the actuarial work—Professional Standards and Guidance notes
  - see for instance IAA ISAPs

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# How many actuaries have gone to jail for professional negligence?

- Famous Equitable Funding case made into a documentary with movie star James Woods (“Salvador” and “Ghosts of Mississippi”) who plays an actuary (who in the end goes to jail) in a TRUE story
- The movie is **Billion Dollar Bubble** - Equity Funding
  - Leveraged Unbundled Life Insurance - Single premium, Loan, Insurance, Investment in equities
  - Reinsurance - source of capital, financing of initial expenses repaid as part of future premiums paid to reinsurer
- Download and watch the movie!

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## Other Recent Spectacular Failures

- HHH - see for instance [this Wikipedia article](#)
  - What went wrong?
- Equitable Life (the oldest mutual insurance company in the UK)
  - Problem with guarantees in annuity business
  - See, e.g. [this recent BBC article](#)
- The case of David Li and the GFC is also interesting

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  - Guest lecture 18 August 2021

# Guest lecture 18 August 2021

Jessica Leong

- President of the Casualty Actuarial Society CAS
- Head of Data & Analytics (Interim), Zurich North America
- Alumna of the actuarial major at the University of Melbourne

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### 3 The expert corner

- Interview: Kevin Allport, FIAA
- 1:21: What is a profession?
- 2:18
- 3:05: The need for a profession
- Benefits of a profession
- 4:40: The need for a code of conduct
- 4:40: The need for a code of conduct
- 5:57: Disciplinary scheme
- 7:00: Examples of possible misconduct
- 9:33: What if you see something?
- 10:45: Kevin's take on the role of an actuary



# Interview: Kevin Allport, FIAA

Interview with Kevin Allport

Kevin Allport, FIAA

- Back then, Convenor of the AI Professional Conduct Committee
- Most recently Appointed Actuary at MLC (2002-2013)
- Chief actuarial advisor to the Board and Management of MLC

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## 1:21: What is a profession?

A “profession” is a group of individuals who are very *disciplined* in *what* they do, and who adhere to *ethical standards* in the *way* they approach things.

- The profession possesses special knowledge and skills derived from research, education and training at a high level.
- The public recognises the special knowledge and skills.
- The profession applies this knowledge and skills in the interest of others.

The members of the profession:

- are governed by codes of ethics;
- profess commitment to competence, integrity and morality, altruism, and the promotion of the public good within their expert domain; and
- are accountable to those served and to society.

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## 3:05: The need for a profession

- The individuals and society have a right to trust implicitly that the professional will adhere to standards.
- The professional enjoys asymmetrical knowledge in relation to others. Knowledge is power, and where power is wielded, ethical concerns come into play.
- Trust is underpinned where ethics and altruism direct professional skills.

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## Benefits of a profession

- **The community:** Consumers face a complex array of professional services choices, from medical and health to business and financial services. Professions play a vital role in providing trusted expertise founded on established standards that are policed to ensure community expectations of good practice and social purpose are met.
- **The economy:** Professions improve consumers' access to services and support economic activity by encouraging confidence and trust in the services offered by professionals.
- **Regulators:** The burden of regulation and supervision by government can be reduced by improving the standards of practice of professionals and the regulatory capacity of professional communities.
- **Professionals:** Professionals enhance their reputations and skills by adhering to the professional standards and requirements of their professional bodies.

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## 4:40: The need for a code of conduct

- The Institute and its Members seek to serve the public interest.
- Professional actuarial services are typically provided to a Principal that offers a promise in exchange for money today.
- The actuary is uniquely placed to connect the interactions of all the moving parts involved in meeting the promise.
- The public are reliant upon the actuary to join the dots.

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## 4:40: The need for a code of conduct

### The code of conduct (CC)

- Sets out the minimum standards of professional conduct.
- Members need to meet:
  - Legal requirements;
  - AI's Constitution;
  - Code of Conduct;
  - Professional Standards.
- Disciplinary Scheme established to support CC

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## 5.57: Disciplinary scheme

**You may ignore what follows from 5:57 to 9:33 on the disciplinary scheme as it has changed.**

More on natural justice and procedural fairness

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## 7:00: Examples of possible misconduct

- Providing professional services to a Principal when the actuary can reasonably expect that the services will be misconstrued and/or misused by third parties.
- Breaching professional standards.
- Not maintaining CPD and/or records to demonstrate such.
- Criminal activity.
- Undertaking the provision of services without the appropriate knowledge and skills in the relevant area.
- Dishonest business/financial dealings.

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## 9:33: What if you see something?

Say something:

- Discuss the matter with the “offending” Member.
- If not resolved, seek guidance from another Member.
- Make a complaint (if warranted).

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## 10:45: Kevin's take on the role of an actuary

- Most likely to be advising the ultimate decision makers rather than making the decision.
- The actuary needs to do all in his/her power by way of exposition to ensure that the people who have to make decisions know what they are doing.
- Incumbent upon the actuary to do his/her best in providing complete and appropriate advice to the decision maker; such that the decision maker can make a fully informed decision.