Professionalism and Actuaries

Actuarial Practice - Professionalism and Actuaries¹

Professor Benjamin Avanzi



12 August 2021

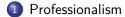


- Professionalism
- 2 Jessica Leong, President of the CAS
- 3 The expert corner



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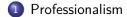
- Introduction to Professional Ethics
- What are the additional rules?
- How many actuaries have gone to jail for professional negligence?
- Other Recent Spectacular Failures



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

- HIH 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 artice
- The case of David Li and the GFC is also interesting



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- Jessica Leong, President of the CAS
 - 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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- 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 Al 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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2:18

nd .

Respects authority and the rule of law.

Respects the rights, dignity and autonomy of others. Works in a serious, thoughtful and sustained way to master the specialized knowledge needed to succeed in chosen fields.

Keep knowledge up-todate, so as to continue to deliver the best work possible.

Maintains a set of standards in their duties that their peers find acceptable.

Professionalism

Personally held beliefs about one's own conduct as a professional.

Never compromise their values.

Keeps their word and can be trusted implicitly because of

Will do the right thing, even when it means taking a harder road.

Holds themselves accountable for their thoughts, words, and actions, especially when they've made a mistake. Has an internal moral system or code of ethics that often includes transparency, honesty and integrity.



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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.

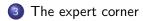
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4:40: The need for a code of conduct

- 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;
 - Al's Constitution;
 - Code of Conduct;
 - Professional Standards.
- Disciplinary Scheme established to support CC



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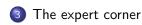


5.57: Disciplinary scheme

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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- 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.

