

Shining a Light Onto the Gray Areas: Being a Professional in Uncertain Times

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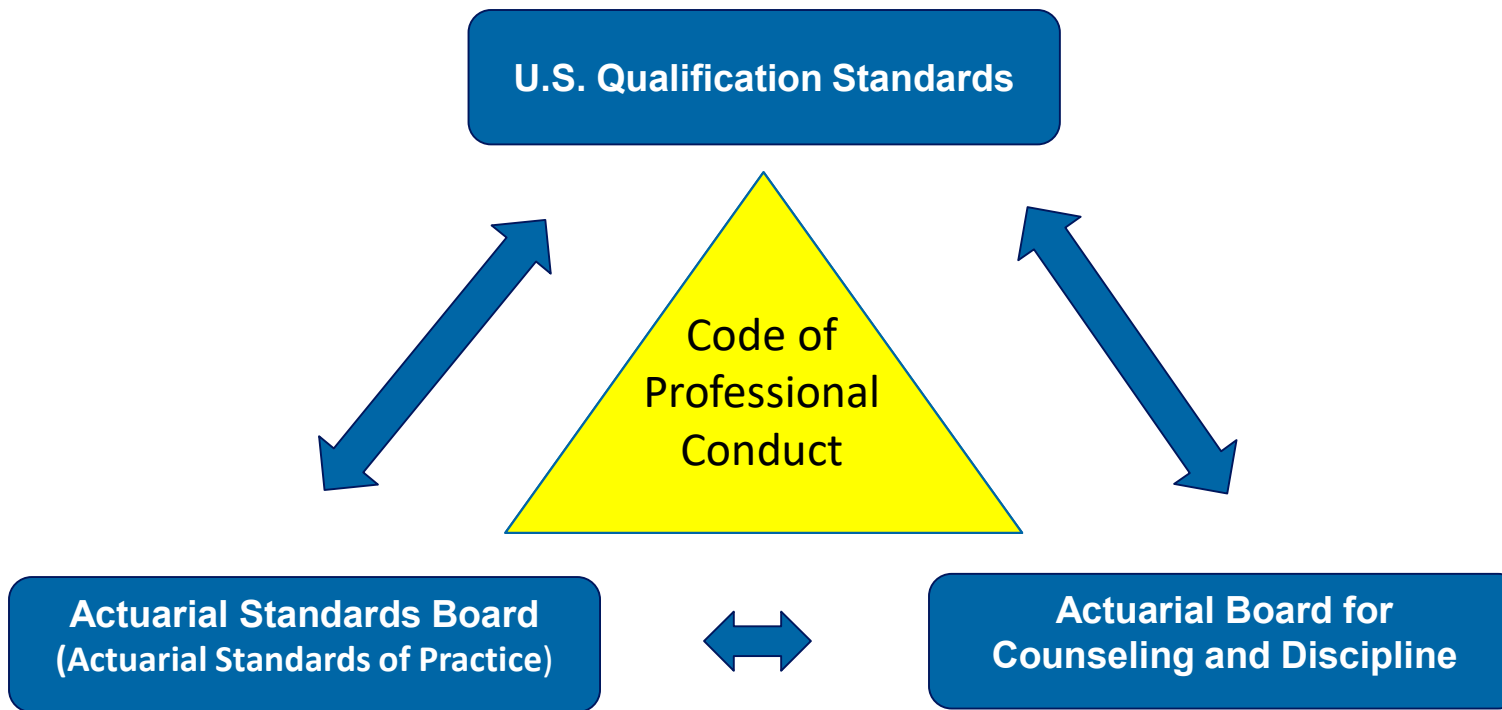


Topics of Discussion

- ❑ Our professionalism structures
- ❑ Ethical concerns of U.S. actuaries
- ❑ Current topics
- ❑ Self-regulation
- ❑ Resilience



Web of Professionalism



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Current, Relevant Professionalism Topics

Sampling of recent professionalism discussion papers:

- ▣ Peer Review
- ▣ Materiality
- ▣ Conflicts of Interest When Doing Volunteer Work
- ▣ The Application of Precept 13 of the Code of Professional Conduct
- ▣ Considerations of Professional Standards in International Practice
- ▣ Self-Regulation and the Actuarial Profession

Self-Regulation

- Actuarial science: universal aspects vs. local aspects
- Regulation of actuarial work
 - Around the world
 - In the U.S.
- Regulation of the *actuarial profession*
 - Around the world
 - In the U.S.

Self-Regulation

- The Academy discussion paper issued in June 2020
 - Self-Regulation and the Actuarial Profession
- Purpose of the paper
 - Encourage discussion
 - Raise awareness
 - Identify actuaries' responsibilities



Self-Regulation

From among the ways actuaries can fulfill their responsibility for preserving self-regulation ...

“Monitor other actuaries – This is perhaps the most difficult aspect of a self-regulating profession, but it is of utmost importance.”



Precept 13: Violations of the Code

“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.”

* Emphasis added. A violation 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. (13-1)

Precept 13: Violations of the Code

- ❑ Precept 13 is an integral part of the Code; it is ***not optional***
- ❑ Concern that Precept 13 is followed with insufficient frequency
- ❑ Discussion Paper: *The Application of Precept 13 of the Code of Professional Conduct*

Actuarial Board for Counseling and Discipline

- ABCD Guidance (two forms)
 - Most common is individual guidance.
 - An informal discussion with an individual ABCD member
 - Represents considered opinion of an individual ABCD member, not the ABCD as a whole
 - On occasion, ABCD does provide public guidance.

Actuarial Board for Counseling and Discipline

□ Discipline

- ABCD role is to investigate and make recommendations, but does not have authority to impose discipline.
- Discipline is decided upon/imposed by actuarial organizations of which the actuary is a member.

Precept 14: Violations of the Code

- “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.”

Precept 14: Violations of the Code

- Role of the ABCD
 - The ABCD process is not an adversarial one but is designed to allow an actuary to talk directly with other actuaries.

Top 5 Ethical Concerns for Actuaries

Issue	Rank
Responding to pressure from principals and/or management to select inappropriate assumptions used in pricing or reserving	1
False or misleading representation of products or services in marketing, advertising, or sales efforts	2
Failure to take appropriate action when another actuary misrepresents information	3
Conflicts of interest between opportunities for personal financial gain (or other personal benefits) and proper performance of one's responsibilities	4
Misrepresenting or concealing limitations in one's abilities to provide services	5

From Key Ethical Concerns Facing the Actuarial Profession—American Academy of Actuaries (April 2015)

Resilience

“... the capacity to recover quickly from difficulties ...”

“... the ability of a substance or object to spring back into shape ...”



Creating and Maintaining Certainty

- The resilience and continued applicability of our professionalism foundation: Code, ASOPs, USQS, counseling and discipline
 - ▣ Code was adopted in the midst of the dot-com bubble bursting
 - ▣ 9-11 and its aftermath
 - ▣ Enron and resulting retrenchment of financial regulation
 - ▣ 2008–2009 financial crisis

Thank You

- Questions?
- Comments?



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