

Ethical Practice

Ethics in Our Work and Profession

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My statements and opinions are my own and do not necessarily represent the opinions of the American Academy of Actuaries or my employer, Cheiron.

I am also not an expert in ethics; my presentation is based on what I have learned and experienced in my career.



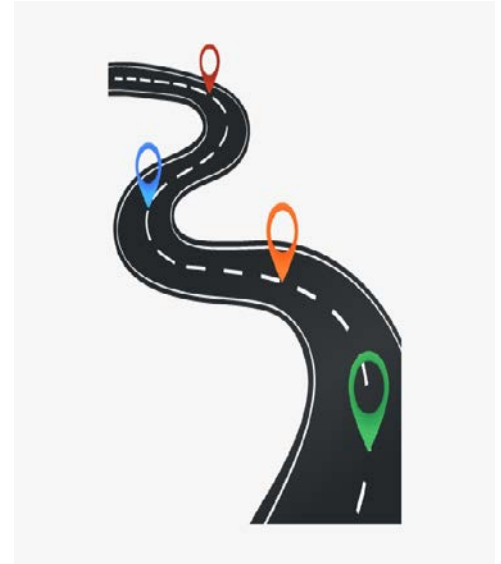
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My Journey

- Joint Committee on the Code of Professional Conduct
- Enrolled Actuary continuing ed requirement change in 2011
- Council on Professionalism of the Academy



What Does Ethics Mean?

- Are you ethical?
- How ethical?
- How do you know?
- What do you do that demonstrates if you are ethical or not?
- Why do we need to be educated about ethical behavior?



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Discussion?



Where Are You on a Scale of 1-10?

If 10 is absolutely ethical in everything you do and 1 is unethical in everything you do, where do you fall?



Consider This

Ethics is about the decisions/choices
we make
and
how we rationalize them



Code of Professional Conduct

14 Precepts

No mention of ethics, ethical standards, or specific label of ethical behavior in any of the Precepts



Code of Professional Conduct

Under the Code “Purpose” in the 2nd paragraph

*The Precepts of the Code identify the professional and **ethical standards** with which an actuary must comply in order to fulfill the Actuary’s responsibility to the public and the actuarial profession.*



Ethical Standards

What are ethical standards—not defined in the Code or the actuarial standards of practice?

Are the Precepts clearly ethical standards?

“Defined as a set of principles established by the founders of the organization to communicate its underlying moral values.”

Source: [My Accounting Course](#), 6/24/22



Ethical Standards

Moral Values



Ethical Standards Underlying Moral Values

Moral Values—the behavioral practices, goals and habits which are validated by the society we're part of.

Dependent on social relations built around certain shared principles, belief systems, and ways of life.



Code of Professional Conduct

So the Code provides a framework that can be used as a reference for decision-making processes

Our ethics is embedded in and governed by our work through the decisions made and reflect society's cultural expectations goals and habits



Code of Professional Conduct

Do the Code and our decisions pertain strictly to our work, our statements of actuarial opinion?

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

Annotation 1-4 says *An Actuary shall not engage in any professional conduct involving dishonesty, fraud, deceit, or misrepresentation or commit an act that reflects adversely on the actuarial profession.*



Decision-Making Process

Rational decision-making process—the ability to make a decision without external influences or biases.

Can this happen?



What Happens When

A mistake
is made



Stated in a Senate Hearing

“Truth is a second chance”



Responsibility to the Public and Profession

Experience with the
Actuarial Board for
Counseling and Discipline



Ethical Questions Before the Profession

- Algorithms and proxies
- Correlation versus causation
- Big data sources and uses



Generic Case Study

- Annual statement of actuarial opinion
- As you commence this year's work, you discover a mistake in last year's work
- What do you do?
 - What do you consider?
 - How do you act?
 - Who is impacted?



Generic Case Study—Rationalizations

- ❑ The mistake will get over-written this year
- ❑ No one will know unless audited
- ❑ Not worth jeopardizing client or regulatory reputation



Case of Actuarial Judgment

- Multiemployer pension plan where contributions are determined independent of the valuation and just settled for the next 5 years
- New mortality tables are issued by the Society of Actuaries after contributions have been set
- Implications of assumption change is a 10% increase in liabilities
- Do you need to reflect them immediately?
 - If not, when?
 - If not, why?



Academy Resources



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Professionalism Resources

□ Academy Professionalism webpage

www.actuary.org/content/professionalism

- * Code of Professional Conduct
- * Standards of practice (ASB)
- * Discussion papers
- * Recent Articles

- * U.S. Qualification Standards
- * Applicability Guidelines
- * Webinars

□ Academy's Professionalism First webpage

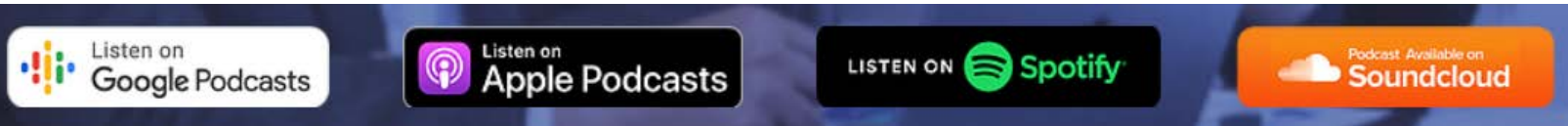
professionalism.actuary.org

- * Access “Professionalism Perspectives” blog and Academy’s podcast series, “Actuary Voices”



Academy Podcast

- Series brings thoughtful conversations on the role of professionalism in our day jobs and the Academy's public policy work.
- Listen and subscribe at <https://www.professionalism.actuary.org/actuaryvoices> or via the below podcast feeds.



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Save the Date

American Academy of Actuaries
Annual Meeting 2022

Nov. 2–3
Marriott at Metro Center
Washington, D.C.

