

ASNY Professionalism Session 2023

R. DALE HALL, FSA, MAAA, CERA, CFA

Managing Director of Research, SOA Research Institute

November 15, 2023

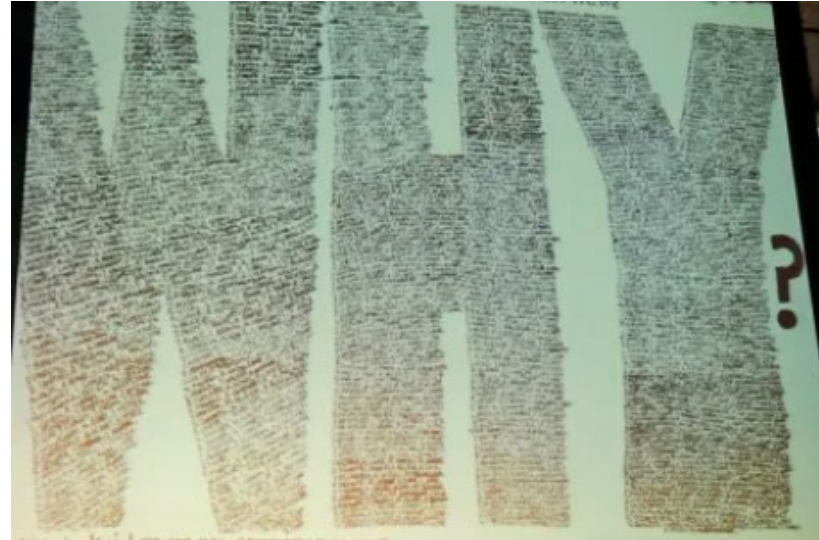


Professionalism Outline

- Why is Professionalism important?
- Stolen From the Headlines!
- 2023: The Year of Artificial Intelligence
- My Top 5 List

Why Professionalism?

- “Because Continuing Education Requirements Say I Have To...” 😊
- We live as actuaries in a business world
- Business worlds are driven by decisions
- Decisions may have influence
- What drives influence?
- A reason we have a Professional Code of Conduct



Why Professionalism?



Code of Professional Conduct

Effective Date: January 1, 2001

Definitions

Professional Integrity

Qualification Standards

Standards of Practice

Communications and Disclosure

Conflict of Interest

Control of Work Product

Confidentiality

Advertising

Titles and Designations

Violations of the Code of Professional Conduct



ALL STANDARDS

PENSION

LIFE

HEALTH

GENERAL

ERM

CASU

SOON-TO-BE EFFECTIVE ASOPS

REPEALED

ASOP 1

Introductory Actuarial
Standard of Practice

ASOP 2

Nonguaranteed
Elements for Life
Insurance and Annuity

ASOP 3

Continuing Care
Retirement Communities
and At Home Programs

<https://www.soa.org/about/governance/about-code-of-professional-conduct/>

<https://www.actuary.org/content/actuarial-standards-practice-asops>

SOA Code of Conduct – some key precepts

- *Follow Professional Integrity*
- *Follow Qualification Standards for practice work*
- *Know and follow local Standards of Practice*
- *Clear and appropriate Communications and Disclosure*
- *Avoid Conflict of Interest*

Follow Professional Integrity

- 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.
- *What are ways that we can do that?*

Follow Professional Integrity

- ANNOTATION 1–1. *use* skill and care.
- ANNOTATION 1–2. *don't* violate or evade the law
- ANNOTATION 1–3. *don't* obtain illegal or materially improper treatment
- ANNOTATION 1–4. *don't* engage in any professional conduct involving dishonesty, fraud, deceit, or misrepresentation

Follow Professional Integrity

- PRECEPT 1. ...*uphold the reputation of the actuarial profession.*

#UTROTAP



STOLEN FROM THE HEADLINES!



Stolen From the Headlines Exercise

- Recent events with ethics and conduct considerations
- All are examples from outside of actuarial profession
- Research Credit: [Ethics - The New York Times \(nytimes.com\)](https://www.nytimes.com)
- But... if the people involved were actuaries...
 - Where would our Code of Conduct apply?
 - What conduct violations might be occurring?

Blood on the Line!



Stolen From the Headlines

- “The Elizabeth Holmes Verdict: Theranos Founder Is Guilty on Four of 11 Charges in Fraud Trial”
- Wall Street Journal: January 3, 2022
- Startup founder who claimed to revolutionize blood testing



Stolen From the Headlines

- Rare fraud prosecution of a technology executive
- “Put on trial Silicon Valley’s fake-it-until-you-make-it culture.”
- “Ms. Holmes’s hype and hubris went far beyond norms, exposing patients and investors to harm by peddling faulty technology.”

SOA Code of Conduct – which apply?

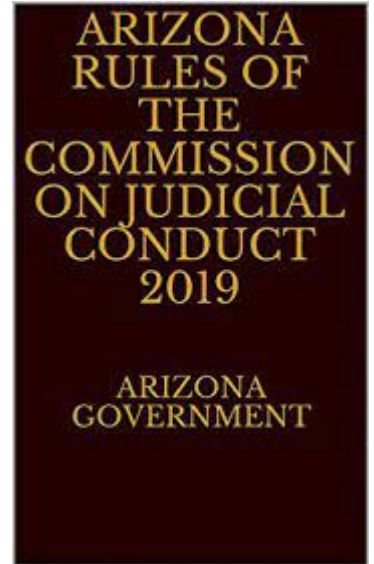
- *Follow Professional Integrity*
- *Follow Qualification Standards for practice work*
- *Know and follow local Standards of Practice*
- *Clear and appropriate Communications and Disclosure*
- *Avoid Conflict of Interest*

You be the “Judge”



Stolen From the Headlines

- “Arizona Commission on Judicial Conduct publicly reprimands judge”
- Arizona Commission on Judicial Conduct: January 26, 2022
- Judge failed to grant a continuance requested by an attorney who was experiencing COVID-19 symptoms or to make arrangements to allow the attorney to appear telephonically
- Ruled a default judgment against the attorney’s client in a defendant in a civil traffic case.



Stolen From the Headlines

- The Commission finds that Judge Sears' conduct violated the following provisions of the Code:
 - Rule 1.1, which states, "A judge shall comply with the law, including the Code of Judicial Conduct."
 - Rule 1.2, which states, "A judge shall act at all times in a manner that promotes public confidence in the independence, integrity, and impartiality of the judiciary, and shall avoid impropriety and the appearance of impropriety."
 - Rule 2.5(A), which states, "A judge shall perform judicial and administrative duties competently, diligently, and promptly."

SOA Code of Conduct – which apply?

- *Follow Professional Integrity*
- *Follow Qualification Standards for practice work*
- *Know and follow local Standards of Practice*
- *Clear and appropriate Communications and Disclosure*
- *Avoid Conflict of Interest*

It's 9:45 AM Somewhere?



Stolen From the Headlines: Pappy Van Winkle

- *“Oregon Liquor Officials Are Accused of Hoarding Rare Bourbon”*
- An investigation found that six officials with the state’s liquor commission had diverted bottles of high-end alcohol for themselves, including Pappy Van Winkle bourbon
- Pappy Van Winkle barrel-aged for 23 years can sell for more than \$5,000 a bottle on the secondary market



<https://www.nytimes.com/2023/02/10/us/oregon-olcc-pappy-van-winkle-bourbon.html>

Stolen From the Headlines: Pappy Van Winkle

- Oregon liquor commission oversees the “safety stock,” a reserve supply that is kept at a central warehouse to replace bottles that break in transit to restaurants, hotels and liquor stores
- The commission makes rare bottles of liquor available to the public through a lottery called the Chance to Purchase program. In December’s drawing, 351 bottles were up for grabs, including five of Pappy Van Winkle’s 23-year bourbon
- The commission said the chance of winning the right to buy one of those bottles was 1 in 4,150

Stolen From the Headlines: Pappy Van Winkle

- Commission managers had for years requested liquor from the safety stock to be shipped to liquor stores, usually to one in Milwaukie, OR, near the office where commission officials worked
- Commission officials paid market price for the bottles and “either drank them or gave them as gifts”

SOA Code of Conduct – which apply?

- *Follow Professional Integrity*
- *Follow Qualification Standards for practice work*
- *Know and follow local Standards of Practice*
- *Clear and appropriate Communications and Disclosure*
- *Avoid Conflict of Interest*

Bias Topics within the U.S. Qualification Standards



Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the U.S.

General Qualification Standard Basic Education Requirement

Designation from SOA or CAS, or achieved the EA designation;

or

For all others (primarily non-U.S. actuaries)... membership in AAA through approval process

General Qualification Standard Continuing Education Requirement

- 30 hours of relevant Continuing Education
- At least 3 hours on Professionalism Topics
- **At least 1 hour on Bias Topics**
- At least 6 hours of Organized Activities

Bias Continuing Education

- *USQS 2.2.6 (b)*
- ***Bias topics** include 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. Biases may include but are not limited to statistical, cognitive, and social biases.*

Types of Bias

- Statistics: *the practice or science of collecting and analyzing numerical data in large quantities, especially for the purpose of inferring proportions in a whole from those in a representative sample*
- Statistical Biases
- Are you assuring that every person in the full population has an equal chance of being part of the sample? **Sampling Bias**

Types of Bias

- When comparing two groups, are you avoiding pre-existing differences between the groups? **Bias in Assignment**
- Are you trying to account for all potential variables when drawing conclusions? **Omitted Variables**
 - Correlation does not equal Causation
 - Post Hoc Ergo Propter Hoc

Types of Bias

- Are you confident the study subjects are motivated to respond accurately? **Self-Serving Bias**
- Are you influencing results of the study through unconscious cues? **Experimenter Expectations**

Types of Bias

- Cognitive Bias
 - Systematic patterns of deviating from rationality in judgment
 - Sometimes lead to perceptual distortion, inaccurate judgment, illogical interpretation
- Important to be aware and check ourselves for cognitive biases in our work

Types of Bias

- Social Bias
 - Making a judgment about certain individuals or groups due to preconceived notions about the group.
 - Social biases can be made unknowingly or deliberately
 - Often instilled in us based on our own culture and environment
- Societal biases occur when social biases become the norm
- Important to be aware and check ourselves for social biases in our work

Avoiding Unfair Bias in Insurance Applications of Artificial Intelligence

Outlines a framework for avoiding or mitigating risks of unfair bias when developing insurance industry AI models.

Developed from interviews with industry leaders on this topic.

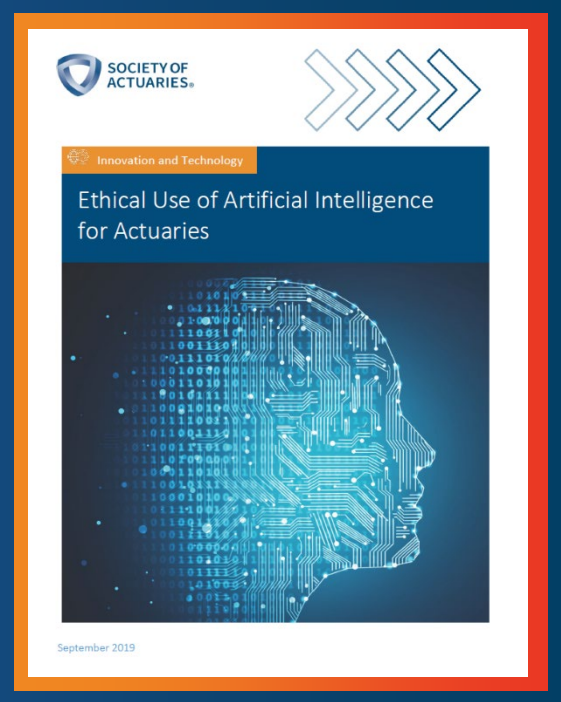
<https://www.soa.org/resources/research-reports/2022/avoid-unfair-bias-ai/>



Ethical Use of Artificial Intelligence for Actuaries

Highlights ethical risks arising from AI applications in actuarial practice and tools to identify and manage it. Includes a technical overview of AI tools and disciplines.

<https://www.soa.org/resources/research-reports/2019/ethical-artificial-intelligence/>



My Top 5 List



My Top 5 Code of Conduct Phrases List

- #5
- PRECEPT 2.
- *An Actuary shall perform Actuarial Services only when the Actuary is qualified to do so on the basis of basic and continuing education and experience*

My Top 5 Code of Conduct Phrases List

- #4
- ANNOTATION 3–2.
- *Where a question arises... utilize professional judgment taking into account generally accepted actuarial principles and practices.*

My Top 5 Code of Conduct Phrases List

- #3
- PRECEPT 9. *Confidentiality*
- *An Actuary shall not disclose to another party any Confidential Information unless authorized to do so by the Principal or required to do so by Law.*

My Top 5 Code of Conduct Phrases List

- #2
- ANNOTATION 10–1
- *Discussions of differences... should be conducted objectively and with courtesy and respect.*

My Top 5 Code of Conduct Phrases List

- #1
- *PRECEPT 1. An Actuary shall ... uphold the reputation of the actuarial profession*
- #UTROTAP



Questions and Feedback

@soactuaries

<https://www.soa.org/research/research-institute/>

<https://www.soa.org/newresearch>

@rdalehall

research@soa.org



<https://www.linkedin.com/in/rdalehall/>

SOA Research Institute

Delivering Trusted and Innovative Risk Research



SOA
Research
INSTITUTE