

**MUST 'NICE GUYS' ALWAYS FINISH LAST?
THE CASE FOR PROFESSIONAL ETHICS**

Business Session: BARNET (BOB) N. BERIN
Keynote Presentation: MICHAEL MCDONALD*

Michael McDonald is the first Maurice Young Professor of Applied Ethics at the University of British Columbia. After a 21-year career at the University of Waterloo, Dr. McDonald came to the university in 1990 to found the Center for Applied Ethics, an interdisciplinary research unit in the Faculty of Graduate Studies. His research and teaching have been concentrated in applied and theoretical ethics.

DR. MICHAEL MCDONALD: I was delighted to accept the opportunity to speak to you on the topic of professional ethics. Our Center for Applied Ethics works very much in the area of professional ethics. I work with health care professionals in the areas of managing information technologies, and financial and business sectors. I've been working extensively with people in the accounting profession, and, in fact, in August 1995, the ethics reading handbook that I devised will be going out to 21,000 students in the Certified General Accountants' Association of Canada (CGA) program across Canada, the Caribbean, and throughout Asia. We're involved in an interesting experiment in education, and I'll say a little bit about that later.

I'm going to say one word about the *Guys* in my title. I come from a generation where my wife and other women referred to themselves as guys. So we were unisexual back in the 1960s. In any case it would have spoiled my quote from Leo Durocher, for those who remember the quotation, "Nice guys finish last."

I will talk about ethics in general. Laying that groundwork will lead me quickly to the topic of professional ethics, and I'll say something about the value added by professionals. This will take me immediately to your profession, specifically with regard to the integration of actuarial science and actuarial ethics, which I think is a key issue. I'll provide, at the very end, four ethical challenges that I think are important for professions to be thinking about and then offer some conclusions.

These are my objectives. The first two are obviously positive kinds of objectives. I want to provide you with some ideas for personal, professional, and corporate ethical planning. I want to stress *professional* and *corporate* because sometimes we think of ethics just as being personal. If ethics is going to work, it will be in the area of professional and corporate ethical planning. I will alert you to some old issues but also to some new ethical issues. As we move along in the world of business we come up with new ethical issues that we haven't thought about before. I have two negative objectives. I'm not here to give you a sermon and make you feel bad so that you can feel good later on. Also, I'm not here to make you moral. Nobody can make anybody else moral. That's your business, and that's something that you will do on your own.

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It helps at the beginning if we have the same common working definition of ethics. I emphasize the idea that ethics involves a systematic study of human conduct and moral judgment. Normally we think of these in three separate categories or categories that are interrelated. We think of good and bad results. What are the outcomes of our actions? We think of right and wrong actions. Some actions are right or wrong regardless of outcome. We also think of—and this is something that used to be more popular but I think is now starting to come back again—virtue, a character-based kind of ethics, which I think is terribly important in the professional area.

Let me suggest to you that ethics is related to personal belief. It's related to personal belief in that ethics or ethical values or moral values are among our deepest personal convictions, but it isn't the same as personal beliefs. Thinking that something is right does not make it right. There's the question of whether we're right when we say that something's right. The second thing is it's related to public opinion. As I'm going to suggest to you, ethics has a lot to do with the expectations we have of each other and the trust we have in each other or the lack of trust we have in each other. And it becomes very important then to have public opinion on the side of ethics, but the public can go off the rails, too. So you can't look to just public opinion for ethics. It's also related to law and professional regulation because often in law and professional regulation, we try to capture our most profound ethical insights and put them into our professional regulations. In looking at your code, I can see that kind of behavior. Nonetheless, we can always raise the question if any part of professional regulation or the law isn't moral, which indicates that there's a difference between ethics and moral values and these other areas.

This brings me to three contrasting views of moral knowledge. Some people, when they hear of ethics, think of a dogmatic kind of presentation, the view that says my way or the highway. I am a trained philosopher. For a long time, we philosophers could find certain and indisputable foundations for moral knowledge. The problem wasn't that we couldn't find any; we found too many. And, as you know from your work in actuarial science, if you have too many foundations, you have conflicts and problems. So it's unlikely that we will find a foundation to use as a touchstone to test all our other moral beliefs. Also, a dogmatic attitude, we found through human experience, tends to lead people to become fanatical and excessive in their demands. The worry about ethical overkill and over-demand is a very serious worry.

This takes me to something that's probably much more common in our society. We don't get many dogmatic attitudes—at least I don't find that among the students I encounter who are from so many different cultures at the University of British Columbia campus; however, I hear a kind of skepticism and cynicism. Ethics, who cares? Or ethics, who knows? There are a variety of explanations. I think it has something to do with mass media. I think it has to do with a certain kind of cynical attitude that people have put forward, that every position that's held can be refuted and that for every positive opinion you can get a negative. Indeed, I've had the experience, maybe some of you also have had this when dealing with the media, that I get called on a question, and the reporter's obviously waiting for a certain answer. If I don't give that answer, then I won't do. I'm not on the TV show or the radio show because what the reporter wanted was a no to the yes that was being said. I don't think every ethical question has two sides. Some of them are clear yes sides and clear no sides. Skepticism is a serious worry that we have.

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What's the view that I espouse? All speakers, of course, have three perspectives: the first two are wrong, and the third is correct. It is a view that I call *corrigibilism* or *fallibilism*. Think of the word *fallible*. When you're fallible, you admit you make mistakes, but you also admit that you can correct those mistakes. So they're corrigible. I see ethics in terms of a kind of dialogue between people, and it requires dialogic skills, those abilities to talk together, to reason together, to be tolerant of each other's opinions, to coordinate behavior, and expectations. Now what does that mean? Bottom line, it means that we get the possibility of reasoned agreement on many issues. I want to stress the word *many* here, but we leave open the possibility for rational disagreement on other matters. What we hope for, of course, is rational disagreement and not disagreement by way of invective or force or deceit or deception. So the approach we're taking here is a dialogic kind of approach, a respect-for-others kind of approach. We have to get our act together as people.

If it's right morally, it's right period. I take moral judgments to be all-in kinds of judgments, comprehensive kinds of judgments. Now often in professional life we don't teach them that way. We teach ethics as the add-on, the examination that students take just before they receive licensure or certification. I don't see it that way. A sound moral judgment is going to take into account all the relevant factors and the circumstances. So if you're in business, it will take into account the economic factors, the personnel factors, the political factors, the human relations factors. They're all going to be there. My worry is that if we think of ethics as a kind of add-on, we put it off to the side and say, well, on the one hand, you know, ethics says to do this, but then all the other factors say to not do this. And if we can't integrate ethics in this way with practical decision-making, we're going to have a very serious kind of problem. So what do I want to see here as part of the picture? It must include your personal beliefs. We can spot insincerity a mile away. It must include good common sense, and it will have to take into account whatever scientific knowledge we have available. That, of course, includes the scientific knowledge that you bring to your profession.

I'd now like to call your attention to the features of what a sound morality will have. I'll do it, first of all, by way of negative example. What happens if we don't have a sound morality? Well, in the absence of morality we'd have the lack of shared standards for conduct. We'd have no way of commonly evaluating what's good, bad, right or wrong. It would just be whatever you felt like doing, whatever other people felt like doing to you, and that might not be so nice. We would be in continual fear of being harmed. We would have the fear of being taken advantage of by others. And we would see the most vulnerable people in society being seriously exploited. Those of you who may have taken a philosophy course many, many years ago will recall the words of Thomas Hobbes. He talked about what life without morality would be, and he describes life as being nasty, brutish and short. I think he's right about that. The bottom line on this one is that the result would be no trust and no community.

So what's the positive description? It's the counterpoint to that. It means that we have shared standards. We have coordination. We have cooperation among people, and I describe the cooperation in terms of just four simple, moral imperatives: refrain from harm, be trustworthy, maintain community (that means maintaining moral standards, enforcing and reinforcing, passing morality onto the next generation) and showing compassion. We can find this, and it brings out, if you like, some important resonances in

the constitutions of our two countries. Americans, of course, will be familiar with “life, liberty, and the pursuit of happiness.” You may be less familiar with one of our founding documents, British North America Act of 1867, which talks about the objectives in establishing Canada as an independent country, of “peace, order, and good government.” There are some interesting, subtle differences here, and I think they appear perhaps in the area of health care. But, nonetheless, there’s a lot of commonality there, shown by an emphasis upon cooperation and building trust among people.

From this we can see who morality’s enemies are. We might describe the first group, sociopaths and sadists, as people who make negative claims, anticlaims to morality. They want to destroy morality. They’re very hard to reach. In general, we have to use punishment and force to restrain such people. Then there are our garden-variety cheats and scoundrels. They make deceptive claims. They’re out to take advantage of us. The third group is the people who make the exaggerated claims. They’re ideologists and zealots, and again we have to be fairly cautious about such people.

How does morality work? You might think about this in terms of how do you bring people into your profession, make them share the morality, and encourage them to share the morality that you want a good actuary to have? You can think of external factors. We use praise and blame, reward and punishment, reputation. These are all very important external factors for keeping us on the straight and narrow. But if morality is going to become effective, we internalize it, and what happens when you internalize it? Well, you acquire certain kinds of features. You feel guilt or shame if you’ve done something wrong, and you feel that your self-esteem is very much tied up with your moral behavior. So, becoming a moral person means, in a way, a kind of personal transformation, a very important kind of personal transformation.

If we think of this together, this has very important implications in terms of personal change; the kinds of people that we become, that we want our children to become, that we want new members of the profession to become (or wayward members of the profession changing their behavior). It also is important for professional development, and it’s important for organizational transformation, including corporate life. Good people can make a difference in making organizations good organizations. It’s important here to move beyond the personal to the social, to understand that ethics is one of the most inherently social features of our life. Once we see that, we’ll see the way to professional development and organizational transformation.

This brings me to answer the question that I posed at the beginning. Must nice guys finish last? As actuaries you are used to working with different kinds of assumptions. So the assumptions are that they will finish last if there are too many nasty or indifferent guys. In other words, if people act in ways that are destructive of morality or are indifferent to morality, and there are many of them, nice guys are going to have a hard time finishing, in even the first 50%. If we can’t sort out the nice from nasty guys, that is another problem. Occasionally we find that with people who are cheats and scoundrels. They’re deceptive, and it’s hard to tell whether somebody is an honest stockbroker or a decent lawyer. Nonetheless, my suggestion is that we can give a negative answer to this question so that nice guys can finish in the top 25–50%, ahead of the pack, if we get a critical mass of nice guys and if we can select nice from nasty guys. If you think about that, this has some very profound lessons for what you’re trying to do with professional ethics. You’re trying to

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create that critical mass of nice guys, of people you can rely on as colleagues, and you're trying to select the nice from the nasty guys. That's part of what ethics training and ethics examinations are about—to try and get some idea of people's performance. Of course, we do this, as I said, through a variety of means, external and internal. So the lessons that we draw from all this are that, in regard to motivating moral behavior, we have to have a shared understanding, we have to be on common ground, we have to receive the same signals and have the same standards. We need a critical mass of people to internalize those standards, and we have to effectively externalize it both socially and legally.

Now a word about the sources that I've drawn on for this part of the talk. This may be somewhat deceptively simple here, but what I've tried to draw on here are some of the sources in moral philosophy. I've drawn a great deal on work in game theory. In particular, some of you will understand some of the work around the area of the prisoner's dilemmas. We've been doing some interesting research, including computer simulations of morality and on moral interaction in market theory—in other words, the pure theory of the market—to try and explain a basis that works reasonably well in the world of business for developing a theory of professional ethics and a theory that works across our society, in our culture.

This brings me to my second main topic: the lessons we want to draw for professional ethics. I want to suggest a formula here. It's not an exact formula, and I don't think you'd plug numbers into it, so some of you may be unhappy with that, but I think it does reflect something profoundly true. Our responsibility increases in a particular situation as our knowledge of the situation increases, because we know more about the situation, we know more of the facts, we understand more of the facts, and we have the power to affect the situation. Knowledge and power are key variables here. As they increase, so does our responsibility, and that's going to be very important for bringing it up for professional responsibility.

Second is, what do we expect? What's the *value added*? And this is a term I've taken from the world of accounting. What's the value added that a professional is supposed to bring? If you think about it, and think about it in a variety of contexts—think of dealing with your physician, think of dealing with your lawyer, think of dealing with your accountant, think of dealing with a professional architect and so on—two factors seem to be utterly crucial here. One is you obviously need some technical competence. That's very, very important here. A professional has to know his or her trade. If you don't know your trade, then you're not going to be much of a professional and, indeed, you will be a disgrace to the profession. Second thing, though, is moral trustworthiness. If a perfectly competent individual, in fact a supercompetent individual, is not trustworthy, in some ways he or she is more to be feared than the incompetent person. That person can very much hurt you, can very much destroy the reputation of your business, and can very much lose your client base. It's extremely important to have confidence and to build upon these two kinds of foundations.

What are the lessons that we want to draw here for professional ethics? Let's think about some of the typical issues. One major area where we have a concern about professionals is in the area of compromising professional independence, particularly in the world of accounting with cutthroat competition. We find situations in which accounting firms underbid each other and enough is not being charged in the area,

say, for audits. This does not provide the public with reassurance. We also have found in the world of accounting a great many things around the area of kitchen-tabling in which juniors are being asked to underbill to maintain a competitive position. The result may be sloppy work that's being done. One of the biggest things that I've seen in surveys, and here I again refer to accounting, is giving in to client pressure, auditing by conversation. You accept the word of the client that this is the way that things are, without doing the independent check. It's probably one of the most common and recognizable problems that we find. Conflict of interest is another problem. Compromising professional independence, not having the resources, not taking the time and effort to do that independent verification, is very important.

The second thing is professional competence. Lack of expertise can be a problem, such as not admitting or making up for errors. Indeed, I think that's one of the crucial problems that you're next going to be facing. How do we address that question? I must say to you, as someone who works with professionals, these are not easy questions. They can be incredibly painful. I was talking with your president last night at dinner about the issue of discovering the night before a crucial report is to be presented a very serious error in the report. What do you do then? You have less than 24 hours to make up your mind. There isn't a lot of time for sitting on the fence. What do you do? It's a serious error. It may lose you a very important client. Do you report it? Do you conceal it? Do you hope things will blow over and somehow it will work out? This is one of the toughest tests of being an ethical professional, and again I want to say to you I don't come to you as someone who promises easy answers. This is one that people sweat out. We hope that you can find a solution that will work to the advantage, not only of yourself but your profession, and that will uphold the ethics of the profession. That's extremely important.

A couple of other areas where we find serious moral issues are in terms of use of secondary parties, which is referred to in your code of ethics. We often find professionals, and I think lawyers sometimes are unfairly pictured here, just simply as hired guns or mouthpieces. It can be a problem when you just simply do what the highest bidder says to do. There's also the issue of off-loading responsibilities here. Secondary parties are hurt because no professional in the situation will take responsibility. And there are problems, of course, with regard to colleagues. Whistle-blowing is one of the most difficult problems in every profession, and the obligation to blow the whistle that is built into every professional code that I know is probably the one that causes, if you like, the most heart-wrenching sorts of decisions. Blowing the whistle on a colleague is not an easy thing, and yet it's necessary at times to reassure the public.

This brings me now to my third, main issue, and that is actuarial science and actuarial ethics. As you've already guessed by now, I'm not a fan of the oil-and-water myth: science and ethics don't mix; they're not entirely separate nor should we keep them in separate compartments. I remind you again of the twin risks here. If we separate the two, we run the risk on the one hand of having the badly informed do-gooder (many great intentions and good ideas, but no carry-through) who often botches it because of a lack of knowledge of the field. On the other hand is the clever-but-untrustworthy expert in the area. Neither of these is a welcome thought. So we have to break down the compartmentalization between science and ethics.

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What are the indications for sound actuarial ethics? It seems to me that the ethical actuary has to be professionally knowledgeable in actuarial science and in the other disciplines in which he or she specializes, but the good actuary also realizes that the scientific basis of the profession is only a partial guide to ethical decision-making in the profession. In complex professional circumstances you must draw on more than your scientific background. The science runs out in a sense. It underdetermines the issue, or it leaves you with too many ethically ambiguous and maybe even dubious answers.

So what do you draw upon? Well, I want to suggest various sources. Of course, you draw on various other exact sciences, but you also draw upon the human sciences and you draw upon the social sciences and other professions. I think of law, health, accounting, and so on. Many of you have become probably quite expert, and of course, at the end of the day some common sense will see you through on some of these things. It's very important, though, to convey that to new members of the profession.

I want to suggest to you that there is a kind of tension. In a way it's a tension that's at the root of the differences in academic style and how people come to various professions in life. It's something that I've picked up over the years of teaching. I taught engineering students at Waterloo, and I've taught accounting students in the CGA curriculum and at various other places, and I've taught other students who are in exact professions. The tension is this: when you train people to think in precise mathematical terms and use mathematical knowledge and rules and modeling, you come to expect a certain kind of crispness and precision. Problems are defined in neat and orderly kinds of ways. The difficulty is when it comes to ethical decision-making, the world isn't always neat and orderly, and there are nuances and contextual differences that are hard to pick up. I find students sometimes saying to me, gee, if we can't put it into a formula, and you can't graph it easily, and you can't model it simply (you can do some modeling of ethical behavior) then it must all be a matter of personal opinion. Of course, that's a real risk because once the student thinks it's all a matter of personal opinion, then anybody's opinion is as good as anyone else's, and we lose all the advantages of ethics that I was speaking about earlier in the first part of my talk.

We face a very serious challenge in conveying professional ethics; at the same time, we want to encourage budding engineers, accountants, and actuaries to develop the rigor and preciseness essential to the scientific and technical expertise they're going to need in their profession. On the other hand, we are going to want to also encourage the development of the skills, sometimes sensitivity to context, awareness of circumstances, seeing ahead, anticipating outcomes that will be involved in drawing good moral judgment. We want to build up a sense of the need for experience and judgment in making sound ethical decisions. We want to move from our first term here, which is algorithms, to heuristics, which is teaching aids, which is ways of thinking about ethics that illuminate and that provide the signposts that remind us of important kinds of truths. If we can overcome this in professional ethics education, we've moved a long way toward educating professionals to become ethical and to understand the ethics of their profession. This is the challenge I want to suggest of putting actuarial science into practice, the challenge of actuarial ethics, which involves the need for experience, good judgment, and virtue.

I want to move to a very critical point. Recall my formula that talked about responsibility growing with knowledge and power. I want to put actuaries on the line. Actuaries

occupy incredibly sensitive roles within our society. When I reflect about the role of actuaries in our society, I see them as being involved in some of our most strategic and sensitive kinds of industries, those that are involved in the management of risk and uncertainty and those that have to do with long-term prospects for us. I don't think it's by virtue of my gray hairs that I worry about, along with others, what my pension plan will deliver or whether we'll have a sound health system in ten years. I worry about this for my children as much as for myself. The area that you occupy, in which you are knowledgeable, is extremely important to the long-term stability of society, and I want to underline that. Actuaries have the knowledge, and in some ways you have the power, not all the power but some of the power, to make the difference between stable institutions and unstable institutions in our society. You're very important in helping to maintain the trust and confidence we feel in our way of life. So you have, in other words, a great deal of responsibility, and you have to take that very seriously.

Let me illustrate some of the issues that I see arising now in the area of actuarial ethics that are very important. Like other professionals, you're involved in communication with clients and other parties. One of the difficulties that professionals have in communicating with clients and employers, those who aren't in the profession, is breaking down the barrier of technical language, putting it into a kind of language. Think of the doctor who throws all the medical terms at you or the lawyer who throws all the legal terms at you; you're just in the dark about a situation. It is very important then, in other words, to inform the client and to get the client to consent to what you're doing. So one of the big issues is a communication kind of issue.

The second issue under this is respecting client values, understanding what the client is trying to do, whether the client happens to have a pension plan, a health care plan, or whatever. Understand what the client is after. Of course, one of the ethnically sensitive issues here is understanding who the client is. Is it the people who manage the health care plan, or is it the people who are enrolled in the health care plan? So one of the most ethnically sensitive issues is identifying your client. And, of course, there's the challenge of honest and understandable communication.

The third one is information gathering. Actuarial science depends upon a great deal of information, and the reliability of that information is absolutely crucial. Let me highlight one area that I've been thinking about quite a bit recently, and that's the area of predictive genetic testing. I just returned from a meeting in Alberta. We're trying, at the national level, to put together new guidelines, revise the 1987 guidelines, on research with human subjects. We spent about four days carefully going over this with various people who are expert in areas that involve research on human beings in this country. The area that I found most troubling and most worrisome was the area of genetics. I think the potential here for things that will change the way in which we think about ourselves and change our social relations is extraordinarily high. Let me mention three issues that came up, and I'd be delighted to get some questions about these.

In the past, we've dealt with information about individuals as if it were purely private or personal information. So the main need is to preserve a modicum of confidentiality and yet provide enough information for public and business decisionmaking; we must balance between those two. Genetic information isn't like that. Genetic information is linked information. If, for example, I'm offered a predictive genetic test and I decline, but my

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brother and my mother go to get the predictive genetic testing, I may find out about my diagnosis even though I didn't want to know that. I may have information thrust upon me that I never wanted to know about. Information about them, because they're genetically related to me, is information about me as well. The implications are profound in terms of confidentiality and knowledge-sharing. We need to find new ways to deal with information here and deal with this kind of linked information.

A second issue, and this is one that I think may go very, very deep in the ethical area, is once we start to think, and I think we will start to think more and more of ourselves in terms of our genetic structures, we may stop thinking of ourselves as free, self-determining individuals and more as genetically-determined individuals. That could have some very profound implications when you start thinking about areas of responsibility, legal responsibility, and moral responsibility.

A third area is that much of the information that is now coming out in predictive genetic testing is information in which we don't know what the implications mean. We're finding that people are asking for this information. It may not be medically significant, it may not be genetically significant, but should we provide it? Should we provide insignificant information? Should we provide information that people may draw misleading conclusions from? Would we violate their trust if we withheld that information? Now I was talking with my colleagues about new guidelines in this area of research on human subjects. But our anticipation is (I was talking to some of the leading genetics experts from my own university on this question), that predictive genetic testing is coming very rapidly. It will become very inexpensive to access and highly effective, and it will have profound implications. So it isn't just going to be a research subject. I would predict within the next few years that you're going to be faced in your industries with this kind of information. I think you're going to have to say something about how you're going to handle that information, if you want that information, and what sorts of public regulations you want with regard to that information. So there are some very profound issues here, and I would call your attention to them.

I have four ethical challenges. The first challenge is in terms of integrating ethics with actuarial science and professional training. We're doing that in the CGA in Canada. I'm working with approximately 20 different course authors, so we're putting ethics into the curriculum everywhere. We decided to do that. We decided to put ethics into examinable questions because we want ethics to appear in context. We don't want someone to say, "Gee, nice audit, but, you know, you missed some of the basic professional ethics here. You didn't stay independent from the client."

I also would like ethics to surprise people. You are not warned when there's going to be an ethical issue. Ethical issues can stalk up on you and strike just when you least expect them. We're trying to put ethics throughout a curriculum, and we're making it integral to the curriculum. We're making it testable within the curriculum throughout the entire student's course of behavior. This, of course, requires a lot of work with course authors. I've been gifted by having so many course authors be so cooperative and helpful in this area. So, can you integrate it? Are you currently integrating it? That's my first challenge to you.

My second challenge to you is are you conducting, using, and encouraging ethics research? There's a lot of talk about the work that you're doing in actuarial science and forwarding research there, but new ethical issues come up. Old ethical issues present themselves in new ways to you. Are you doing the ethics research alongside so that you're being prepared to deal with the ethical challenges that are going to be confronting you as actuaries in the next few years ahead?

Are you working on building ethical organizations? Are you imparting to those who are joining your profession and those who are already in your profession those skills that will help them make their corporations and work environments, ethical work environments?

And the fourth one, which is one that I think is a nice one and that I've seen some professions, particularly in the area of engineering, do, is are we rewarding exemplary moral behavior? I know people will say what's ethics about? When I ask professionals, they'll say we have a discipline committee. "We have a code of ethics."

What about the people who go out of their way, who do the ethical thing even when it costs? Do you recognize their behavior? Do you say, "That's behavior that we're proud of and we publicly stand behind? You fought the good fight, and we're very proud of what you've done." I think these are important kinds of challenges for professions.

Well, this brings me to my conclusions at this point, and they're simple kinds of conclusions. My first conclusion: under the right conditions, nice guys can finish first. Who determines whether the right conditions are going to be there? My suggestion is that you determine that. You determine that by your actions with each other, by your actions with clients, by the way in which you impart ethics to the next generation of actuaries. You're the people who will determine whether there are the right conditions.

The second thing is that trust and competence provide the value-added factor for professionals. Competence is incredibly important, but so is trust, and trust takes us right back to the heart of ethics, which is terribly important for you.

The third thing is that integrating actuarial science and ethics is crucial for the profession. I think it's crucial for each profession to integrate its knowledge base with its ethical standards and to do it in an effective kind of way so that it remains throughout a person's career.

The fourth thing is that ethical performance can be improved through insight, experience, and professional development. So there's something we can work on. It goes beyond our early years; it goes through all the years of our lives.

FROM THE FLOOR: I'd like to applaud what the SOA is doing in this area. Having just browsed our newsletter, I saw an example of ethics, and I don't like to have to hear about situations, but I'm proud that we have taken a stand in that area.

FROM THE FLOOR: You mentioned that whistle-blowing was one of the most difficult points. I think many whistle-blowers are bothered by the fact that there's a conflict of interest. If they blow the whistle, it will enhance their credibility and perhaps discredit the person they're blowing the whistle on.

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FROM THE FLOOR: One may enter an organization as an ethical person and discover that, in fact, the organization does not lead that way. Regarding your remarks just a moment ago about blowing the whistle, a firm can move very rapidly when threatening to destroy both the reputation and the credibility of the person who would stand out in such a situation. And I'm also reminded of a situation that I ran into several years ago. A firm had made a rather large mistake with a client and amortized the mistake over ten years. If it had ever lost the client, it would have been a rather disturbing situation. It never did lose the client, and, interestingly enough, it's something that I knew about and never said anything about. I'd like to hear some comments about the situation such as was presented by the film *The Firm* and the concept that you raised earlier. What about the internal and external elements, and how could they possibly be applied to an organization consisting of perhaps thousands of people?

MR. DONALD J. SEGAL: We are living in an increasingly regulated environment in which the regulations are being issued by governmental bodies. It's not uncommon for actuaries, because we are so clever, because we do our jobs so well, to take a very literal interpretation of the rules and produce a result that is favorable to our client but probably not in accordance with the intent of the rule. Is this ethical behavior on our part?

MR. ALAN N. FERGUSON: I'm a member of the ABCD (Actuarial Board of Conduct and Discipline), which is the board that's concerned with the conduct of actuaries outside Canada. In Canada, the CIA performs a similar function. I believe a film will be shown here at the meeting about the functions of the ABCD, and I hope you'll see it and be informed as well as amused by it. The ABCD issued its 1994 annual report. It includes an account of various situations that it has been concerned with, and I hope actuaries will realize the kinds of situations that they need to be sensitive to. The ABCD performs two functions: to advise on discipline and answer responses to complaints about the professional conduct of actuaries, and also to provide guidance. I want to emphasize that we do exist to provide guidance. If actuaries are concerned about questions, they should contact the members of the ABCD (there are nine members). Or perhaps, better yet, call the office of the general counsel in the AAA in Washington. I would like to emphasize that all inquiries such as those are handled confidentially and reasonably promptly.

MR. HOBSON D. CARROLL: My impression is that within the profession the struggle seems to be more one of reconciliation between actuarial science and actuarial art, shall we say, and that that's probably more routine for us and that it leads to major conflicts, not so rarely for a profession such as ours. My question has to do with the fact that I think the majority of our conflict might arise from the interface between our system of ethics and, say, the system of other professions that we come to deal with or other business activities that we interface with, such as marketing entities. In particular, as an extension of that question, I'd like some advice on the issue of what happens as more and more of us come into situations where we interface with other cultural systems of ethics, where business is simply not done the same way that it is within the U.S. circle of influence?

FROM THE FLOOR: I thought part of the problem with the ethics aspect is perhaps the semantics. I noticed that you used the word *whistle-blowing*, which is neutral or perhaps even positive, but I think the problem that we experience at the time when we maybe think we should blow the whistle on somebody is that most of us from our earliest days have known that we shouldn't be tattletales. As we grew up, we learned that we shouldn't be

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squealers. If we're thinking of whistle-blowing on somebody in our own organization, we might be concerned about being turncoats or even traitors. So the problem is often just how you express it. Yet, going back to it, probably deep down you know that what you have to do is blow the whistle, but all these other aspects enter into your thinking.