



SOCIETY OF ACTUARIES

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## PROFESSIONAL ETHICS

by Thomas C. Copeland III

The Columbus Actuarial Club held a discussion on Professional Ethics at its March meeting. A summary of twenty responses from members of the Club to a questionnaire concerning Professional Ethics was presented at the meeting by Program Chairman Tom Mitchell.

To the question:

"How do you compare your responsibility to the public with that of a non-actuary business executive in your firm?" — 8 members responded "the same," 8 said "significantly greater," 3 said "much greater," and 1 said "a little more."

To the question:

"Do you feel that the Academy's proposed Opinion A-5 is aimed at (a) *disclosure* by declaration of incompetence, or (b) *control* by requiring disqualification?" The responses were: Disclosure — 5  
Control — 12  
Neither — 3

Other questions dealt with:

- Reaction to the recently circulated recommendations and interpretations on professional conduct with regard to GAAP,
- The actuaries relationship to CPA's, and
- The extent to which an actuary can delegate his efforts when certifying statutory reserves.

There was a wide range of response to the questionnaire and no real agreement on the answers among the 28 persons who attended the meeting.

There was very active discussion especially with regard to Opinion A-5. In particular, one member pointed out that a similar provision for doctors or lawyers would prevent many of them from practicing. Some members felt that Opinion A-5 did not allow an actuary to disclose his lack of competence and continue with the task of performing in an area in which he had no experience. Other members felt that A-5 allows room for an actuary to research a given subject to gain confidence and then continue with the task. One response was that A-5 requires the actuary to have confidence in his answer rather than

## Death

Herbert H. Blakeman

have experience in the field to accept a task.

One member felt that an actuary working for an insurance company was really a mixture of both a manager and a professional actuary. During the time the actuary is performing as a professional actuary, he must abide by Opinion A-5 and disclose his lack of competence whenever the situation warrants. On the other hand, when this individual is in his role as manager, Opinion A-5 will presumably not apply.

A number of members felt that Opinion A-5 will have a different effect on consultants as compared to actuaries working for insurance companies. It was felt that situations arise in a company atmosphere where an actuary is asked to perform a task and, even though he may disclose his incompetence with regard to that task, he will still be given the assignment. The question asked was, "Should he then quit?". On the other hand, a consultant would have no choice but to refuse the assignment unless he found another member of his firm with the appropriate expertise.

There was much discussion on the question of whether an actuary working for an insurance company has greater responsibility to the public than other members of the management team. Some members felt an actuary does have greater responsibility because he has greater knowledge and awareness with regard to the effect of differing courses of action on policyholder and shareholders. Other members felt that the actuary's responsibility is the same as any other member of the management team; however, all agreed that the actuary's responsibility was significantly greater on matters purely actuarial in nature. It is significant that no one felt an actuary's responsibility was less to the public than any other member of management.

There was discussion about the relationship between actuaries and accountants. It was pointed out that some accounting firms have staff actuaries and those firms require their own staff actuaries do the actuarial phases of GAAP audits. Other accounting firms have no staff actuaries, but have set their own

## Harvard Conference

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as-you-go tax rate into a product of two economic and two demographic factors. Past President Robert Myers performed service both as a discussant for the previous two speakers and as deliverer of his own, "Variables in Cost Projections for Social Security Systems." This session was a major actuarial contribution to the Conference and produced a fine atmosphere for a productive discussion of Social Security.

The foregoing recalls only the principal papers. Shorter presentations were given by Dr. Campbell Gibson, Hans Gerber and the writer, Jess Mast and Frank Reynolds. James Hickman developed the theme "Science and the Actuarial Profession" following the Conference dinner. John Beekman and David Halmstad summarized the Conference.

At least one third of the conferees were formal participants in the program as moderators, discussants, or speakers. The Conference was an unusual assembly of demographic and actuarial thought, expertise, and experience. For the strong representation of demographers and for his various contributions to the Conference, we are much in debt to Professor Keyfitz. Certainly, fruitful interchanges and growth of ideas will result from the Conference.

Most of the papers of the Conference will appear in a special issue of Actuarial Research Clearing House (ARCH). Inquiries about this issue should be addressed to Professor Donald A. Jones, Department of Mathematics, University of Michigan, Ann Arbor, Mich. 48104. □

standards for employment of qualified actuaries. One firm has decided that only FSA's with experience in life insurance shall be qualified, leaving out any reference to Academy membership. Some of the members felt that actuaries should be setting the standards for actuarial qualification rather than the accountants.

There was considerable agreement with the fact that the actuarial profession has been much slower than the accounting profession to get involved with GAAP. Most felt that the output from the Academy on GAAP matters was reactionary and defensive in nature. □