



SOCIETY OF ACTUARIES

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# ACTUARIAL VALUES

By Steven Schoonveld

**P**rofessional organizations worth their weight each have standards of practice, codes of conduct, oaths, ethical guidelines, tenets, principles, or professional standards to which members must adhere or are encouraged to adhere. Most also have disciplinary boards with varying degrees of intensity. Those that are worth far more than their weight have values. Actuarial Values, and not the numerical kind, are what drive our standards of practice and codes of conduct as well as dictate how we practice.

Just as many of the actuarial concepts we absorbed through the education process are applicable across several areas of practice, so are our values. Whether an actuary is in pensions, health or long-term care; or works with investments, retirement systems or insurance products; or in the social insurance or public finance arenas, our values are consistent.

At our core, we build and manage financing systems and financial structures in roles within consulting firms, regulatory bodies, insurance companies, government agencies and in a variety of industries in non-traditional actuarial roles. We practice with the following general values in mind:

- We build and manage systems and structures that are designed to be **sustainable** and are not built to fail. We understand and can demonstrate the consequences of building weak structures and systems. In cases where there are obstacles to sustainability, it is imperative that we objectively opine and seek to overcome these obstacles.
- In any system or structure there are participants and stakeholders. We value the appropriate alignment of interests so that the system or structure is **affordable** both today and in the future to the participants. For example, insurance systems should be designed such that the insurance carriers,



government bodies, producers, providers and policyholders can affordably participate without undue design burdens and in a fair and reasonable manner.

- Actuaries practicing in the investment space seek optimal return for the risk assumed. As actuaries in most systems and structures, we value the **efficient** use of funds and seek to optimize the intended goals.
- A similar value is the presence of appropriately aligned **incentives**. In order to provide for affordable and efficient systems and structures, incentives are often necessary.
- The systems and structures we build also provide for an appropriate level of **equity** between the participants.
- Finally, we recognize that there are often trade-offs that are necessary to achieve the objectives of financing systems. We value recognizing such considerations and note the obligation to determine the consequences of such.




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To the extent that the structure and choices within the financing systems or financial structures we work with offend these values, we are obligated to present the consequences of such choices. We, as actuaries, are often the sole trusted advisors to boards, senior business leaders, politicians and the public on these matters. If we do not advise objectively on the potential consequences of decisions made by these leaders, our reputations are at risk, and we must share in the responsibility for the outcomes.

This, indeed, is how we fulfill our obligation to act in the public interest. Our professionalism classes remind us that actuaries should be willing to walk away from a position or project. As

a section serving the needs of social insurance and public finance programs, we cannot walk away. We are obligated not only to speak to the applicable actuarial principles and standards, but to pursue the values given above.

As we begin a new year of SIFP Section activities, it is my hope that we continue the focus on bringing actuarial principles and values to the social insurance and public financing systems we study. Please join me in welcoming our new Council members and please join your fellow section members as we continue to build a strong section which serves the public interest. 

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