



SOCIETY OF ACTUARIES

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ACTING IN THE PUBLIC INTEREST: WHAT DOES IT MEAN AND DO U. S. ACTUARIES MEAN IT?

By Jay M. Jaffe

** The opinions presented in this article are those of the author solely and should not be interpreted as the opinions of the author's employer or the Society of Actuaries.*

The U.S. public has concerns about the solvency of many of the nation's social insurance and other governmental programs. Every day the public and professional media has articles about the financial status and viability of Social Security, Medicare, Medicaid, public pension plans, etc. U.S. citizens are anxious to be reassured that these programs are financially sound.

Although actuaries are involved in every one of these programs, it should be obvious that the actuarial profession, actuarial organizations and individual actuaries are not the proximate cause of the problems. Nonetheless, and unfortunately, it could easily and quickly turn out that the public and politicians transfer their frustrations about the weak fiscal status or actual collapse of a public program to the actuarial profession. If this were to occur, the U.S. actuarial profession could be in for a wild trial in the court of public opinion and quickly become the poster child for troubled public programs whether or not we were responsible for what has happened.

Fortunately, the U.S. actuarial profession has some breathing room to assess whether its past involvement has been consistent with our Code of Professional Conduct, whether the profession has fulfilled its stated positions as to the profession's and individual actuaries' responsibilities to the public, and whether these positions are adequate and appropriate for the future. However, the window of opportunity to clearly understand

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and communicate our position is short and we must address the issues in the very near future or risk becoming a casualty of events beyond our control.

The first place to start to understand a U.S. actuary's obligation to serve the public is our Code of Professional Conduct. The Code of Conduct states that the Precepts of the Code¹ are:

... identify the professional and ethical standards with which an actuary must comply in order to fulfill the actuary's responsibility to the public and to the actuarial profession.²

Several years after the Code of Conduct was adopted, the actuarial profession undertook a critical review of itself. The end product of this review was the 2006 CRUSAP Report³ which concluded "... that more actuarial participation in the public discussions on relevant social insurance program issues ... is an activity that would benefit the public and is appropriate for the actuarial profession."⁴ At the end of the report was a letter from Frederick Kilbourne, the task force's chairman, which starts with the statement that, "The overriding purpose of any profession is to meet a public need."

The Code of Conduct makes a clear statement that U.S. actuaries intend to serve the public. But does the Code of Conduct fulfill its intentions? For example,

1. Should U.S. actuaries be deemed to be acting in the public interest simply by complying with current professional and ethical standards?
2. Does our Code of Conduct provide individual actuaries, actuarial organizations and the actuarial profession a necessary but not a sufficient standard for acting in the public interest?

3. Particularly in light of the current financial status of, and outlook for, U.S. public programs, is the U.S.-based Code of Professional Conduct's perspective for serving the public or operating in the public interest an adequate operational standard?

Because the actuarial profession has become global, one way to evaluate the adequacy of the U.S. Code of Conduct's position about serving the public is to review how non-U.S.-based actuarial organizations have addressed this same issue. While U.S. actuaries should not blindly follow positions adopted by non-U.S.-based actuarial organizations, an understanding of how others see the responsibilities of the actuarial profession, actuarial organizations and individual actuaries is a valuable initial step for evaluating whether the current U.S. perspective about serving the public needs updating. Excerpts from five other major actuarial organizations about public interest responsibility follow:

Canadian Institute of Actuaries:

In contrast to the Code of Professional Conduct adopted by the U.S.-based actuarial groups, the Canadian Institute of Actuaries (CIA) has adopted much stronger positions about what is expected of its members. The CIA's Vision Statement aims to ensure that it will be "... a significant contributor to public policy ..." and its Mission Statement recognizes that the CIA will serve both the public interest and the actuarial profession by "... making meaningful and timely contributions to public policy."⁵

Institute and Faculty of Actuaries:

The Actuaries' Code of the Institute and Faculty of Actuaries in the United Kingdom minces no words about serving the public. Its opening section is titled "Serving the public" and states that "... actuaries have a core obligation to serve the public interest."⁶ It requires that "... actuaries should speak out when appropriate, particularly where the public may not understand the associated risks [of a program]" and explains that this means "... publishing of material which

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will help the understanding of consumers of financial services and the members of pensions schemes.”⁷

Further, U.K. individual actuaries should “... make sure clients are made aware of the implications for the consumers of financial products and members of pension schemes ...”⁸

Institute of Actuaries of Australia:

The Code of Conduct of the Institute of Actuaries of Australia (IAA) addresses serving the public interest similarly to the current U.S. position. The IAA only requires “... that a Member meets the requirements of the law, the Constitution, this Code and the Professional Standards ...” in order to meet “... the expectations of the profession with respect to the public interest.”⁹

Actuarial Society of South Africa:

The recent draft of the Code of Conduct for South African actuaries states that its mem-

bers “... will be deemed by the Actuarial Society to have met the expectations of the profession with respect to public interest ...” as long as they “... meet the requirements of the Law, the Constitution of the Society and any applicable Standards of Practice and the Code.”¹⁰ However, the Code of Professional Conduct in South Africa also makes it clear that “The Society also serves the public interest by engaging with regulators and in public debate.”¹¹

International Actuarial Association:

The International Actuarial Association’s (IAA) Vision and Mission statements are preceded by the statement that one reason the IAA exists is “... to encourage the development of a global profession ... which will ensure that the public interest is served.”¹²

In contrast to the U.S. Code of Conduct, the CIA and the Institute/Faculty have adopted forceful and broad commitments to use their knowledge and expertise to help with social insurance and related government programs. At least in part the Institute/Faculty’s position is a reaction to the 2005 Morris Report that scrutinized the U.K. actuarial profession. The U.K.’s experience and response to an independent review of its performance should be a heads up to the U.S. actuarial profession that it may have a greater responsibility for serving the public than its current commitment.

If the U.S. actuarial profession maintains its current perspective that abiding by standards of practice promulgated by the profession is a sufficient level of serving the public, it is unlikely that the actuarial profession in the United States will assume a leadership role when social insurance and related government programs are discussed because we will be reacting rather than proposing needed changes. The real risk of this position, however, is not that actuaries won’t participate in the dialogue about the programs, but that we become an irrelevant profession to the process or are perceived simply as another



group of highly skilled technicians without valued opinions.

On the other hand, the U.S. actuarial profession could commit to being proactive participants in the public discussions about social insurance and related government programs. If we adopt the position that we have a responsibility to use our expertise and knowledge about these programs for the good of the nation, we will gain a prominent seat at the table when these programs are discussed. This perspective would mean developing and presenting potential solutions to the problems facing these programs including making some proposals that may be unfavorable to individual actuaries or our employers and clients. Such a change also will necessitate a review of the Actuarial Standards of Practice (ASOP) No. 32, “Social Insurance,” which is the only ASOP directly addressing social insurance programs, so that it aligns with the profession’s revised commitment to acting in the public interest.

If history is any guide to the speed with which the actuarial profession makes changes, any decision by the U.S. actuarial profession to change the meaning of acting in the public interest will take time—perhaps many years. But there are areas where we could take action in the near future and display where we are headed. For example, there could be a requirement for all actuarial reports to comply not only with current ASOPs and laws, but also to include a section setting forth any concerns a report’s author might have about the conclusions or certifications that are stated in the report.¹³

Ultimately, the commitment U.S. actuaries make to serve the public must be clearly stated in the opening section of the Code of Conduct under which U.S. actuaries operate. The Code must unequivocally state what we mean by acting in the public interest regardless of whether this turns out to be a narrow or a broad position. The public, individual actuaries and our many

actuarial constituencies are entitled to know where we stand as a profession on this most vital actuarial responsibility.

Even Codes of Conduct become outdated. The U.S.-based Code is 10+ years old and was written at a time when social insurance and other government programs were thought to be in better financial positions than they are today. Based on the events that have transpired since the present Code was adopted, a review of the Code of Conduct is now in order as well as a commitment from the U.S. actuarial profession to an automatic periodic review of the Code (such as every five years) to ensure that the U.S. actuarial profession is operating with a more forward than backward view.

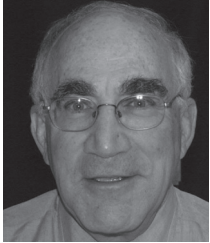
In summary,

- The U.S. actuarial profession has made a commitment to serve the public, but has not explained what this means both to its membership and the public.
- Some actuarial organizations outside of the United States have made stronger statements about how they view the profession’s role in serving the public.
- It has been too long since the U.S. actuarial profession reviewed its Code of Conduct particularly in light of current economic conditions and the general financial state of social insurance and related governmental programs.
- It is also probably necessary to review the language and application of current ASOP’s in order to provide more meaningful and transparent actuarial communications with the public.

The U.S. actuarial profession is now at a crossroads. Do we believe and mean that acting in the public interest is our highest professional priority? And, if we fail to make a strong com-


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mitment to acting in the public interest, will the consequence be the casting of a long shadow of professional irrelevancy over us? Actuaries are bright and talented. Because of our insight and knowledge about social insurance and other government programs in the United States,

actuaries can contribute greatly to finding solutions to the problems currently besetting these programs—but this will only happen if we decide to make a strong professional commitment to acting in the public interest. 

ENDNOTES

- ¹ The Code of Conduct was adopted by the five U.S.-based actuarial organizations in 2001. The five organizations are the American Academy of Actuaries, the Society of Actuaries, the Casualty Actuarial Society, the Conference of Actuaries, and the American Society of Pension Professionals and Actuaries/ASPPA College of Pension Actuaries.
- ² Code of Professional Conduct, Section "Code of Professional Conduct," effective Jan. 1, 2001
- ³ The official title of the report is "A Critical Review of the U.S. Actuarial Profession" but it is commonly referred to as CRUSAP.
- ⁴ CRUSAP Report, p. 26
- ⁵ Canadian Institute of Actuaries, Vision, Values and Mission Statement
- ⁶ The Actuaries' Code, Section "Serving the Public," October 1, 2009
- ⁷ The Actuaries' Code, Section "Our Public Interest Role --- Communication," October 1, 2009
- ⁸ The Actuaries' Code, Section "Public Interest Role for Individual Members of the Profession," October 1, 2009
- ⁹ Code of Professional Conduct, Institute of Actuaries of Australia, November, 2009.
- ¹⁰ Exposure Draft Code of Professional Conduct, Actuarial Society of South Africa, Section 34, November, 2011.
- ¹¹ Exposure Draft Code of Professional Conduct, Actuarial Society of South Africa, Section 33, November, 2011.
- ¹² International Actuarial Association, preamble to Vision, Mission and Values statements.
- ¹³ It may be that Section 3.4.1 of the recently adopted version of ASOP No. 41, "Actuarial Communications", already requires this type of disclosure. If so, this should be communicated to the profession so that future Actuarial Communications are in compliance with this intention. Otherwise, ASOP No. 41 should be revised to make an actuary's concerns an integral part of an Actuarial Communication.