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# Professionalism in Actuarial Practice Including a Case Study with an International Perspective

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**P**rofessionalism is an important aspect of any actuary's career. Actuarial associations around the world have their own codes of conduct, adapted to the work environment and requirements in jurisdictions in which their members practice. However, the core objectives of these codes of conduct and the expectations on actuaries following them remain consistent.

What distinguishes professions from each other and from other occupations is their values, as represented through their professionalism.

In a new series of articles, we will discuss some aspects of professionalism as they may affect actuaries and then provide hypothetical case studies. This highlights some challenges that may be faced by actuaries working internationally where, in some instances, direct application of their code of conduct may be difficult. We encourage readers to reach out to us with their perspectives on the case study presented, which we will incorporate in the subsequent articles.

These articles are based on a presentation made by the authors at the International Actuarial Association Asia Subcommittee Regional Seminar held in Colombo, Sri Lanka on July 14, 2017. Some of the points to consider following the case study reflect audience feedback received.

## WHAT IS PROFESSIONALISM ABOUT?

There is a large amount of literature that investigates professionalism and professions in detail. The key themes naturally

apply to the actuarial profession. There are multiple meanings of the words “professional” and “professionalism.” Here we are using these words in the context of a “learned society.” Historically (going back to medieval times), in western countries in particular, there were three learned professions—divinity, medicine and law.<sup>1</sup> While this is certainly not the case now—many more professions have been established (including the actuarial one)—some of the concepts and expectations of this history continue on. This moves past some other meanings, such as simply “getting paid” (for example, think of the “Olympic ideal” that lauded the amateur for pursuing a sport for the love of it in contrast to opinions that may, at least historically, have been held about “professional” sports people). It carries deeper implications than “having a trade or occupation,” even when the trade or occupation may be well carried out.

Here, we skim the surface of this deep pool and make some high level points. The International Actuarial Association provides some general references.<sup>2,3,4</sup> Your own actuarial association should also provide more specific references and have a code of conduct and disciplinary procedures.

## FOCUS OF PROFESSIONALISM

At its core, professionalism focuses on the “how” of the conduct of actuarial activities, not the technical “what” of the outcomes. It is entrenched in the values that the profession and its members hold in common. This separation of the “how” and “what” is a key characteristic of a profession. A way to characterize this is to suggest that what distinguishes professions from each other and from other occupations is their values, as represented through their professionalism.

This is typically encapsulated in a professional code of conduct which all members of a profession are expected to abide by and there is a discipline process in place to deal with breaches. This differs from professional technical standards which provide guidance on requirements and processes needed to apply technical skills and to generate outcomes.

The key characteristics of a profession include:

- Licensing or accreditation of both a professional body and individual members, having the key characteristics of
  - Developing and maintaining a recognised body of specialised knowledge. This is almost always formalised through specific qualifications.
  - Public interest—this is a difficult term to define clearly even if we may have an intuitive feel for it. It focuses on protecting the interests of groups as opposed to individuals and carries an element of responsibility of those who have expert knowledge to apply their knowledge and influence in ways that do not disadvantage those



who do not share that expertise. It applies to both the profession and its member individually. It is intimately tied to the issues of ethics and personal integrity.

- Providing unbiased advice to the users of services provided by a member of the profession.
- Independence—in particular this implies the need to recognise and manage real and perceived possible conflicts of interest in a transparent and forward thinking way.
- Members have individual ethics and personal integrity.
- A defined code of conduct which all members are expected to abide by.
- Clear disciplinary procedures which address possible breaches of the code of conduct.

There can be a balance of competing forces for both the professional body and its members in satisfying these requirements.

These tensions need to be acknowledged and managed. While there may be some loss of individual member autonomy, this is more than compensated for by the benefits of membership to the member, both directly and more broadly through being a member of a publically respected profession. This highlights the importance of perceptions and reputation, both for and by individual members and the professional body as part of maintaining public respect and trust.

#### CASE STUDY: ANOTHER COMPUTER GLITCH!

Following is a hypothetical case study. We encourage you to read and consider it and its implications. There are multiple threads running through it, ranging from the obvious and immediate to some more subtle and implicit ones. We also urge you, when considering your reactions, not to “sit in judgement” but to assume you are Mike and then proceed. Identifying and then addressing professionalism issues can be difficult, both personally and professionally, and may have a long lasting impact. If they arise, appropriate actions may not

be clear, choices may need to be made and competing issues balanced.

### Another computer glitch

*Mike is the chief financial officer and actuary of Financial Life Insurance Co Asia (FLI), a high profile specialist life insurer which has grown quickly, and the recently established Asian subsidiary of the U.S. based Financial Group. He transferred from the company's Australian operation, where he had worked for 18 years, and has been in this job for 15 months.*

*For the third time in six months there has been a foul-up in the computer system which determines the unit pricing for their unit-linked product. He is concerned that negative public reaction will cause a "run" on the product, especially as there was quite a bit of financial press coverage on the previous occasions, including of his assurances that it was fixed.*

*The managing director (MD) has made it abundantly clear he wants the matter dealt with as quickly and as quietly as possible. Mike's relationship with the MD is rather strained as a result, and he is concerned he may lose his job, and his retirement benefits, if there is any significant public comment.*

*Yesterday a disaffected former employee of FLI spoke to a financial reporter at the main daily newspaper, apparently hinting that there were further problems with the software. The reporter had phoned, leaving Mike with a message to call, and a resulting unpleasant moral dilemma. If he admits to the problem, bad publicity and public over-reaction may force FLI to close the fund to exits, because a significant proportion of the assets are illiquid. This would be very damaging to FLI's reputation as well as, he suspects, his employment prospects (and his superannuation benefit—which vests after 20 years of service—which is still six months away!).*

*On the other hand he would be lying if he denied the problem. Distasteful though it may be, to silence the reporter and the disaffected former employee, he would have to pay bribes from his "discretionary funds" (which is consistent with local business "ethics"). He might have to pay off one or two staff (someone must have talked to their former workmate!). On reflection, he thinks it can be kept quiet while the problem is sorted out.*

*Mike is torn between his sense of personal integrity, his career, and his loyalty to the organisation he has worked with for nearly 20 years.*

*What should Mike do? Can he reasonably argue that local business ethics mean that "bushing it up" is okay? Or must he come clean? What other options are available to Mike?*

Some points to consider:

- How can Mike seek to mend his relationship with the MD and regain his confidence and support?

- What steps should be taken so the problem does not continue and get worse (this may be necessary for FLI to continue accepting new contributions)?
- Can Mike quantify the impact and assess the materiality of the problem and the number of policyholders affected?
- What support can Mike expect from within FLI?
- What support can Mike obtain from his actuarial associations?
- What obligations are there to inform or involve the supervisory authorities?
- How can Mike avoid or minimize the risk of FLI being "tried in the court of public opinion" and to minimize to impact of any possible "run" on the product?

We look forward to reader feedback and comments. Please reach out to us at the email addresses given below.

### Disclaimer

*All views, opinions and conclusions expressed in this document are those of the authors and not those of their employers. Material presented in this document should not be taken or implied to provide advice, either to entities of any from or to individuals for any personal or professional purpose. No consideration of specific or personal circumstances has been made or implied. ■*



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### ENDNOTES

- 1 "Profession," Wikipedia, accessed Nov. 10, 2017. See <https://en.wikipedia.org/wiki/Profession>.
- 2 "Criteria for a Code of Professional Conduct," International Actuarial Association, 2007, [www.actuaries.org](http://www.actuaries.org).
- 3 "The Principles of Professionalism," International Actuarial Association, 2012, [www.actuaries.org](http://www.actuaries.org).
- 4 "Chapter 3 Professional Standards," IAA Risk Book, International Actuarial Association, 2015, see <http://www.actuaries.org/index.cfm?lang=EN&DSP=PUBLICATIONS&ACT=RISKBOOK>.