



SOCIETY OF ACTUARIES

Article from:

The Actuary

February 1998 – volume 32 - Issue 2

What have we learned?

Some reflections on the CIA's discipline process

by John Christie

Actuaries take a great deal of pride in their profession and in their work. Over the past 20 years, we have changed from having very few detailed standards to having many. Some actuaries will say, "too many" and "too detailed." However, most actuaries and most members of our publics have come to learn the need for standards and having some way of ensuring that these standards are met. This is the essence of any profession.

As a self-regulating profession, we have developed and continue to develop our own standards, rules of conduct, and monitoring processes. This is surely preferable to having these imposed on us by some external body. But we must always be vigilant to ensure that our standards, rules, and monitoring respond properly to the increasing complexity of the external environment, the expectations of our various publics, and the needs of our own members. In the CIA, we have learned that these often create conflicting pressures, and we have to find a reasonable way of solving any conflicts.

A CIA member whose work is questioned will naturally wish to defend it. The profession must respect this right and provide the member with every opportunity to do so. In the process of reviewing another member's work, we have learned how to cooperate with our colleagues in the interests of the profession as a whole.

Those familiar with the CIA's discipline process believe it is working reasonably well, given the complexity of the current environment. But many CIA members are skeptical, at best, because they have concerns about the information which has been made public about

specific discipline cases. This skepticism is particularly prevalent among pension practitioners as confirmed by the results of the recent survey of CIA members' perceptions of the CIA.

What have we not learned? Lots! We need to appreciate more that different views of the same matter can be validly held. In many aspects of actuarial work, different approaches can be taken and each will produce different results. But that does not necessarily mean that one is right and all others are wrong, nor that only one can meet appropriate professional standards. Real life is not a multiple choice question with only one right answer. The real world is not black and white, but rather shades of gray.

Most actuarial results are the product of some form of modeling using assumptions. A different model or different assumptions will produce different results. Some of our standards and discipline processes may have required, or assumed the need for, degrees of precision totally inconsistent with the fundamental projections or estimations involved. Is the CIA in danger of imposing, through the discipline process, a spurious degree of accuracy and detailed compliance on all of our members? This would drive up the costs of actuarial work and deprive many members of our public of its benefits. Perhaps we should pay more attention to the 80/20 rule, which says that 80% of the value of any exercise comes from only 20% of the work. Maybe our publics would be much better served if we gave them only the first 20% of the cost.

More and more often, I am seeing signs that insurance company actuaries and pension actuaries live in different worlds. If both groups realize this and respect the differences, we can continue to coexist as happily as we

Following the rules

Over the past few years, members of the Canadian Institute of Actuaries (CIA) have been studying the discipline process for the profession in Canada. The story "What have we learned?" is being reprinted here to share some of the insights gained by the CIA.

The story also is important in light of the reciprocal discipline agreement between the CIA and the other organizations representing actuaries in North America. (See *The Actuary*, "CIA/U.S. discipline agreement signed," June 1997, and "Awareness of discipline process keeps actuaries out of trouble," January 1996.)

The agreement states that members of such organizations practicing in Canada are subject to the CIA's rules and vice versa. Although the nation-based governing body will not recommend specific penalties on a nonmember who violates the national rules, that body will ask the member's organization to take appropriate disciplinary action.

have up to now. But if only one of the groups is sensitive to these differences, I can see trouble ahead.

We have to recognize the need to put our professional obligations before the commercial interests of our employers. We need to convince our employers that this is in our best, long-term interests also. Some matters coming to the CIA Committee on Discipline have been based more on commercial rivalry than on professional conduct. Even more importantly, several investigations have been

(continued on page 4)

The meaning of life (continued from page 2)

programs, pensions plans, and social insurance programs can be developed on a sound, theoretical basis. Actuaries are the financial engineers who design financial security products on a basis that people can trust. I know the system is far from perfect, but we should not lose sight of the millions upon millions of people who are beneficiaries of such programs.

Certainly, I don't know the answer to "What is the meaning of life?" I'm still trying to figure it out. I don't think it's "whoever who dies with the most toys wins." I think it has something to do with taking care of each other. Actuaries are really in the business of people helping people, and that's why I'm proud to be an actuary.

David M. Holland is president and chief executive officer, Munich American Reassurance Co., Atlanta. He can be reached by e-mail at David_M_Holland@compuserve.com.

What have we learned? (continued from page 3)

severely hindered by commercial and competitive concerns.

The CIA has to ensure that the discipline process is fair to our members and that it is seen to be fair. The balance between a desire for openness in the process and the need for confidentiality to protect the reputation of a member is often difficult to achieve. Our past communications about the results of the discipline process have been too restrained and have failed to provide members with sufficient education about what went wrong in a particular case and how to avoid the same problem in the future. We clearly need to be better at telling other members what the problems have been, not just in the cases where an offense was committed but also in cases where no offense was found but not everything was in accordance with best practice. At the same time, we have to continue to protect the reputation of a CIA member whose work has been investigated and no charge has been laid. Balancing these conflicting objectives is no easy task.

The CIA needs better ways of dealing with minor offenses and with cases that fall short of best practice but are not breaches of the rules or standards. The CIA bylaws introduced in 1991 originally provided only for either no disciplinary action or a full tribunal hearing. We have learned that these are the two extremes of a range of possibilities. We have already introduced the "fast

track" for less serious offenses, but this still involves at least a public reprimand. Perhaps some form of counseling or private reprimand should be considered as a finer gradation suitable for less serious matters. The CIA Task Force on the Fundamental Review of the Discipline Process studied these options and has issued its report, which is now being considered by the CIA membership.

Rule 13, the "Snitch Rule," of the CIA Rules of Professional Conduct has created several problems. It is not well understood, and it is interpreted very differently by different members. Some members have even used it as a kind of safe haven if they are not sure what to do about the work of another member: "Why don't I just send it to the Committee on Discipline, and then at least they can't accuse me of not reporting it as I may be required to do under Rule 13?" The CIA needs to do more to encourage members to discuss any possible professional concerns directly with each other and resolve their differences that way. The discipline process should be seen as a last resort to be used only when direct discussions have been unsuccessful. A careful review of both Rule 13 and its Annotation will show that this was, and is, the main intent.

Lastly, we need to bring the process more firmly back under the control of actuaries. The world is increasingly litigious and each member should

certainly have the right to obtain legal advice, but this is the actuarial profession, concerned about actuarial matters. It has too often become a playing field for the exercise of abstruse legal arguments that have nothing to do with the actuarial matters in question. We cannot ignore legal advice on procedural matters and the steps required to ensure that due process is followed to ensure natural justice is the outcome, but we have to be more assertive in bringing the actuarial substance of the case to center stage. We have to insist that the actuaries are in charge of the actuarial matters, including the actuarial discipline process.

John M. Christie is the former vice chairperson and secretary of the CIA Committee on Discipline, on which he served from 1990 to 1997. He is senior vice president of Aon Consulting, Vancouver. His e-mail address is john_christie@aonconsulting.aon.ca.

Correction

The December issue of *The Actuary* incorrectly listed Halmstad Prize winner Gregory C. Taylor as an SOA member. He is a Fellow of the Institute of Actuaries of Australia but not the SOA.