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EDITORIAL

Facing the hard questions

by Godfrey Perrott

Francis Bacon said, "I hold every man a debtor to his profession." This edition of *The Actuary* is focused on considering one implication of that statement to members of the Society of Actuaries.

A present-day rewording of Bacon's statement might be, "Each member of a profession owes a duty to the publics that rely on that profession's work." (Another interpretation, which this editorial doesn't address, is that members of a profession are obligated to perform research for the general benefit of the profession and its publics.)

It is interesting to try to determine what this really means. Therefore, I asked other members of *The Actuary's* editorial board to produce articles on their view of actuarial professionalism. Both of those contributing, Bob Shapiro and Anna Rappaport, ask actuaries to step out of their traditional roles to add to the larger good.

I have chosen a different path. To put the topic of professionalism into focus, I describe below a situation that might confront a health, life, and pension actuary. In each case, the actuary faces an issue of professional conduct and may need to take an action that could threaten his or her employment.

Health: A client has asked you to develop a level premium, long-term care policy with no cash values or non-forfeiture option. The client wants you to use low initial premiums, since they can always be raised later in such guaranteed-renewable products. You do not believe potential buyers will understand that the premiums will increase and that they may, in fact, be unable to afford the increases.

Life: You have been involved in

cash-flow testing of an insurance company that has caused the valuation actuary to establish an additional reserve. You believe the additional reserve is inadequate.

Pension: A large client asks you to revise your valuation of the client's pension plan to reduce the cost. The only way you can do this is to use assumptions you consider inappropriate.

Each situation places the actuary in a difficult position. You feel you know what you should do, but the consequences of doing so are frightening. By this time, you have discussed the issue with your client or employer and do not seem to be reaching a position that you feel comfortable with. What should you do next?

It is helpful to remember that none of us operate in a vacuum. There are two resources that you might look to.

1. Coworkers or colleagues in another firm may be a source of advice. Before you talk to them, you should consider any confidentiality issues and, if needed, discuss those issues first. Precept 14 of the U.S. profession's Code of Professional Conduct and Rule 13 of the Canadian Institute of Actuaries' Rules of Professional Conduct might also apply and may need to be discussed. (Precept 14 requires an actuary who becomes aware of another actuary's material breach of the code to discuss the problem with that actuary to try to resolve it. If resolution cannot be achieved, the first actuary must report the breach to the Actuarial Board for Counseling and Discipline [ABCD] unless prevented from doing so by confidentiality requirements. Rule 13 is similar.)
2. The ABCD routinely provides

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OPINION

A 'win-win-win' proposition

by Robert D. Shapiro

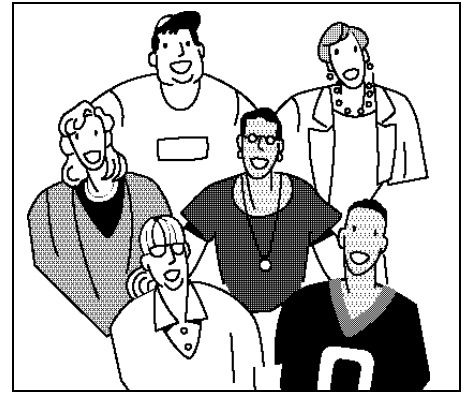
Actuaries have always been generous in volunteering their time. Each year, hundreds of actuaries give thousands of hours assisting in the design and implementation of the profession's education, research, and program activities, to name a few. Less well known, but every bit as important, are the many actuaries who help address economic and social issues within their communities and even around the world.

As a profession, our obligation ultimately is to the public. We are well known for our competence and integrity as actuaries. We should be equally proud of the widespread contributions of our actuarial family in making our world a better place to live.

Actuaries serve the public

Many actuaries get involved in a broad spectrum of public service activities. These range from assisting social programs to working with local elementary and high school systems to mentor underserved kids in mathematics.

To help expand awareness of such actuarial involvement, SOA staff interviewed seven actuaries, each active in a different aspect of public service. These interviews, which formed this issue's cover story, provide powerful evidence of the societal contributions actuaries have made and will continue to make. We hope these examples will both trigger additional examples that can be shared with our readers and encourage more actuaries to consider where they can help their community or their



profession.

Stephen Lewis, SOA Presidential Luncheon speaker at the 1999 SOA Annual Meeting, provocatively described his United Nations work in attempting to improve living standards in Third World countries. He urged actuaries to get involved in helping to establish badly needed financial infrastructures in the Third World, pointing out that the survival of most developing countries depends on financial acumen — precisely what actuaries have. Lewis mentioned the life-saving contributions of the group “Doctors without Borders” in improving health and health care around the world. Lewis suggested that a parallel “actuaries without borders” initiative might be possible, not to mention invaluable.

Actuarial Foundation

The Actuarial Foundation, formed in 1994, has a mission “to contribute to the understanding and resolution of present and future social and economic problems.” Its operating principles include:

- Investing in innovative research, education, and communications initiatives
- Using actuarial capabilities
- Collaborating with universities, governments, industry, professions, and others with similar missions

In the six short years since its inception, hundreds of actuaries have participated in the Foundation's public service activities. For example:

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informal guidance to individual U.S. actuaries on professionalism matters. As a result, potential material violations of the various U.S. organizations' codes of professional conduct are frequently averted. At the request of the concerned actuary, one or more ABCD members will provide informal, confidential guidance. Since this guidance occurs in advance, it is not discipline. (Reach the ABCD through the American Academy of Actuaries.)

The Actuary's editors are interested in your views on professionalism. Please send letters and comments to Kelly Mayo at the SOA office (fax: 847/706-3599; e-mail:

kmayo@soa.org; mail: Society of Actuaries, 475 N. Martingale Road, Suite 800, Schaumburg, IL 60173).

Editor's note: *With this issue, The Actuary welcomes Godfrey Perrott as a new associate editor. He has served on a number of SOA committees related to education and examinations and to life insurance. He also has been active on American Academy of Actuaries' committees, and he is currently vice-chair of the Actuarial Standards Board's Life Committee. He is a consulting actuary in Milliman & Robertson's Boston office. He can be reached by e-mail at godfrey.perrott@milliman.com.*

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