

ACTUARIAL ASSOCIATION OF EUROPE

Instruction on character formation in
the ethical education of actuaries

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Overview

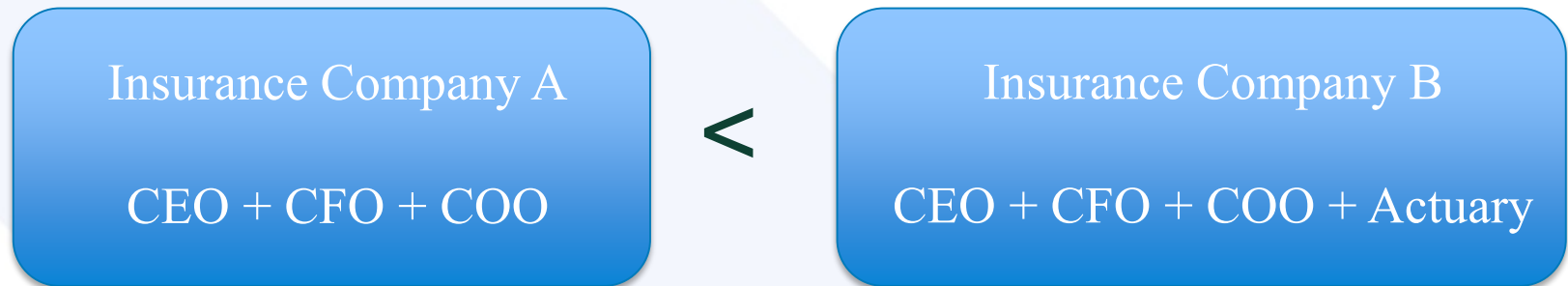
Introduction

1. The key role played by ethics in our profession
1. Ethics education in our profession
2. How might we strengthening our ethics education
 - Instruction on character formation
 - Why might we want to include this?

Summary & conclusions

The ethical imperative for actuaries

Why do actuaries exist?



Actuaries = strong technical skills and have “*a duty to put the public interest first*” (Ref: IFoA Royal Charter)

Actuaries play a key role in creating and maintaining trust
https://www.actuview.com/what-is-an-actuary-why-do-they-exist-and-what-can-they-do_0991adf26.html#

The ethical imperative for actuaries

There has been a recent call to remove the public interest duty from the Code of Conduct of the Actuarial Society of South Africa...

https://www.actuview.com/the-actuary%E2%80%99s-duty-to-the-public-interest_b99a71db2.html

This is spurious selection - to use an actuarial term!

- The concept of 'character' was left out of the narrative.
- The reason why actuaries came into existence was left out, as was the importance of trust.
- But it did highlight a potential deficiency in our education

AAE Core Syllabus

9.3 PROFESSIONAL STANDARDS

9.3.1 Explain the distinguishing features of a profession. (A2)

9.3.2 Understand the importance of professional standards (code of conduct, qualification standards, standards of practice, etc.) and **ethics** in an actuary's work. (A2)

9.3.3 Explain the need for a discipline process for a profession (A2).

9.3.7 Explain the actuary's obligations to clients, regulators, other stakeholders and the wider public. (D2)

AAE Core Syllabus

9.4 PROFESSIONALISM IN PRACTICE

9.4.1 Analyze typical situations that could lead to an accusation of professional misconduct and identify actions which could be taken to avoid misconduct. (A5)

9.4.2 Analyze situations where an actuary's integrity could come under pressure and develop a plan for handling the situation successfully. (A5)

9.4.5 Apply professional standards and **ethics** appropriately to a situation outlined in a case study. (B5)

9.4.8 Evaluate current level of own professional development and personal limitations to accept a particular actuarial work assignment. (D5)

Ethics framework in our profession

- Professionalism & ethics education
- Codes of professional conduct
- Disciplinary procedures
- Regulations
- Additional actions by individual or groups of actuaries
- The examples of other actuaries

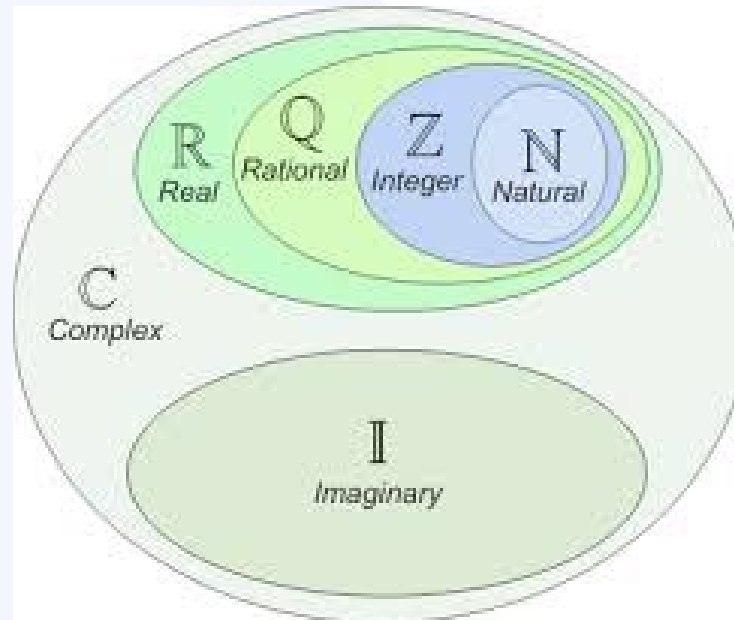
Strengthening our ethics education

- Instruction on character formation
- What is this?
 - Education (*educare*)
- What is the aim of *educare*?
 - To '*Know Yourself*'
- Why is this important?
 - We see the world partly the way we are and partly the way the world is. To see the world the way it is, we need to know ourselves. The key to getting the best out of ourselves is to know ourselves better.

Strengthening our ethics education

- Know Yourself
 - What does this mean?
 - Psyche – Heart (*Nous*), Head (*Logos*), Guts (*Pyr*)

- Maths analogy...



- Aristotle

Strengthening our ethics education

- Character
 - Brute – base, brutal, pretentious and full of nonsense
 - Conformist – respects norms, weak and afraid
 - Egoist – responsible, hard-working and prudent
 - Citizen – like an egoist, but also socially responsible

- Video “*Inside Me*”

Strengthening our ethics education

- Introspection
 - *“We forge gradually our greatest instrument for understanding the world--introspection. We discover that humanity may resemble us very considerably--that the best way of knowing the inwardness of our neighbors is to know ourselves. For after all, the only experience we really understand is our own. And that, in the least of us, is so rich that no one has yet exhausted its possibilities. It has been said that every genuine character an artist produces is one of the characters he might have been. By re-creating our own suppressed possibilities we multiply the number of lives that we can really know” - Walter Lippmann (Preface to Politics, p62)*

Strengthening our ethics education

- Narrative creation
 - Narrative, that is stories, have chapters, scenes, different characters, with different scripts etc
 - Unless we know ourselves we are limited to an egocentric role in our life story
 - By knowing yourselves, we become free to positively impact our life story and those of others.

- Resolving ethical dilemmas

Strengthening our ethics education

- Example
 - You are a senior valuations actuary working in a large insurance company. The company has recently put out a tender to get quotations for a new valuation system for its actuarial department.
 - There were two significant responses to the tender. In your opinion one bidder was considerably preferable to the other one. However, despite your recommendation, the opposite decision has been made, and it is now likely that the other valuation system will be purchased.

Strengthening our ethics education

- Example
 - You consider that this is probably due to the CEO of the insurance company being friends with the CEO of the company likely to win the contract.
 - Outline what you should consider before making a decision on what course of action you decide to pursue

Strengthening our ethics education

- There is no one specific way to deal with this situation, but a good approach should involve application of thought, proportionality and judgment.
- Knowing yourself - an example:
- How strong are you? Are you strong enough to take on this issue

Strengthening our ethics education

- Being able to see a number of courses of action and being able to see and consider alternatives is a sign of strength of mind. Seeing alternatives is often referred to as having broad shoulders.
- There is a wide range of courses of action, everything from doing nothing at one end of the spectrum, to whistleblowing and/or resigning at the other end of the spectrum.
- How do you determine the ‘nothing in excess’ strategy?

Strengthening our ethics education

- What's the narrative? Will it have a good or bad ending?
- The actuary should check that any strategy that they develop is a winning strategy, i.e. they know what they will do if they fail, rather than a losing strategy, where they might talk about what they will do if they win, but don't know what they'll do if they lose.

Strengthening our ethics education

- Confronting this issue is important – but confronting and failing is not very valuable, i.e. becoming a martyr for no good end-result.
- The power of their strategy will depend on the thought put into it – power rests in the narrative not the analysis.

Strengthening our ethics education

- Consider character?
- Informally investigating if there are other examples of nepotism in the company or if this is a one off – to assess the proportionality of the issue
- Are there any taboos at work?

Strengthening our ethics education

- Determining the prudent or superiorly prudent option?
- The merely prudent option would be to consider the actuary's security and safety.
- The superiorly prudent option, that is trying to do the right/best thing, is likely to involve a degree of danger. So having courage would to be essential.

Strengthening our ethics education

- How can the actuary be prudent?
- Consulting any professional guidance notes or ethical standards expected of the actuary
- Double-checking their own work as to why they consider their view to be correct is important
- The actuary must be careful about anything that is written down.
- Informally assessing the viewpoints and perspectives of other actuaries and senior figures in the organization in a cautious way
- Thoughtfully considering the ‘impartial spectator’ perspective and what perspectives might emerge if the issue becomes legal

Strengthening our ethics education

- What can the actuary do to aid having courage?
- The actuary can have a good, long honest conversation with themselves, e.g. are there other motivations possibly distorting the actuaries judgment?
- Can they discuss the issue with a trusted friend/colleague to help challenge and/or validate their perspectives, whilst taking due care and staying within boundaries
- Exercise, for example, taking a good walk to put thought into it

Strengthening our ethics education

- Thoughts and potential actions:
- Courses of actions to consider might include:
- Putting together a well thought-out question, e.g. asking whether any conversation was had between the two CEOs on this issue
- Setting out concerns in writing, in a well thought-out manner

Strengthening our ethics education

- Whistleblowing
- Consulting whistleblowing regulations.
- Considering how much the actuary can trust the measures in place to protect whistle-blowers.

Strengthening our ethics education

- Other considerations
- Life is like a hill analogy – the hard decision is likely to be the right decision, the easy decision is likely to be the wrong one. Wishing to be stronger rather than wishing the situation was easier.
- Using tools and techniques of classical ethics to try to influence others e.g. use of laughter and disobedience. Using persuasion, both in the classical and modern definitions.
- Other reasonable comments could also be made

Opportunities

Business model

- Trust is good from an ethical perspective
 - Also a valuable commercial quality
- Enhancing our ethics education in a way that improves public trust in actuaries
- Potential to create a ‘framework for trust’
 - Actuaries completing a course in character formation
 - Character testing
 - Quality assurance - remedial actions as required
 - Creating verifiable trust

Opportunities

Data ethics

- Do you trust organizations with your data?
- There is a role here for actuaries if we can credibly demonstrate trust

Other industries

- Other industries need actuaries for the same reason why insurance and pensions need actuaries
- A 'framework for trust' would be a valuable commodity
- Win-win ethical outcome

Why actuaries?

- We have a quantitative tool to assess character
www.knowyourselftest.com
- Know Your Actuary
 - Positive traits:
 - Honesty and directness, reliability and loyalty, dedication and determination, a strong moral code and sense of justice, a strong desire to seek knowledge, truth and perfection, a distinct sense of humour, and exceptional long-term memory
 - Weakness:
 - Sometimes have problems dealing with uncertainty making them overly risk averse.

Summary & conclusions

- Strong ethical tradition in the actuarial profession
- Actuary = strong analytics & strong ethics
- Enhancing ethics education by adding instruction on character formation to the AAE Education Syllabus
 - To greater empower actuaries
 - To create a ‘framework for trust’
 - To broaden areas for actuarial work

Questions?

Thank you for your attention

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