

Professionalism within the Business Context

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Abstract:

This paper is a contribution to the current discussion about future developments in professionalism. The work of professionals generally is now subject to greater public scrutiny than there has ever been, with actuaries being no exception. Actuarial bodies are reviewing their position, with a view to reinforcing principles introduced at the level of Fellowship qualification and making changes where deemed necessary. A fundamental objective of the reviews is to ensure the integrity of the profession. This paper argues the importance of ensuring the work of actuaries be respected and understood and suggests that future actuaries will be best served by the profession taking a more proactive public role.

Keywords:

Professional responsibility; professionalism; public interest; trust; transparency

1. INTRODUCTION

1.1 Traditionally actuaries provide the core professional expertise for insurance and pension businesses that are built on public trust. Even the hint of a charge of wrongdoing can destroy such a business, not to mention the consequences of an indictment. Now, the risk management expertise of actuaries is being utilized further afield and applied to other types of businesses. The training of actuaries gives them the ability to understand the subtleties of the dynamics that drive businesses, especially in the financial sector. What more can actuaries do to develop the corporate governance structures for these corporations to operate successfully in the long term?

2. THE PUBLIC'S PERCEPTION

2.1 The Institute of Actuaries is 158 years old and the Faculty celebrates its 150th anniversary in the year of this Congress. The Society of Actuaries follows behind at 117 years old, counting from the time the Actuarial Society of America came into being at Astor House in New York City in April 1889. The Institute and Faculty of Actuaries (U.K.) and the Canadian Institute of Actuaries are set up under Royal Charters, so they have public recognition so long as they demonstrate that they are continuing to serve the public interest.

2.2 Although there are many other actuarial associations that are Full Members of the International Actuarial Association, Fellows of the professional organizations mentioned above comprise a significant proportion of practicing actuaries in the world. These actuaries are recognized as experts in the relevant legislation for many countries. Overall the track record of technical competence and professional reliability of the members of these associations has spoken for itself, with official recognition from regulators to provide various forms of certification, and is further demonstrated by the many strong financial institutions that continue to operate. However, there have been a few examples of cases that have blemished the record.

2.3 In Michael Pomery's Presidential Address to the Institute of Actuaries (Pomery, 2004) he says "The life insurance industry, with which we are closely associated, has experienced the pensions mis-selling saga, the Equitable Life affair, and now is under pressure on mortgage endowments. Final salary pension schemes, with which we are also closely associated, have hit the headlines, as thousands of members have lost some or all of their accrued pensions following their employer's insolvency." These events have somewhat tarnished the image of the actuarial profession, so we should examine what happened to

cause the problems, put the record straight and put in place controls to reduce the risk of similar problems occurring in future.

2.4 In March 2004 the U.K. Government commissioned Sir Derek Morris to review the actuarial profession. This followed the public enquiry into the events that led to the closure in December 2000 of the Equitable Life Assurance Society, the oldest mutual insurance company in the world (Penrose, 2004). Lord Penrose, who led the Equitable enquiry, “accused the profession of lacking comprehensive and specific professional standards, of having reactive disciplinary arrangements, of giving insufficient technical guidance on good practice in specific areas and of not being willing to challenge fellow professionals” (Daykin, 2005). The problems at the Equitable were not a case of fraud, or of insolvency, but they were seen by Penrose and other commentators as having shown up some shortcomings in the role of actuaries and the actuarial profession. The United Kingdom’s Supreme Court (the House of Lords) ruled as illegal the company’s practice of awarding different terminal bonuses according to whether or not contracts had a guaranteed annuity option. This alone might not have caused the company to close to new business, except that the Board of Directors concluded that the company would no longer have the financial strength to be able to fulfill the reasonable expectations of new policyholders.

2.5 There have been a number of recent incidents of large businesses failing. We have seen disgraceful scandals in the corporate world, where senior company executives have been charged with conspiracy, fabricating earnings, accepting illegal bonuses, improper trading, abusing company loan programs, bank fraud and securities fraud, to name but a few. When the \$11 billion accounting fraud at WorldCom was discovered in June 2002, following the collapse of energy giant Enron in 2001, these incidents caused such massive financial hardship and public outcry that they precipitated the most comprehensive revamping of the United States securities laws since the securities acts of 1933 and 1934. This resulted in the Sarbanes-Oxley Act, passed by the United States Congress in 2002 to legislate a higher standard of corporate governance. Now, it is a criminal offence for a chief executive to certify fraudulent earnings statements and there are new notice requirements on defined contribution black-out periods. The Act bans insider trading during black-out periods and personal loans to executives, auditors are restricted from performing non-audit activities, to name just some of the provisions in the new legislation that give the regulators the power to punish, and indeed to prevent, wrong-doing (Watson Wyatt Worldwide, 2002).

2.6 The public reacts with horror at catastrophes where failure occurs on such a large scale. It is natural to blame the professions, since arrangements are supposed to be in place for qualified professionals to undertake roles which should, in principle, protect the well-being of ordinary people. These failures are not isolated incidents, so we should examine the factors that caused them to happen, why the corporate leaders took the action they did and why the professionals involved were not able to prevent the abuses from happening. We should also consider how ethical standards and whistle-blowing roles can be promoted which will limit the scope for the minority who choose to abuse their position of trust. As actuaries we are concerned that the actuarial profession should set sufficiently high ethical and technical standards, and enforce compliance with them, so that the possibility of actuaries being associated with such corporate wrong-doing, or failure of governance, is reduced to the absolute minimum. Unfortunately, many instances of corporate wrong-doing will occur regardless of whether there are regulations and professional standards, since they often arise from an individual being in a dominant position and abusing that position, not least by ignoring systems of control and standards. Dominance risk is something that needs to be monitored carefully by regulators. Actuaries need to be aware of this risk and be prepared to whistle-blow as soon as the risk begins to create adverse outcomes.

2.7 The Morris Review concluded that they had “*no reason to doubt that the overwhelming majority of actuaries in the UK are anything other than dedicated, skilled professionals, providing important and useful advice with commitment, integrity and a strong sense of professional duty*”. However, the Review identified a number of weaknesses in the current framework of self-regulation by the profession, including the following allegations:

- professional standards have been weak, ambiguous or too limited in range, and perceived as influenced by commercial interests;
- there has been no pro-active monitoring of members’ compliance with professional standards; and
- the profession has been too introspective, not forward-looking enough and slow to modernise.

These criticisms (Morris, 2005) are perhaps a pointer to how the public sees the context in which we work and how we perform. The “end-of-term report” is not as favourable as we would have liked it to have been!

2.8 The Society of Actuaries recently commissioned three surveys to analyse the public’s perception of actuaries. One was a quantitative survey among employers, potential employers and executive recruiters. The report, received in 2003, showed that employers appreciated the strengths exhibited by their actuarial staff (Society of Actuaries, 2003). The attribute *ethical values* got the highest rating, both on the performance list and needing the least improvement, as well as being ahead of competing professionals. Some other strengths gaining high performance ratings were not unexpected: *quantitative modeling, solving complex problems* and *financial assessment and reporting*. In addition, the report indicated that actuaries were stronger than competing professionals in *risk management skills* (global or enterprise) and *industry knowledge*.

2.9 The survey showed that employers thought that the skills which actuaries most needed to improve in order to overtake their competitors were similar to those required by other risk management professionals:

- effective communication
- innovative thinking
- appreciation of the business context and general business acumen (or “business savvy”)
- leadership

2.10 The combination of business models and actuarial models is complex and often not transparent to those who are not actuaries. Actuaries cannot always prevent insolvencies, poor financial outcomes, and financial losses for policyholders and pension plan members from occurring, but we can learn from past experience, both good and bad, to devise solutions which will improve the success rates of business and generate sustainable wealth. Moreover, the business design is incomplete if it does not take into consideration how the human element interacts with the business model. Should psychology, sociology and behavioural economics play a bigger role in the education of actuaries? Probably so, but the syllabus for qualification is already overloaded. These are appropriate topics for actuaries to study in greater depth as part of their Continuing Professional Development.

2.11 The Canadian Institute of Chartered Accountants (CICA) commissioned an independent firm to conduct a survey to analyze “attitudes toward, and perceptions of, the Chartered Accountancy (CA) profession across Canada.” This was in response to questions raised by the regulators as to whether auditor independence had been compromised and whether the CA profession’s commitment to the public interest was still of the highest priority.

2.12 In 2001, the report on the results of the survey showed that “understanding of the auditor’s role (and that of the audit committees) is sketchy among retail investors and the business media.” It was a sobering discovery to find that the media are generally unfamiliar with audit-related matters. Other findings were that the CA profession is well-regarded for ethical practices and rated highly for the quality of audited financial reporting. The scandals that have hit the headlines since then would likely temper the rating of audited financial reporting if a survey were to be carried out now.

2.13 The media can easily influence public opinion and professions that come into the spotlight are highly vulnerable to media attacks, especially where some journalists are inclined to concentrate more on sensationalism rather than on factual and accurate reporting.

3. THE BUSINESS ENVIRONMENT

3.1 The ever-present commercial pressures are for more and more revenue, more market share and more profits. There is a theory that, if remuneration is linked directly to these performance figures, the reward system will drive success in these objectives. This is a simplistic model. Senior management can set unrealistic goals for their staff under the guise of meeting shareholder expectations, to the extent that keeping the stock price high becomes an obsession. In fact, shareholders like to see share prices rise but if the organization collapses because corporate governance is lacking, they will all say they wanted ethical management. This environment is common to both actuarial as well as non-actuarial businesses.

3.2 Actuaries face powerful commercial pressures from their colleagues, as strong rivalry exists among employers of actuaries and from related disciplines with substitute products and services. The bargaining power of our customers is increasing and the number of significant organizations providing actuarial services is decreasing. Among the consequences are competitive pressures on the pricing of actuarial services, especially for consulting firms. There can be a conflict between the need to keep costs down and the imperative of professional quality control. However, it is important to recognize that the quality of professional advice is a key feature of the consulting “product” and maintaining this quality is vital for the future of a consultancy business. It is also necessary in order to limit exposure to professional liability claims and come-back from clients.

3.3 Due to the nature of our business, the compensation model needs to incorporate professionalism for the business to be successful on a sustainable basis. When this model is developed purely to meet aggressive business objectives, with any reference to professional standards coming only as an afterthought, there are likely to be serious problems, as staff is motivated to devise ways to exceed those revenue goals and sacrifice sound long-term business practice. This cannot be a sound business model for a consulting practice.

3.4 We should not assume that everyone will abuse the system. Even if a formal code of ethics is not in place, a high proportion of professionals have a strong sense of right and wrong and would not succumb to fraud, misconduct and conspiracy to meet unrealistic goals. The formula for reward is most effective if it can get the best out of people by preventing the worst.

3.5 It is much harder to perpetrate corporate transgression if the organization has a strong practice emphasis on quality that sets high standards and does not tolerate the smallest defect. When these values are communicated to employees, and modelled by the leaders setting an example, then a culture will develop that does not tolerate any wrongdoing or deviation from the highest ethical and practice standards.

3.6 Actuaries face other pressures, for example plan sponsors looking for relief from high funding costs, modernizing benefit design to suit and meet beneficiaries' expectations regarding worthwhile benefits. Plan members and union groups want benefit security. The globalization of corporations, high merger and acquisition activity and the collapse of many companies increase the risk that promises made by today's employer may not be fulfilled in the future, as these factors can substantially reduce the lifetime of the employer as an independent corporate entity. There is a theory that increased disclosure protects security. It may do so to a certain extent but there comes a point where it has to depend on trust, albeit supported by transparency. Accountants, regulators, plan members and union officials lobby for increased disclosure for protection.

4. CORPORATE GOVERNANCE

4.1 The Sarbanes-Oxley Act is an attempt to rebuild public trust. Once lost, it is a steep uphill battle to regain trust and the relationship is unlikely to be exactly the same as it was before. We need to work into the corporate governance structure appropriate processes to be able to carry out a professional job, in order to give us a better chance of reducing the number of situations that could damage our credibility. The technical and business processes are not mutually exclusive for governance purposes.

4.2 Section 404 requires that management must certify, and that the external auditor must attest to, compliance that the organization has established and continues to maintain an effective internal control structure. In order to attest this, the auditor has to perform testing on processes that evaluate and probe the effectiveness of the controls. It is not sufficient to be satisfied that there are no errors. The auditor will also check that these controls are documented and monitored on a systematic basis. Similar requirements have been introduced in the United Kingdom through successive codes of corporate governance, e.g. those known as the Cadbury and Turnbull codes.

4.3 Since the Sarbanes-Oxley Act became effective in 2002, we can see that many organizations have taken steps to comply, because being found guilty of non-compliance carries a sentence that may be longer than that for escaping from prison or kidnapping involving a ransom.

4.4 Compliance should incorporate the technical, as well as the operational and financial processes needed by the business to operate effectively. This is where actuaries can make a significant contribution to protecting the business. Management may often delegate the design of appropriate systems of control to administrative staff who only have general practical experience of the operation, since they are not "revenue-earners". However, a good control design should preferably be developed by the best technical staff, who have the technical knowledge, and closeness to the practical implementation of procedures, to spot weaknesses in the processes. There is the danger that non-actuarial staff or junior actuarial staff may try to put too many controls in place to cover all conceivable circumstance, in order to compensate for insufficient technical knowledge and inability perhaps to see the broader picture. In this situation, implementation of the controls could make the cost of delivery to the customer uncompetitive.

4.5 The control framework should treat the technical and the business operational processes as a single entity. The two parts intersect at various points, from initiating an engagement to delivering the advice and billing the customer. For example, time entry in a consulting operation provides a valuable database, not only for billing and accounting functions, but also to supply details that can make pricing services more of a science than an art. In addition, this database, if coded properly, can assist in identifying areas where more

efficiencies can be realised in the work processes. Such a tool is probably too often underutilized.

4.6 Communication to customers and clients is vital. The customers are the parties who have engaged our services - or they could be the ultimate beneficiaries of the products we design or the advice we give. Communication is an essential part of our work and should be a part of the corporate governance structure in the organizations we service. A senior actuary has to put communication on the list of controls if it is not explicitly required in the legislation. Good communication is essential if actuaries are to fulfill their role and meet the expectations and the requirements of customers and clients. Actuaries have often been accused of poor communication skills. The Morris Review argued that actuaries had failed to communicate clearly issues such as uncertainty and recommended that the new Board for Actuarial Standards in the UK (to be set up under the structure of governance for the UK profession) should make it an urgent priority to develop a standard of practice on communication.

4.7 Communicating uncertainty is a key issue for actuaries. As a profession we have always been comfortable with probability and statistics as our stock-in-trade. The strap-line for the sesquicentenary of the Institute of Actuaries was "Making Financial Sense of the Future". However, notwithstanding the actuary's ability to analyze uncertainty, the client has usually seemed to be more comfortable with certainty. Actuaries have obliged by making point estimates and quoting single sets of results, when they are fully aware that there is a range of results that could reasonably have been given. Now Morris and other critics are suggesting that actuaries have given too much a feeling of certainty in their advice, about outcomes that are essentially uncertain. A key issue for the profession going forward will be to develop better ways of communicating uncertainty to clients and stakeholders and to help them to manage the inherent risks in future uncertainty.

4.8 Others criticize the actuarial profession for the range of assumptions that are made by different actuaries for the same quantities. In a sense this is part of the range of uncertainty, although often without clarity about where individual actuaries are placing themselves in the range of possible outcomes. Sometimes the differences reflect a desire by the actuaries to underpin different negotiating positions of their clients, for example in a merger and acquisition situation. The question does need to be asked, however, whether the clients are best served by such an approach and whether an alternative approach of greater transparency and consistency of approach by the actuaries involved would not force the conflicting positions of the parties to be more openly understood, rather than subsumed into hidden actuarial assumptions. Sometimes the variations between actuaries could be narrowed by more specific technical standards and by ensuring that all actuaries are "up to speed" through Continuing Professional Development and revalidation of professional competence. There can be dangers in having more and more detailed constraint of professional practice through technical standards, particularly if it suggests to clients that there is greater certainty than there really is.

4.9 When customers feel that they have been unfairly treated, and find they are not getting satisfactory answers, they may go to the courts for compensation. Actuarial concepts, and accepted actuarial practice, may be difficult for non-actuaries to grasp in a courtroom setting. When the verdict is a non-actuary's solution, there is a strong chance that equity may still not be restored. This may only be solved by more litigation. Also, when such a judgment creates a precedent, there is an unnecessary cost of changing future practice to conform to the judgment and there is still a further risk of more costs in order to settle other claims of unfair treatment. All possible steps should be taken to avoid going down this route.

4.10 There is a demand for more transparency. Illustrations are important to communicate some concepts. However, it is important to craft the illustration so the reader can understand the subtle concepts and the risks associated with the benefit as time passes. There can be many cross-subsidies in some actuarial models. The non-actuaries managing the business need to understand the dynamics and how they relate to or change the benefits being paid. Traditionally, it has not been necessary to explain the actuarial model. However, it is good practice to clarify the process in order to reduce misunderstandings, manage expectations, deal with challenges and therefore reduce possible litigation. Putting some effort into communication should also force the actuary to detect early warning signals of problems on the horizon.

4.11 **A Professional Job** (Goford, 2000) is only possible if there are sufficient resources with adequate expertise to carry out the project. There should be adequate time and budget to:

- determine the problem,
- figure out if the answers are relevant in finding an optimal solution to the problem,
- design how the customer wants the answers presented,
- gather the relevant facts and data,
- find relevant experience to fill gaps where data are deficient,
- have the job checked and reviewed,
- do sensitivity testing,
- state whether methodology is standard and disclose any departures with appropriate justification,
- check that the answers look reasonable,
- ensure that the customer fully understands the answers and the impact of possible movement in the major risk factors in the future, and
- bring broader experience to guide the customer to the optimal solution

4.12 When management is so keen to win the engagement that they omit some of the above, there should be controls within the organization to halt the process until the gaps are filled. Otherwise, it may only be a matter of time before a crisis develops. It is a salutary lesson that some leaders do not see the benefit of making the necessary investment in putting the proper thought processes and practices in place. Legislation cannot cover everything to do with our work.

4.13 Corporate misconduct has been occurring for years. Why did the professionals in trusted positions not blow the whistle? Whistle-blowers perhaps need to be given more statutory protection and support from regulators. In post Sarbanes – Oxley times the relationships of attorneys and auditors with the Chief Executive Officer (CEO) and other senior executives have changed dramatically. Previously, they often had what might be described as a “cosy” relationship. Now the external auditor’s service is limited to the audit. Other management consultancy advice has to be given by a different entity. To address conflict of interest questions, partners in the audit firms rotate accounts more often and communication with the CEO is all about business. No lawyers have been sentenced for advice given to CEOs who gave improper instructions. The “friendly” lawyers have shifted their allegiance from the CEO and general counsel to the board of directors.

4.14 A corporate governance structure that is deficient will mean that extra resources have to be found, either from customers or shareholders, to cover penalties and/or the cost of lawsuits.

5. THE RESPONSE FROM THE PROFESSIONAL ORGANIZATIONS

5.1 Many of the professional bodies for actuaries have been actively addressing these issues in recent years, including the Canadian Institute of Actuaries, the American Academy of Actuaries and the Faculty and Institute of Actuaries in the United Kingdom. For the latter (hereafter referred to as the UK Actuarial Profession - UKAP), the publication of the Penrose report into Equitable Life (Penrose, 2004), and the report of the Morris Review on the Actuarial Profession (Morris, 2005) were landmark events and have prompted much soul-searching and consideration of proactive responses, in addition to the changes that have to be implemented because they were recommended by Morris. A full analysis of the criticisms of the profession by Penrose and by Morris, and the recommendations made by Morris for the future of the UKAP, is beyond the scope of this short paper. Readers are referred to the Morris Review report itself and to a short summary in Daykin (2005).

5.2 A key recommendation of the Morris Review for the UKAP was to bring the actuarial profession within the governance structure of the Financial Reporting Council (FRC). This is a private entity, set up by industry and the accounting professions, with support from government and some legislative authority, to govern the accountancy profession within the UK. Its remit will be extended (from April 2006) to include the actuarial profession. A new Board for Actuarial Standards (BAS) will be established (in parallel to the Accounting Standards Board and reporting directly to the FRC). The BAS will be responsible for developing and promulgating standards of practice for the UKAP. It will be chaired by an actuary, supported by a Technical Director who must be a qualified actuary, and will have membership that includes both actuaries and non-actuaries.

5.3 Another body established under the FRC is the Professional Oversight Board for Accountants (POBA). The remit of this group will be extended to cover actuaries and it will be renamed the Professional Oversight Board for Accountants and Actuaries (POBAA). The POBAA will exercise general oversight of the UKAP from a public interest point of view, including being satisfied with the quality of the processes in place for educating actuaries, awarding professional designations and maintaining ongoing professional competence (including Continuing Professional Development, practising certificates, etc.)

5.4 The intent of these changes is to strengthen the UKAP, by giving it a governance structure that requires significant involvement by non-actuaries. It will be the responsibility of the BAS to ensure that future standards of practice avoid criticism by the profession's stakeholders as being weak, ambiguous or too restricted in scope! The POBAA may also develop requirements, which the profession may have found difficult to bring in on its own, for proactively monitoring members' compliance with standards of practice and for more effective oversight of the profession's activities in ensuring the continuing professional competence of all working actuaries.

5.5 Some other themes of the Morris Review are worth recalling here: 1) the need for more independent review of the work of actuaries, in particular those in reserved roles and signing public opinions, 2) expanded whistle-blowing roles for actuaries in key positions affecting the public interest, 3) more frequent re-tendering by trustees of pension plans of the actuarial advice function, and 4) more rigorously enforced, relevant and up-to-date requirements for actuaries to undertake Continuing Professional Development.

5.6 Peer review (or the obtaining of an independent second opinion by another suitably qualified actuary) is now undoubtedly seen as an important element in the initiatives to seek to regain the trust of stakeholders in the profession. It is seen as increasing transparency and reducing the risk of poor quality advice being given, or some important aspect being overlooked. Consulting firms already routinely operate peer review within the

firm, to try to ensure the highest quality in the advice they give, and also to reduce the risk of professional negligence claims. However, it is likely that the profession's requirements for peer review will in due course necessitate fully independent review by someone outside the firm. This will be much more complicated to organize and will certainly increase costs for clients (and make for a lot more work for actuaries), so it will be easier to introduce in response to the Morris recommendations, and under the oversight of the POBAA, than it would have been for the UKAP to promote on its own. Previous attempts to move towards more rigorous peer-review requirements had met opposition over cost and were seen by some key stakeholders outside the profession as a recipe for increasing actuarial income rather than a solution to the potential problems over poor actuarial advice.

6. WHAT CAN/SHOULD ACTUARIES DO?

6.1 The professional bodies are taking steps to build or restore a professional image. They can assess validity of the criticisms, dispel misinformation and take steps to fill the gaps. If it is true that the profession has been too insular, then it is time to dispel any traces of inertia and take steps to lead with the necessary changes, rather than just seen to be responding to external pressure.

6.2 We need to examine past events and learn from that experience. There is still a lot of work to be done with the regulators to develop early detection of problems or misconduct to mitigate the impact of crises. More rules and more disclosure, without an appreciation for the weaknesses that can occur, are not the solution to spot these problems in time to take corrective action.

6.3 Many have voiced concerns about the likely limitations on professionalism standards in work produced by the increasing number of Fellows qualifying faster, those working in the smaller organizations or those from developing countries with limited professional infrastructure and less awareness of governance issues in the workplace. This is an area of vulnerability where the professional bodies could consider some form of active monitoring. It is better to detect problems at an early stage rather than rely solely on the disciplinary process as the deterrent and the response to problems. In many cases, Fellows may have little experience of the infrastructure needed to protect themselves. Failures may be more from ignorance than from deliberate violation of professional standards. However, the profession cannot hide behind ignorance on the part of its members and needs to be proactive in making sure that its members understand ethical and professional issues and behave in ways that the profession expects of them. There should be no compromise on ethics and professionalism.

6.4 Our image will become more high profile as we define a role in the business place and provide the business community with the services they want from us. Perhaps we need to assist them to define what they need. This will be supported by being more proactive in making the connection from the theory to the business and communicating the context of that solution to the customer, as well as the extent of the uncertainty surrounding the future scenarios.

6.5 The professional bodies are taking a more pronounced, vocal position when challenged in the media. A lot of effort is being put into promoting effective transparency and communication to improve our visibility so the public sees us as experts in the whole area of analyzing, understanding and managing risk. The Society of Actuaries is embarking on a major image-building campaign, formulated around the strap-line "Turn Risk into Opportunity".

7. CONCLUSION

7.1 Restoring trust in the professions, following high profile events that have undermined, or even destroyed, such trust, is likely to be a slow and complex process, necessitating a number of separate components (Daykin, 2003, 2004). Some of these will be achieved by actions at the level of the professional bodies, to increase transparency of governance structures, to involve more people from outside the profession in the oversight of the profession and in the setting of standards of practice and norms of behaviour, to strengthen requirements on actuaries for Continuing Professional Development, to demonstrate maintenance of professional competence, peer review, independence and so on.

7.2 Other actions will be needed at the level of actuarial firms and other entities employing actuaries. Here there will be a need for more rigorous systems of control to ensure maintenance of quality, checking of calculations, review of advice to ensure compliance with professional standards of practice and careful attention to the effectiveness of the communication of advice to clients and stakeholders. In due course actuarial bodies may develop more standards of practice relating to the communication of advice (as is envisaged by the BAS in the UK) but firms do not need to wait for this to focus more on how they communicate essential messages to clients, including in particular the communication of risk and uncertainty.

7.3 A further level of action is for the individual actuary. It goes without saying that individual actuaries should do everything they can to comply with the ethical norms and the standards of practice of the profession. They should also assist in building and follow strictly the working methods and internal systems of management and control of the organization for which they work. They should keep a look-out for problems in the environment in which they work and in organizations that they advise and be more prepared to consider blowing the whistle on any wrongdoing. However, they should take care not to see their responsibilities for acting professionally as limited by, or even as fully defined by, codes of conduct, standards of practice and working methods. It is essential to the development of trust with clients and stakeholders that every individual actuary should mature into professional thinking and attitudes that permeate every action and every communication.

7.4 Only with strong action on the part of the professional bodies, the employers of actuaries and individual actuaries themselves can we rebuild trust in a world increasingly skeptical of professional monopolies and processes that lack transparency and appropriate checks and balances.

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