Institute and Faculty of Actuaries

ACA Members' Conference Professional skills session

Neil Hilary

6 February 2015 – "London" Gatwick

Agenda

- **Introduction**
- Actuaries' Code
- Film 1 – "cost vs quality of work"
- Speaking up and whistleblowing
- Film 2 – "Too good to be true"
- Summary and questions
- (If time allows: Film 3 – "burying bad news")

Introduction

So why are we all here today?

Introduction

Continuing Professional Development (CPD) scheme 2014/15 (selected points)

- CPD scheme document now includes Professional Skills requirements
- For example for category 2 members (Fellows and Associates of IFoA but do not hold a Practising Certificate), basic requirement is for 15 hours CPD from July 2014 to June 2015, at least 5 hours of which must be from external events

Introduction

CPD Scheme 2014/2015 (selected points)

- **Must do some professional skills training (this is second CPD year with this requirement)**
- 2 hours a year (but counts as part of 15)
- Look out for logo

Introduction

CPD Scheme 2014/2015 (selected points)

- When recording this session on your online CPD record, you will be asked to note which stage this training is
- This is **“stage 3” training** (ie for experienced actuaries)
- **We recommend you record a learning outcome** eg learning to take appropriate steps in reaching decisions in situations where complex ethical judgements are required

Agenda

- Introduction
- **Actuaries' Code**
- Film 1 – "cost vs quality of work"
- Speaking up and whistleblowing
- Film 2 – "Too good to be true"
- Summary and questions
- (If time allows: Film 3 – "burying bad news")

Actuaries' Code – question 3

How many principles are there in the Actuaries' Code?

A three

B four

C five

D six

Actuaries’ Code – question 3

How many principles are there in the Actuaries’ Code?

A three

B four

C five

D six

Actuaries' Code – question 4

If Conduct=1, Integrity=2, Common Good=3, Compliance=4, Competence and Care=5, Conflicts=6, Care=7, Communication=8, Confidentiality=9, Honesty=10, Commencing Appointments=11, Impartiality=12

What total would you ascribe to the Principles of the Code?

A 45

B 42

C 36

D 31

Actuaries' Code – question 4

If Conduct=1, **Integrity=2**, Common Good=3, **Compliance=4**, **Competence and Care=5**, Conflicts=6, Care=7, **Communication=8**, Confidentiality=9, Honesty=10, Commencing Appointments=11, **Impartiality=12**

What total would you ascribe to the Principles of the Code?

A 45

B 42

C 36

D 31

Agenda

- Introduction
- Actuaries’ Code
- **Film 1 – “cost vs quality of work”**
- Speaking up and whistleblowing
- Film 2 – “Too good to be true”
- Summary and questions
- (If time allows: Film 3 – “burying bad news”)

Cost v quality of work – what's it all about?

- Gwen and Billy are senior partners sharing a cappuchino
- They work for a large actuarial professional services firm
- .. an everyday story of consultancy folk?

Cost v quality of work – discussion

- Is Billy being unprofessional or just realistic? Is it a question of managing or limiting expectations from the outset, or is the superlative expected every time of actuaries?
- Arguably fees should reflect the quality of the output, but does a lower fee (for whatever reason) not suggest shoddiness?
- Should a piece of work be declined if you cannot perform to the very highest standards?
- Realistically, will the quality of completion be influenced by:
  - how busy you are on other projects?
  - your keenness to get established with this client (boss)?
  - the level of competition?
  - your personal goals?

Film 1 – “cost vs quality of work”

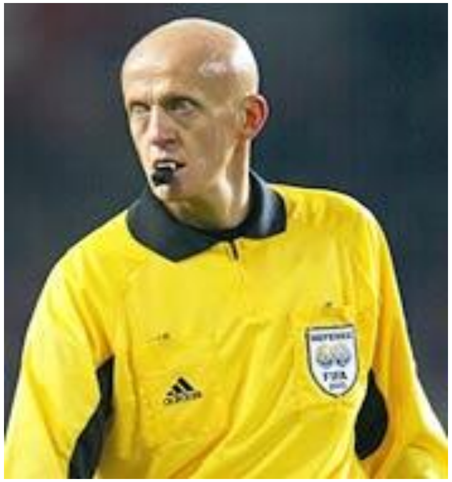
Discussion

Agenda

- Introduction
- Actuaries' Code
- Film 1 – "cost vs quality of work"
- **Speaking up and whistleblowing**
- Film 2 – "Too good to be true"
- Summary and questions
- (If time allows: Film 3 – "burying bad news")

Speaking up and whistleblowing

- “speaking up” = “whistleblowing” in this session
- the Actuaries’ Code has quite a lot to say on this topic



Speaking up and whistleblowing

- The Compliance principle of the Actuaries' Code says:
- Members will comply with all relevant legal, regulatory and professional requirements, take reasonable steps to ensure that they are not placed in a position where they are unable to comply, and will challenge non-compliance by others
- (Para 4.1) Members will speak up to their clients or to their employers, or both, if they believe, or have reasonable cause to believe, that a course of action is unlawful, unethical or improper

Speaking up and whistleblowing

- The Compliance principle of the Actuaries' Code goes on:
- (Para 4.2) Members will fulfil any obligations to report information to relevant regulatory authorities.
- (Para 4.3) Where there is legal protection available, members will report behaviour that they have reasonable cause to believe is unlawful, unethical or improper, to regulators or other relevant authorities

Speaking up and whistleblowing

- The Compliance principle of the Actuaries' Code goes on:
- (Para 4.4) Members will promptly report any matter for consideration under the IFoA Disciplinary Scheme which appears to constitute misconduct or a material breach of any relevant legal, regulatory or professional requirements including Actuarial Profession Standards and Technical Actuarial Standards issued by the Financial Reporting Council
- To the extent that the consent of a third party is required for this purpose in order to disclose information, members must take all reasonable steps to obtain such consent

Speaking up and whistleblowing

- Those are the requirements in the Actuaries’ Code.
- So – why might it be hard to blow the whistle?

Speaking up and whistleblowing

It might be hard to blow the whistle because:

- You are worried about how your boss or co-workers will react and treat you
- You think it looks like a long, difficult and lonely road
- You are worried about losing your job and not being able to get another one
- In the USA you might get a financial payout but in the UK you won't
- You think the legal support framework is not very supportive
- You have seen how badly whistleblowers appear to have been treated in other organisations

Speaking up and whistleblowing

Support is available, for example

- Actuarial Professional Support Service
- Two whistleblowing guides from the profession
- Public Concern at Work
- FCA and PRA

The New York Times

NIXON RESIGNS

HE URGES A TIME OF 'HEALING'; FORD WILL TAKE OFFICE TODAY

'Sacrifice' Is Praised; Kissinger to Remain

The 37th President Is First to Quit Post

Rise and Fall

Appraisal of Nixon Career

Agenda

- Introduction
- Actuaries' Code
- Film 1 – "cost vs quality of work"
- Speaking up and whistleblowing
- **Film 2 – "Too good to be true"**
- Summary and questions
- (If time allows: Film 3 – "burying bad news")

Film 2 – "Too good to be true"

- Chrissy moved only weeks ago to an investment management firm from the pensions consultancy where she qualified a couple of years earlier.

- She is enjoying the work tremendously but concerns are creeping in around the reliance which investment consultants and fund-rating agencies place on the risk metrics which her firm publishes – particularly "value at risk" where she finds that her team are doing the sums but not really believing the numbers.

Film 2 – “Too good to be true”

- Is it appropriate that Chrissy, a month into the job for a month, is criticising her firm’s ethical practices? How well did she communicate matters?
- “I want you to listen carefully to the answer that I am going to give you” What do you think of this request to Chrissy? Which might Chrissy’s response have been? Should she have asked why she needed to listen carefully to the particular answer?
- The junior staff, the quants, are apparently producing the numbers but not understanding what they are doing. Is this a further shortcoming in the firm’s working practices? What action do you think Chrissy or others speak up? And to whom?
-

Film 2 – “Too good to be true”

- On the other hand, does Richard as a senior partner need to understand the processes that the quants use, if he is required to sign off or use in recommendations their output? If not, why not? If so, should someone be speaking up regarding his lack of understanding?
- Is Richard right? Does the responsibility of the actuarial firm end with the caveats? If not, what more might the firm do?
- “This is the way the market operates” There are lots of competing businesses out there. Are actuaries disadvantaged by professionalism constraints?

Agenda

- Introduction
- Actuaries’ Code
- Film 1 – “cost vs quality of work”
- Speaking up and whistleblowing
- Film 2 – “principled approach or easy option”
- **Summary and questions**
- (If time allows: Film 3 – “burying bad news”)

Summary and questions

- There are 5 principles in the Actuaries' Code:
  - Integrity
  - Competence and Care
  - Impartiality
  - Compliance
  - Communication

Summary and questions

- The Actuaries' Code has quite a lot to say about speaking up and whistleblowing
- There is support available e.g. see IFoA website

Summary and questions

- We are here today because we want to do the right thing AND we have to do professional skills CPD (at least 2 hours a year)

Agenda

- Introduction
- Actuaries’ Code
- Film 1 – “cost vs quality of work”
- Speaking up and whistleblowing
- Scenario discussion
- Film 2 – “Too good to be true”
- Summary and questions
- **(If time allows: Film 3 – “burying bad news”)**

Film 3 – “burying bad news”

- Ellie leads the team of actuaries responsible for the quarterly claims reserving process in an insurer
- The reserves are set by a committee, chaired by the CFO Laura
- Laura urges Ellie not to be overly cautious in setting the reserves, including for the new “Goldshield” product

Film 3 – “burying bad news”

Mini video 1 –

https://www.dropbox.com/s/osk3msoej4rxun6/Burying%20bad%20news%20-%20mini%20film%201.mp4?dl=0

Discussion of part one

Film 3 – “burying bad news”

Mini video 2 –

https://www.dropbox.com/s/4c3m50l3c9qo2ay/Burying%20bad%20news%20-%20mini%20film%202.mp4?dl=0

Discussion of part two

Mini video 3 –

https://www.dropbox.com/s/o4bxy7l7ipygeys/Burying%20bad%20news%20-%20mini%20film%203.mp4?dl=0