



QUANTIFYING RISK, ENABLING OPPORTUNITY

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A Professional Tale

A Professional Tale

Enterprise Risk Management
Seminar

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The Ghosts of Professions

...



Yet to come



Present



Past



With apologies to Charles Dickens

Professions past



- Trusted
- Authoritative
- Staid
- Pompous
- Serving





FEDSURE
LIFE



LEHMAN BROTHERS



ARTHUR
ANDERSEN



QUANTIFYING RISK, ENABLING OPPORTUNITY

Professions present

- Self serving
- Greedy
- Corrupt
- Incompetent
- Untrustworthy
- Questionable



An Insatiable Greed

- ☑ Insure trillions in risky derivatives
- ☑ Trigger a global economic crisis
- ☑ Get billions in government bailouts

BONUS TIME!



Professions yet to come



- **High road**

- Dynamic
- Trusted
- Serving
- Competent
- Respected
- Enhanced

- **Low Road**

- Reckless
- Untrustworthy
- Self serving
- Incompetent
- Greedy
- Extinct

The Choice is Ours

The need for trusted & competent professionals



- The speed of trust
- Consistency
- Precondition for functioning market
- Development of practice
- Standards for entry
- Consequences

Components of professionalism



- Entry standards
- Generic code of conduct
- Specific practice standards
- Evolving & adapting practice
- Continuing individual development
- Disciplinary processes

Entry standards



- Technical skills
- Professional judgement
- Normative skills
- Professionalism

Generic code of conduct



- Practice area independent
- For actuaries it is the Actuarial Code
- 4 key components
 - Remain competent and current
 - Integrity and ethical standards
 - Accountability
 - Oversight by competent professional body

Specific practice standards



- Reinforces code
- Practice area specific
- Developed by practice area committees
 - SAP: Standards of Actuarial Practice
 - APN: Actuarial practice notes
- Strong governance

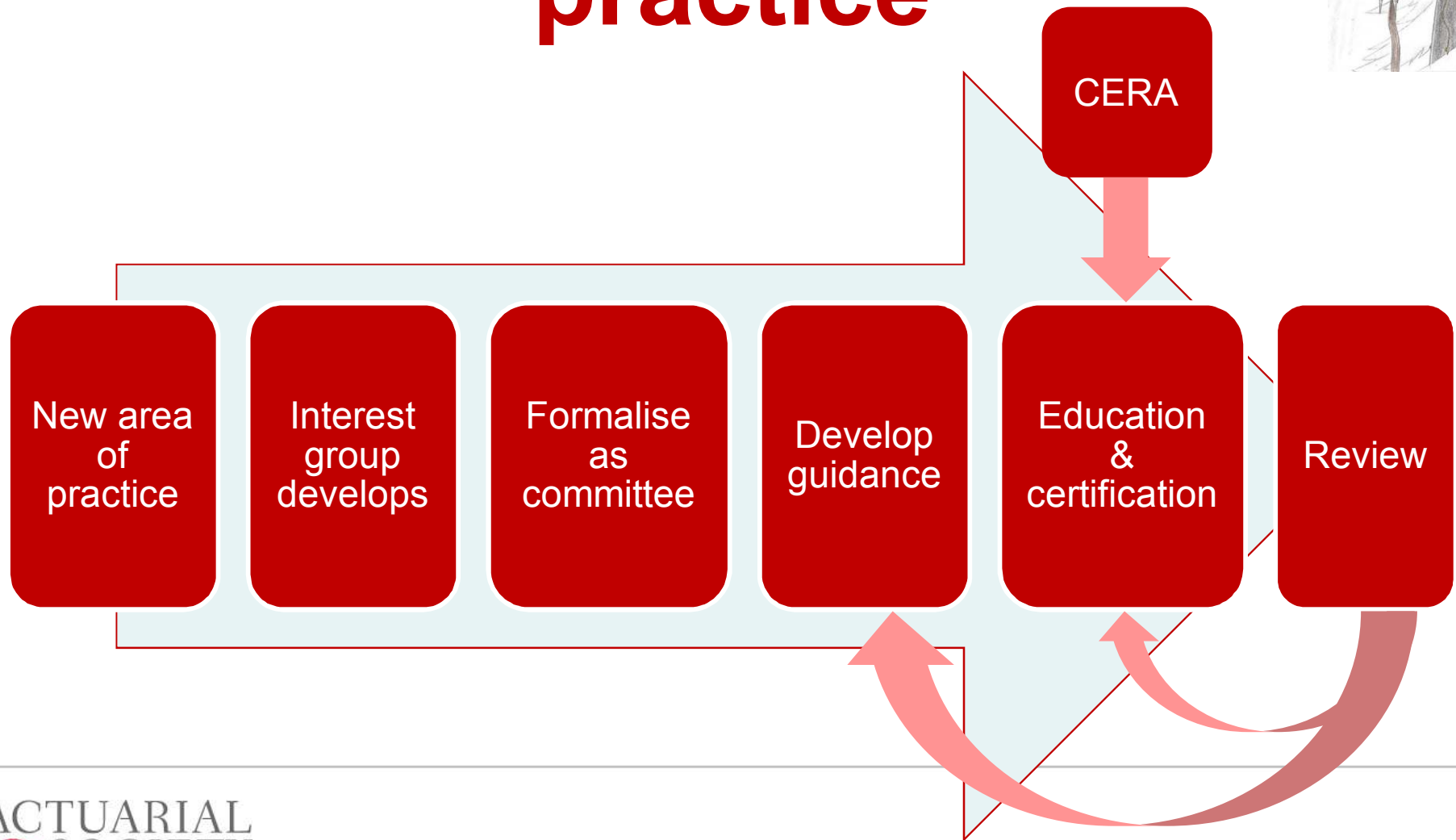
Standards of Actuarial Practice

- Mandatory
- Fully disclose reasons for not following
- Breach grounds for complaint

Actuarial Practice Notes

- Compliance recommended
- Recommend all breaches are declared
- Best practice
- Practice area specific

Evolving and adapting practice



Continuing individual development



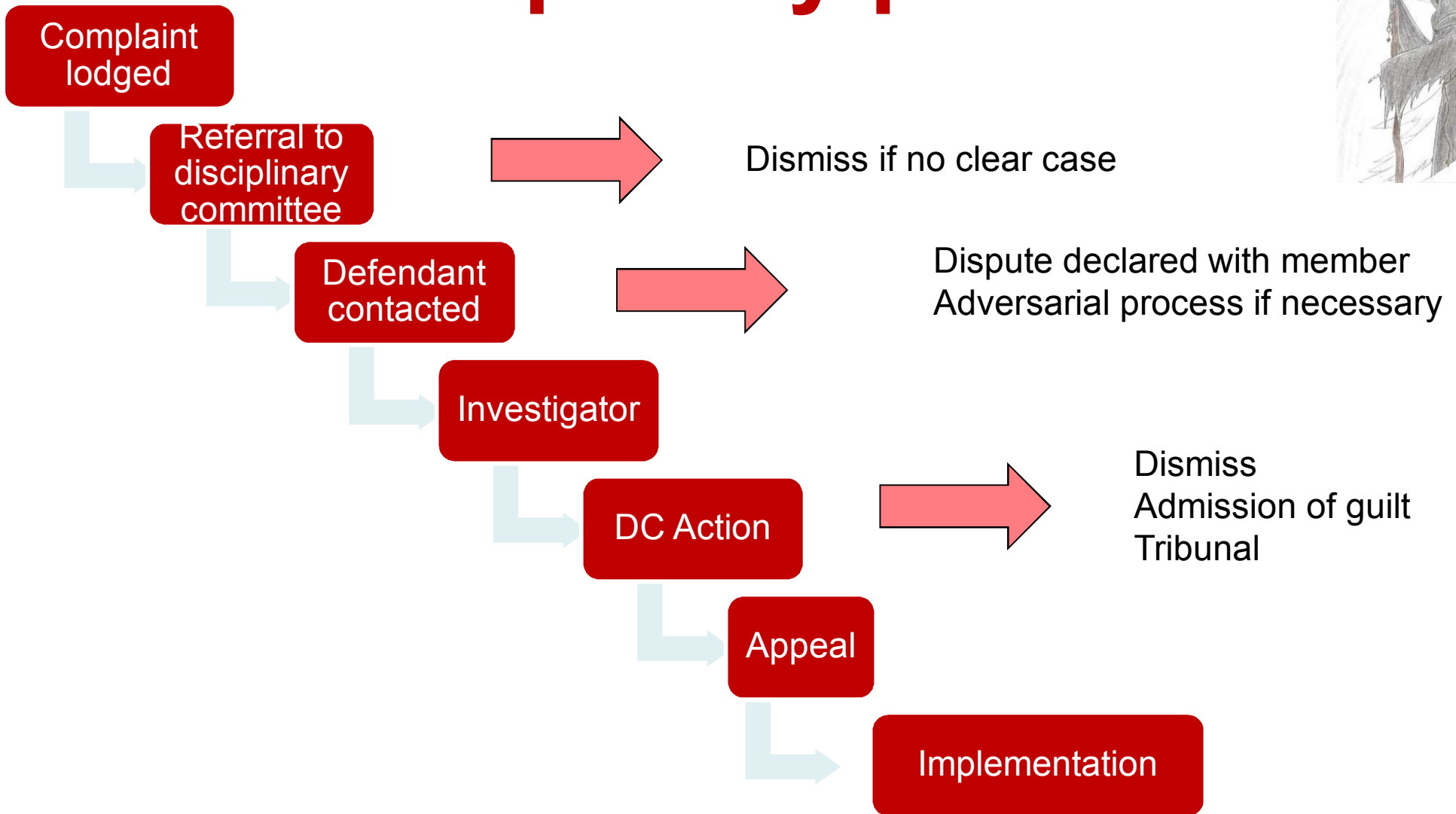
- Responsibility of all professionals
- Current system
 - Time based
- Pilot system
 - Output based
 - Aligned to employers

Disciplinary processes



- Essential component
- Obeying the law is not enough
- Fair, rigorous, confidential process
- Authoritative
- Independent oversight
- Appropriate sanctions

Disciplinary process



Key disciplinary issues



- Unprofessional conduct
 - Outdated approaches / assumptions
- Inappropriately influenced
 - Lack of professional judgement
 - Undue influence
- Incompetence
- Work not qualified to do

Professions future



- Need to re-establish standing
- Vigilance & discipline required
- Dynamic & pioneering
- A bright future ahead ... if you want it



Questions & Discussion