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Teaching ethics and professionalism in university actuarial education

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Actuarial Education in Australia

- ANU is one of 7 accredited Universities in Australia
- All offer (on a subject-by-subject basis) the potential for students to gain exemptions from all part I and part II exams of the Actuaries Institute (of Australia) i.e. up to Associate level
- At ANU, actuarial studies:
 - Is taught within the College of Business and Economics
 - Is part of a School including Finance and Statistics (includes 7 Fellows and 5 Associates)
 - Has a high % of international students, and most students do not have much in the way of work experience, even for those attempting part II exams



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Ethics and professionalism

- Is taught explicitly in the part II (Control Cycle, = CP1 (UK), = Fundamentals of Actuarial Practice (SoA))
- Is challenging to teach!
 - many students don't have a hands-on familiarity with real life challenges in the workplace;
 - They are not yet immersed in the nuances of professional rights and responsibilities;
 - They usually perceive that professionalism is 'dry' and an afterthought to the 'real' stuff – that more and more developed technical skills alone are sufficient to succeed as an actuary;
 - So, it is boring! Bring on the real stuff....?



So, what do we do?

1. Motivate early and embed relevant lessons throughout all material
2. Be creative
3. Variety helps



Motivating early... for you

Suppose you are working as the appointed actuary for a company which is about to be massively downgraded in terms of value – and only you, plus the CFO/CEO and Board, know this before it is publicly announced in 2 days time.

Suppose your grandparents tell you that they are going to buy shares, today, in your company, because they think that with you involved in the company, it is likely to do very well. In fact, they are going to invest their whole life savings in the company.

What would you do?



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Not that big a range of responses from the class!

- Might you be surprised as what you might do in some situations? Are there any guidelines anywhere for such things?
- Do such 'guidelines' over-ride your own perceptions, actions, beliefs as a human being?



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Motivating early... for you

Suppose you are a consulting actuary to a large life insurer, which is a major client of the consulting company that you work for.

Suppose that for the purposes of year-end valuation, you have determined that the liabilities have previously been significantly undervalued. As such, your advice is to increase the estimate of the liabilities.

The Insurer's CEO is obviously not happy. He reminds you, and your boss, that they pay you for advice. If your advice is to remain as it is, they will not be requiring your services in the future.

After some consideration your boss asks you whether the advice to increase the valuation of the liabilities really needs to be as significant as what you are suggesting. Describe any issues relating professionalism that you see in the above example.



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Motivating early...

- Being 'professional' is not something that is 'tacked-on' as a necessary evil to one's work as an actuary
- Neither is thinking about what the 'right' thing to do in situations that may be difficult
- As such, start addressing such issues early in the course
- No shortage of motivating material to draw on!
 - Australia currently has a 'Royal Commission' going on which is investigating the conduct of banks, superannuation (retirement) funds, insurers, and the financial advice industry in general
 - The findings are very incriminating of some of the biggest institutions in Australia



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Motivating early...

- So when talking about the marketplace – look at real events and examples of bad advice, mis-selling, ...
- When looking at the process of building a model – emphasize judgement, professional standards, documentation
- When looking at the process of giving advice to a client – emphasize communication and value of peer review
- When looking at the principles of product design – talk about obligation to policyholder (over shareholder)
- When looking at Capital and Solvency – talk about competing / conflicting perspectives



But how to do this?.... Being creative

- Analogy
 - Imagine your favourite food.... [communication]
 - Imagine your most difficult course... [documentation]
- Questions without answers
 - Would you sell something worth \$0 for \$1? For \$100? Does it depend?... [judgement, and need for professional standards]
- Visual props and aids – e.g., videos of Aesop's Fables
 - Bear and the two travelers, Donkey in a Lion's skin, Fox and Stork, Lion and the mouse, The Goose that laid the golden egg, ...
- Add some competition into the mix
 - Part of the course involves working in groups during the semester, for 30 minutes every 2 hours, on open questions / problems, points and prizes at stake [the value of peer review is of particular interest (hard), and puts them in a position of conflict]
 - Non-assessed, not compulsory, give open time to solve, ...you'd think they would leave class early, but the value of peer pressure (social 'norms') is alive and well



Add even more variety...

- Guest speakers
 - Most speakers from industry refer to current events – real convergence in recent years on ethical and professional issues
 - Associate Professor Anthony Asher from UNSW has written a lot on this
- Use case studies, liberally
- Past exam questions as group tasks
- Then, and only then, introduce the Code of Conduct (10 pages) – suddenly has some context and relevance.



Observations (1)

- You can convey, in a reasonably accessible way, that professionalism underlies everything about quality work...analogies can work!
- ...but... alas – this doesn't always transfer to great answers to related exam questions.
- But – most students (I think) would still say they know far more about what professionalism is, and means for them, at the end of the course rather than the start
- ...does this mimic us to a degree? Learning all the time (from experience and exposure) – would we all like the reactions we had to situations, or approaches we took to problems, 5 years ago compared to now?



Observations (2)

- Experience, experience, experience
 - In the absence of real world exposure, we proxy this via case studies, views of others (guest lecturers + other students), plenty of reading, plenty of practice,
- Group work can work, for many students.

	Compulsory	Voluntary
Can contribute to formal assessment	We tend to think about this zone?	
Does not contribute to formal assessment		Am finding this zone can work okay....

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Example of recent exam question

You are the appointed actuary of a life insurer selling investment products.

The CEO of the insurer was made aware last year by an actuarial consultant, that there are errors within the company's IT systems with respect to allocating correct investment returns on individual policies.

However, the Board of the insurer subsequently decided to ignore this problem and not pay for corrections to the computer/IT system.

The CEO has told you that the Board decided this because the consulting actuary stated that the proportion of policyholders affected was 'only' about a third, that the errors made were only minor (the annual investment returns allocated to policyholders were just 1% less than what they should have been); and that no policyholder had made a complaint about this problem.

The Board has asked the CEO to get another actuarial opinion on the matter, just so they have in writing some actuarial advice that supports the decision that they made last year. As such, the CEO is asking for your advice.

Describe the steps you would take in this situation, and describe what you would say to the CEO about this situation, in your next meeting with her.

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