

# 2023 INTERNATIONAL CONGRESS OF ACTUARIES



## BRIDGE TO TOMORROW

28 MAY – 1 JUNE 2023 • SYDNEY



**Actuaries  
Institute**  
Australia



International Actuarial Association  
Association Actuarielle Internationale



# Professionalism Failures

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*This presentation has been prepared for the 2023 International Congress of Actuaries.  
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J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
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Third report																							



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First report																							
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Second report																							
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Third report												Present new management											



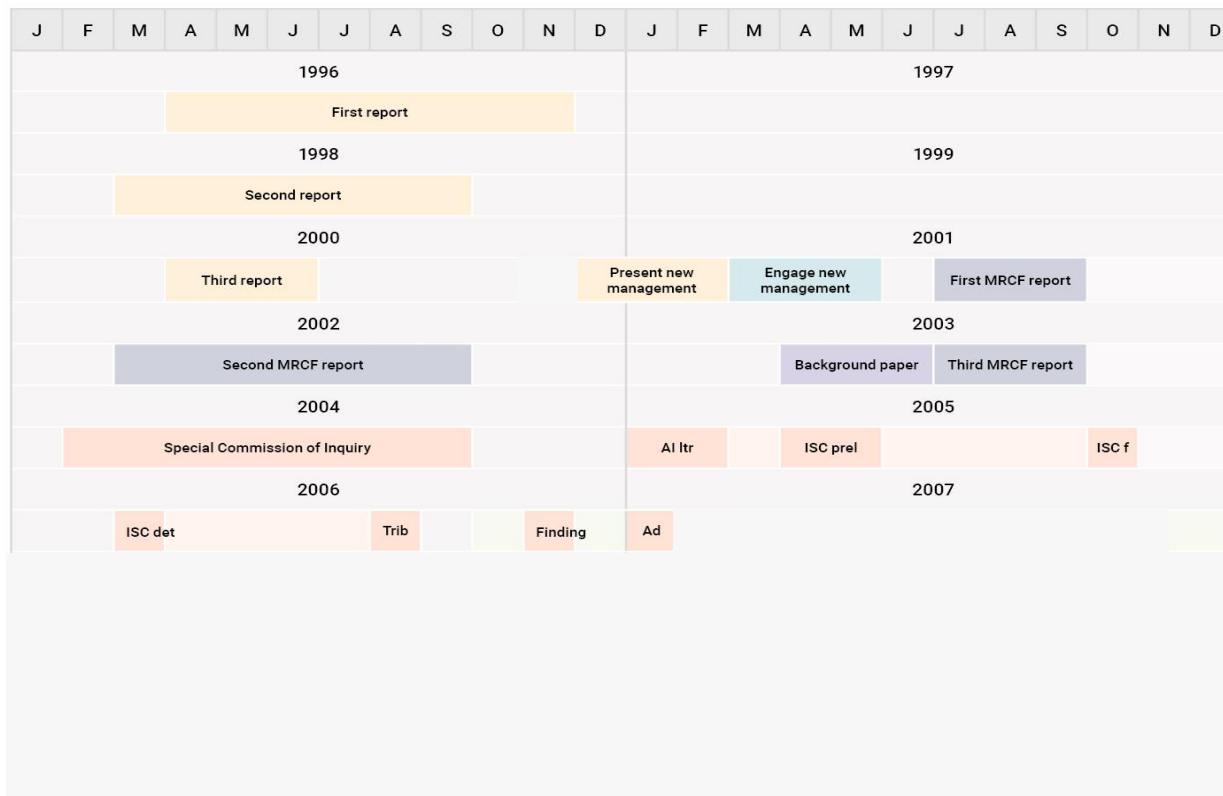
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Special Commission of Inquiry																							







Institute of Actuaries of Australia

**ADVERTISEMENT FOR INSERTION IN THE AUSTRALIAN FINANCIAL  
REVIEW**  
**29 JANUARY 2007**

On 2 November 2006 a Professional Conduct Tribunal of the Institute of Actuaries of Australia, acting under the Institute's Disciplinary Scheme as part of its Constitution, delivered its decision in relation to a complaint against Mr David Julian Minty (the Respondent), initiated as a result of the report of the NSW Special Commission of Inquiry into Medical Research and Compensation Foundation (MRCF). The Tribunal determined that the Respondent, an actuary engaged by James Hardie Industries Limited (JHIL), had committed two breaches of the Institute's Code of Conduct alleged in the Complaint, namely:

- (1) allowing the distribution of his February 2001 report to third parties, namely the directors of MRCF, as that report did not state the significant implications of the advice, as the advice was presented in a misleading way and as constraints on the actuary's independence were not disclosed – contrary to Section 15 of the Code of Conduct; and
- (2) failing to advise his client, JHIL, or the directors of MRCF, that they had proceeded on a serious misunderstanding of the nature, purpose and completeness of his work and thereby failing to act in accordance with the principles espoused in Section 1 of the Code of Conduct in that he failed to fulfill his obligation to the public interest to provide high quality actuarial advice and service.

Having considered all the circumstances and the submissions made in relation to penalty, the Tribunal unanimously determined that the Respondent be reprimanded for his Actionable Conduct, as defined under the Disciplinary Scheme, in relation to those two breaches of the Code of Conduct.

This notice is issued by order of the Council of the Institute of Actuaries of Australia made on 22 January 2007.



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2012																									
High Court Judgement																									



# What caused my failure?



# What could have helped?



# Were there consequences?



# Conclusion







# 'Independence', ethical distancing and blaming the system

The '*Not our problem*'  
problem

OR  
Resolving the  
excuse of  
**Ethical  
Distancing**

For too long we  
have satisfied  
ourselves with a  
view that ethical  
issues sit in the  
**distribution of  
products**, rather  
than their  
**manufacture**

Ethical  
Principle

Freedom of  
Choice and  
unlimited  
access to  
Products

Gun  
ownership is  
an inalienable  
right

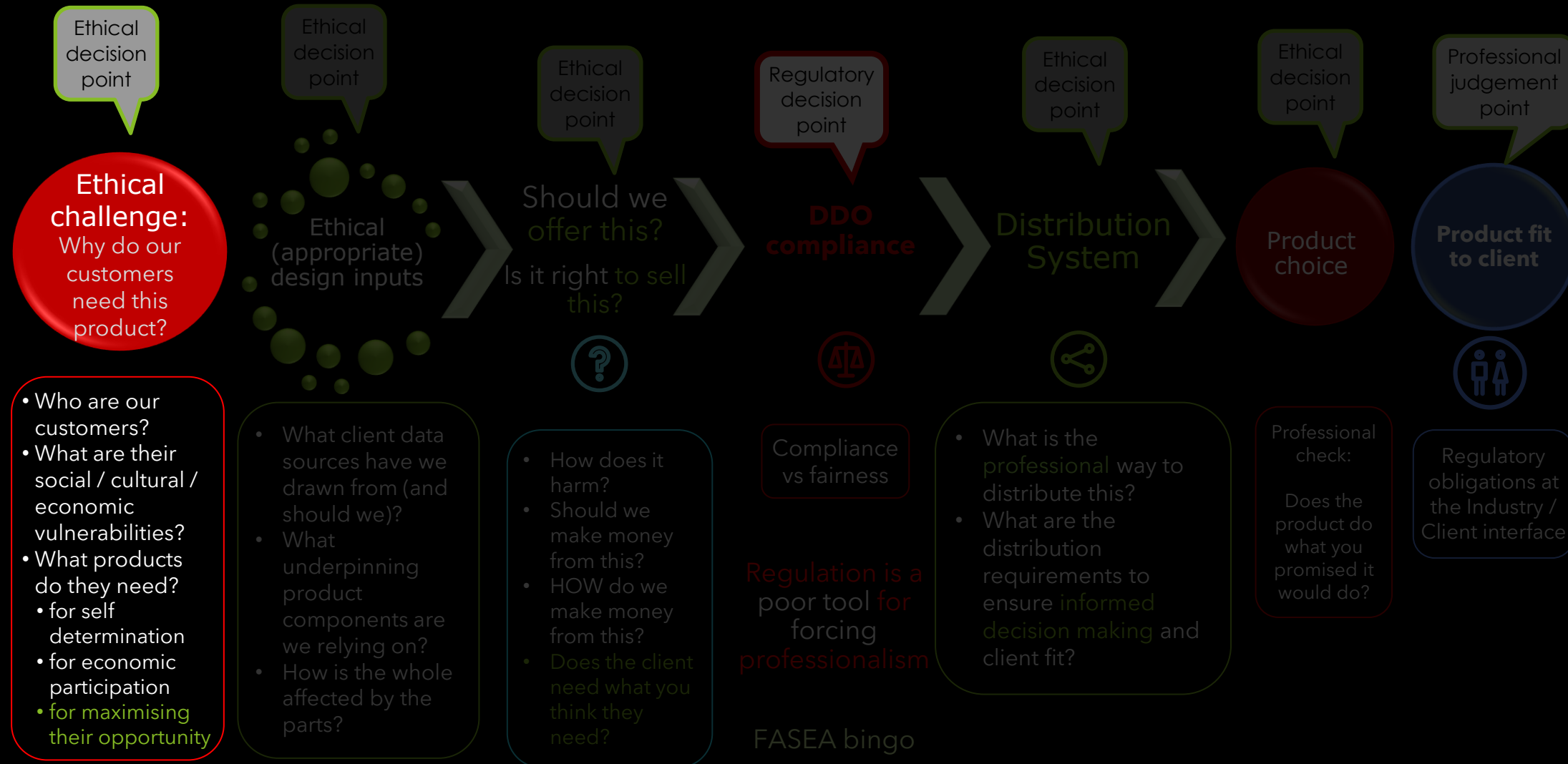
Regulatory  
insertion

A product  
cannot be at  
fault - it's just  
not the right  
product for this  
customer

**DDO  
compliance**  
Guns don't kill  
people. It's  
people that are  
the problem

# The **system** of professional obligation in the Product value chain

Professional obligations(**ethical challenge**) in product design are all along the chain

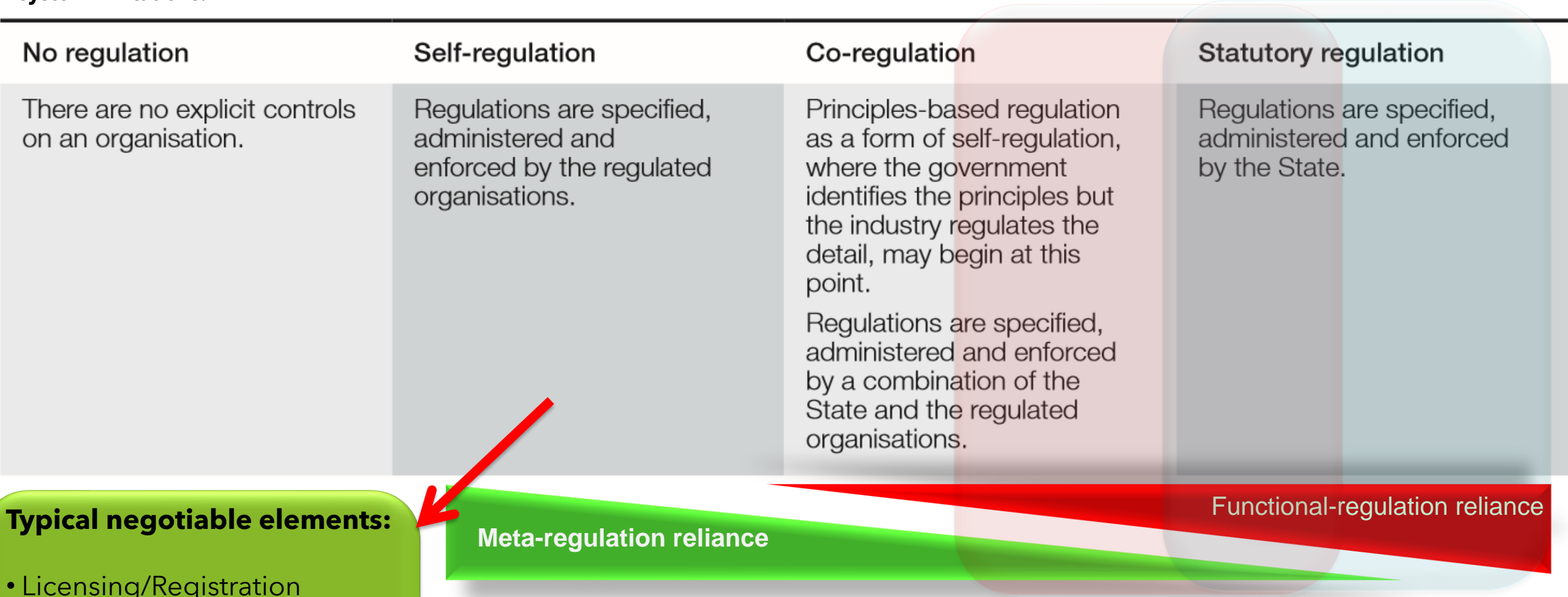


**The actuarial castle**

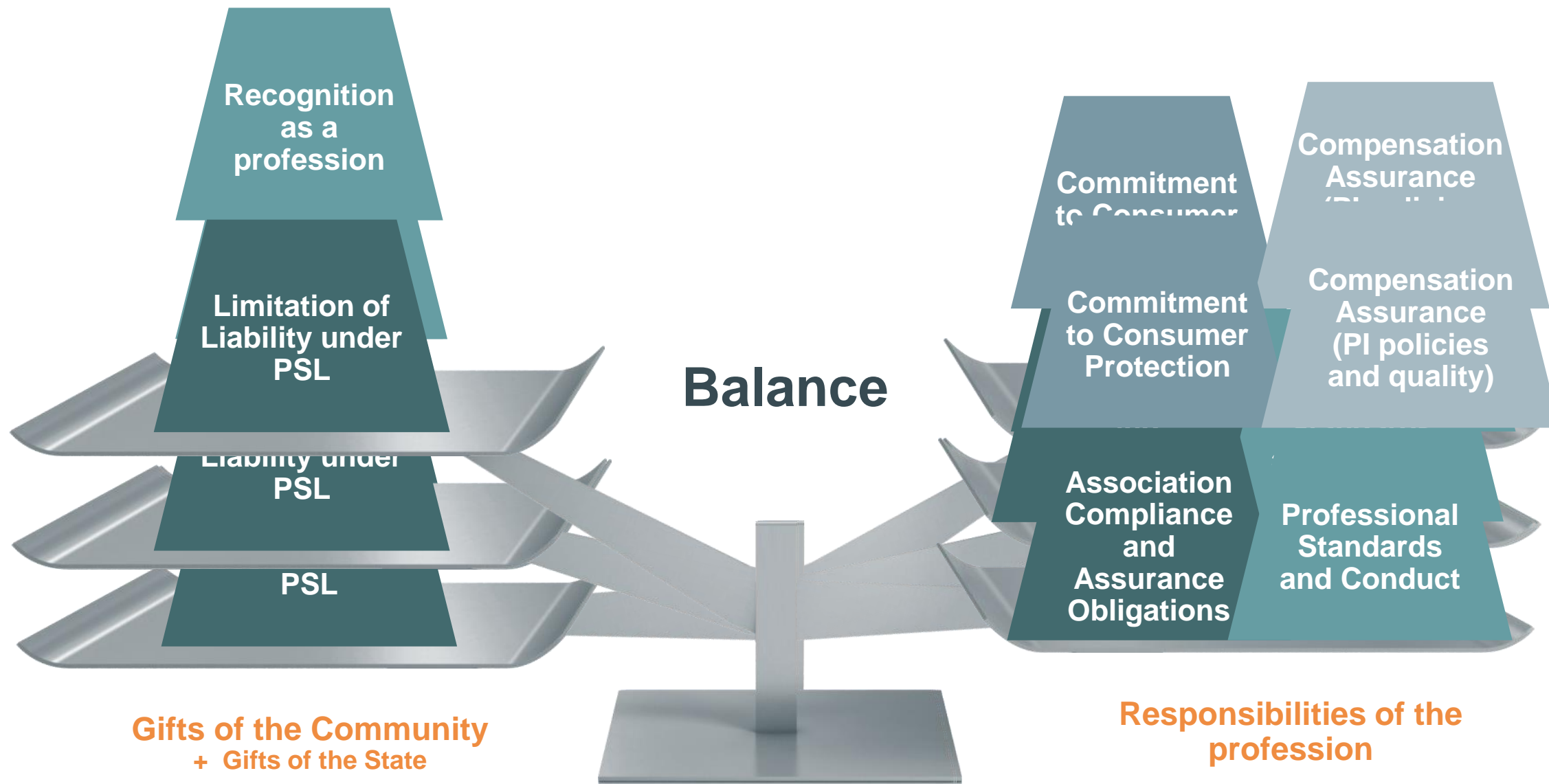


# Regulatory spectrum

The Regulatory Spectrum is influenced by numerous factors (community expectations, appetite & capacity, heightened public attentions and current system limitations).



Source: Bartle & Vass, *Self-regulation and the regulatory state: A survey of policy and practice*, Research Report 17, University of Bath, Centre for the study of Regulated Industries, October 2005.



### Consumer Protection

Preference should be for a regulatory system that emerges from the profession rather than legislation



The ethical advantage:  
the economic and social  
benefits of ethics to Australia



## Just how ethical is Australia?



Proportion of Australians who think most people can be trusted



Average assessment of the degree to which others make agreements honestly, keep their word or succeed by not stepping on other people



The Governance Institute rates Australia +37 on a scale of -100 to 100. The health care sector is seen as the most ethical.





## Individuals

By improving their mental health and wages.

A **10%** improvements in ethical behaviour is associated with a **1%** improvement in mental health and a **2.7%** increase in wages.



## Businesses

Improving a business' ethical reputation can improve its relationships with customers and suppliers and can lead to a 7% increase in return on assets.



## The economy

Improving trust and social capital allows for the smoother functioning of markets and reduces the cost of regulation and compliance.



## The bottom line

Lifting Australia's trust levels to that of the global leaders would increase GDP by:

**\$ 45 billion**

## How do we build a more ethical Australia?



# Systems Thinking (relationality/complexity) approach will likely get us further than a structural/componentry approach - but are we ready for it?

