

# Actuarial Education versus Actuarial Training – Why do we need to teach Ethics?

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# Outline

Professions – why are they given their status

Some perspectives on modern 'education'

Distinction between modern and classical education

- Ethics

Ethics as an actuarial subject

- Core elements

An example

# Professions

The Royal Charter and the Privy Council

Granting of a monopoly on condition of consideration of the public interest.

- A core ethical element is a prerequisite

# Modern education

Modern education is arguably more akin to training than education

Some perspectives....

# Modern education

*“All over the world, as governments retreat from their traditional duty to foster the common good and reconceive of themselves as mere managers of national economies, universities have been coming under pressure to turn themselves into training schools equipping young people with the skills required by a modern economy.”*

- J.M. Coetzee

# Modern education

*“The established systems of education, whatever their matter may be, are fundamentally vicious in their manner. They encourage submissive receptivity instead of independent activity.” – George Herbert Spencer*

# Modern education

*“Primary function of transmitting to successive generations the prevailing values of the given society.” – M. I. Finlay*

Most focus is on technological progress with improved analytics – but without challenging the political status quo other than in an incremental manner

# Modern education

*“Professor Eoin MacNeill has compared the English education system in Ireland to the systems of slave education which existed in the ancient pagan republics side by side with the systems intended for the education of freemen. To the children of the free were taught all noble and goodly things which would tend to make them strong and proud and valiant; from the children of the slaves all such dangerous knowledge was hidden. 'They were taught not to be strong and proud and valiant, but to be sleek, to be obsequious, to be dexterous: the object was not to make them good men, but to make them good slaves’”.*

– Padraig Pearse



# Modern v Classical Education

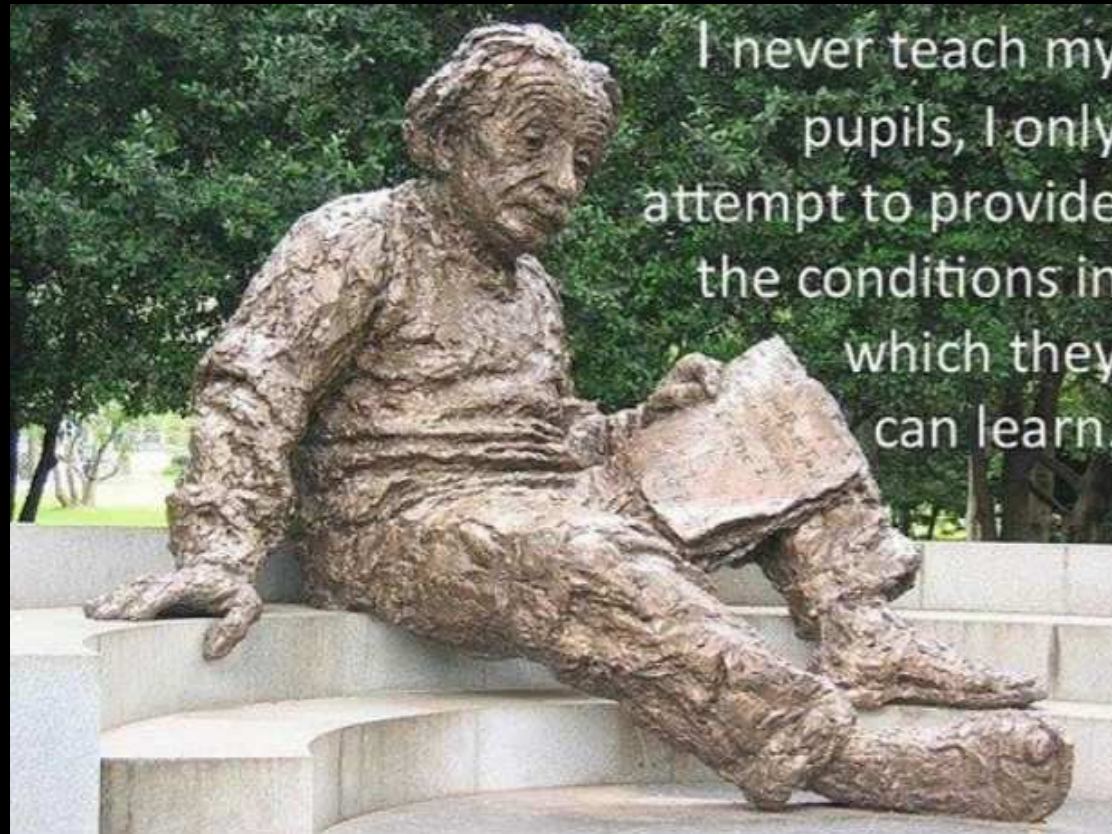
Modern education – akin to training

- Filling up with learning
- Disciplined in school
- Aims to create ‘brainy’ students good at analysing

Classical education

- Similar to what we now call ethics – meaning “*the best way to live*”
- The word ‘education’ comes from Latin from ē- (“from, out of”) and dūcō (“I lead, I conduct”).
- The aim is to aid ‘*knowing yourself*’ by drawing out from within.
- Done in ‘*scholē*’ – *scholē* is the Greek for ‘leisure’
- Knowing yourself meant you could rule yourself otherwise you would be ruled by your ego or by somebody else – so could become a responsible citizen.
- Diogenes - “*the foundation of any state is the education of its youth*”.

# Modern v Classical Education



# Ethics – Core Elements

Focus on the full psyche (head, heart, guts) rather than just on the head

Essential importance of character

*“If the citizens of a state are to judge and distribute offices according to merit, then they must know each other’s characters; where they do not possess this knowledge, both the election to offices and decisions of law suits will go wrong.” – Aristotle*

Four distinct characters – citizens, egotists, conformists and brutes – with different desires/motivations, different behaviors, different perspectives on life and very different interaction with others.

- Example of building a road

# Ethics – Core Elements

Distinction between narratives and analyses, with a greater focus on the narrative – because this is where the power is:

- Examples
  - new IFoA curriculum
  - the EMH, versus
  - Athenian drama
  - Greek mythology

# Ethics – Teaching Narrative



# Ethics – Core Elements

Classical principles of progress are openness to thought, reason and persuasion – very difficult without understanding rhetoric...

# Brutish Rhetoric – An Example

“*Barbarians have nothing trustworthy or true.*” – Herodotus (by the Spartans to the Athenians)



- A seeming truth with distorted logic (*pseudodoxia*)
- This would be a theatre only for conformists – who desire safety and security – but who will not challenge him.
- Theatre is supposed to be where the human condition is portrayed – to open our eyes to ourselves.
- Arguably he's one of the rudest guys on the planet => psychological projection.

# Ethics – Core Elements

## Ethics

F1 licence

Courage essential

Head, heart & guts

Aim – know yourself

Healthy ego essential

Superior prudence

Nothing in excess

Two standards

Nobility of character

Powerful narratives

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## Professionalism

Driving licence

Courage not part of the narrative

Head

Aim – to pass exams

Ego not part of the narrative

Prudence

Materiality and proportionality

One minimum standard

Personal detachment

Shallow narratives

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## Ethics – Sample Question

Exam question STAT40550 in University College Dublin:

*You are a senior valuations actuary working in a large insurance company. The company has recently put out a tender to get quotations for a new valuation system for its actuarial department. There were two significant responses to the tender. In your opinion one bidder was considerably preferable to the other one. However, despite your recommendation, the opposite decision has been made, and it is now likely that the other valuation system will be purchased. You consider that this is probably due to the CEO of the insurance company being friends with the CEO of the company likely to win the contract.*

*Outline what you should consider before making a decision on what course of action you decide to pursue.*

## Ethics – Sample Answer

*There is no one specific answer to this question, but a good answer should demonstrate application of thought, proportionality and judgment.*

Being able to see a number of courses of action and being able to see and consider alternatives is a sign of strength of mind [0.5] – the actuary should consider all courses of action before deciding on any particular course [0.5]. Not being able to see an alternative might be regarded as a worrisome signal [0.5].

There is a wide range of courses of action, everything from doing nothing at one end of the spectrum, to whistleblowing and resigning at the other end of the spectrum [1].

The merely prudent option would be to consider the actuary's security and safety [0.5]. The superiorly prudent option, trying to do the right/best thing, is likely to involve a degree of danger [1]. So having courage is likely to be essential [1].

## Ethics – Sample Answer

Given that the situation is dangerous, caution and prudence are essential [1]. The actuary must be careful about anything that is written down.

To aid having courage, the actuary should have a good, long honest conversation with themselves [0.5], e.g. is there other motivations possibly distorting the actuaries judgment? [0.5] And where possible discuss the issue with a trusted friend/colleague to help challenge and/or validate their perspectives, whilst taking due care and staying within boundaries [1].

Confronting this issue is important – but confronting and failing is not very valuable, i.e. becoming a martyr for no good end result [0.5]. The actuary should check that any strategy that they develop is a winning strategy, i.e. they know what they will do if they fail [0.5], rather than a losing strategy, where they might talk about what they will do if they win, but don't know what they'll do if they lose [0.5]

## Ethics – Sample Answer

Courses of actions to consider might include: putting together a well thought-out question, e.g. asking whether any conversation was had between the two CEOs on this issue; setting out concerns in writing, but again in a well thought-out way; informally investigating if there are other examples of nepotism in the company or if this is a one off. Double-checking their own work as to why they consider their view to be correct is important. Thoughtfully considering the ‘impartial spectator’ [0.5] perspective also and what perspectives might emerge if the issue becomes legal [0.5].

How serious is the issue – is it a resigning matter - maybe not – assessing the proportionality of the issue is very important [1]. Investigate: Are there any other incidents like this or is it a one off? If there are other similar problems in the company, the actuary might need to consider their position and also consider whistleblowing [1]. Consulting whistleblowing regulations [0.5]. Considering how much the actuary can trust the measures in place to protect whistle-blowers [0.5].

## Ethics – Sample Answer

Consulting any professional guidance notes or ethical standards expected of the actuary.

Life is like a hill analogy – the hard decision is likely to be the right decision, the easy decision is likely to be the wrong one [1].

Informally assessing the viewpoints and perspectives of other actuaries and senior figures in the organisation in a cautious way [0.5]

Using tools and techniques of classical ethics to try to influence others [0.5] e.g. use of laughter and disobedience [0.5]. Using persuasion, both in the classical and modern definitions [0.5].

*Other reasonable comments would also be given credit*

Thank you for your attention

Questions very welcome?