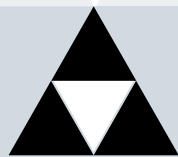


COUNCIL ON
PROFESSIONALISM

KEY ETHICAL CONCERNS FACING THE ACTUARIAL PROFESSION

*Perceptions of Members of
the American Academy of Actuaries*

April 2015



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I Abstract

This report of the Council on Professionalism (COP) of the American Academy of Actuaries (Academy) presents the findings of a 2012 Survey (2012 Survey) that was conducted for the COP to obtain Academy members' views on perceived potential ethical concerns facing actuaries and the U.S. actuarial profession. The 2012 Survey was sent to Academy members as described below and in the appendices, and this report identifies key ethical concerns that stand out as most important for actuaries reflected in the 2012 Survey. These concerns cross different practice areas, specialties, and types of employment. This report also provides a potential focus for the future for the COP and the Academy as it pursues its mission to establish, maintain, and enforce high professional standards of actuarial qualification, practice, and conduct on behalf of the actuarial profession.

The 2012 Survey was prepared by members of the COP; professors from Drake University, Des Moines, Iowa; and the Academy. The aforementioned individuals conducted the survey, and the COP performed the analysis, prepared this report, and takes full responsibility for the analysis, conclusions, and observations. Over 3,300 Academy members participated in the survey.

If you have any questions or comments you would like to submit regarding this report, please email them to EthicsReport@actuary.org.

II Conclusions and Observations

The 2012 Survey yielded unique and valuable information. Response rates were sufficient to provide valid statistical results. The key findings are as follows:

- Many survey respondents identified “responding to pressure from principals and/or management to select inappropriate assumptions used in pricing or reserving” as a significant ethical concern.
- Other issues asked of survey respondents garnered relatively lower levels of concern (with the next closest response 10 percentage points lower than the above concern).
- Responses varied quite widely when analyzed by segments of respondents (such as area of practice, type of employment, etc.).

III Overall Results on 18 Questions

The respondents were asked to rate each of 18 statements pertaining to potential ethical concerns on a scale of 1 to 5, in which a 1 meant that it is not an ethical concern for the profession and a 5 meant that it is a major ethical concern.

Table 1, which presents the overall findings of the 2012 Survey, lists the 18 statements in descending order of the percentage of those responding with a 4 or 5 on each question.

Issue 6 (“responding to pressure from principals”) was selected by 44 percent of respondents, the highest perceived concern by a clear margin. Issues 4, 5, 7, 8, 9, 14, and 15 were identified by between a third and a quarter of respondents to be of concern. The remaining 10 issues, by comparison, ranked lower but not necessarily by large margins.

The distribution of scores for issue 6 was as follows:

Score	Distribution
1	10%
2	23%
3	23%
4	21%
5	23%

Issue 6 was the only statement that yielded such a high percentage of responders choosing 5.

Table 1 – Statements Ranked by Level of Concern (from highest to lowest concern)

Issue	Description	Rank	Percentage Answering 4 or 5*
6	Responding to pressure from principals and/or management to select inappropriate assumptions used in pricing or reserving	1	44%
5	False or misleading representation of products or services in marketing, advertising, or sales efforts	2	31%
15	Failure to take appropriate action when another actuary misrepresents information	3	29%

* Percentages have been rounded to the nearest whole number.

Issue	Description	Rank	Percentage Answering 4 or 5*
8	Conflicts of interest between opportunities for personal financial gain (or other personal benefits) and proper performance of one's responsibilities	4	28%
14	Misrepresenting or concealing limitations in one's abilities to provide services	5	28%
4	Misuse of proprietary/confidential information	6	27%
7	Failure to provide complete and accurate information to regulators	7	26%
9	Conflicts of interest involving business or financial relationships that influence, or appear to influence, one's ability to carry out professional responsibilities	8	26%
17	Failure of principals to ensure that only qualified actuaries are used to perform services related to appropriate actuarial matters	9	23%
13	Failure to be honest and objective with others in one's business dealings	10	23%
16	Failure of actuarial bodies to investigate and discipline violations of professional conduct by actuaries	11	21%
18	Showing partiality toward principals perceived as influential	12	20%
3	Making disparaging remarks about competitors, their products, or their employees	13	19%
11	Lack of knowledge or skills to competently perform one's duties	13	19%
10	Discrimination in the workplace [please specify type of discrimination]	15	18%
12	Selling products or services that do not meet the needs of principals	16	16%
1	Failure to provide products and services of the highest quality from the principal's perspective	17	16%
2	Failure to provide timely responses to inquiries and requests from the principal	18	13%

* Percentages have been rounded to the nearest whole number.

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IV Variability by Demographic

(area of practice, employment type, time since first became an MAAA, geographic location)

Demographic descriptors analyzed in the 2012 Survey and in this analysis are as follows:

1. Area of Practice: (a) Health, (b) Life, (c) Pension, (d) Property & Casualty, (e) Risk Management/Financial Reporting, and (f) Other;
2. Employment: (a) Academic, (b) Consulting, (c) Government, (d) Insurance Company, (e) Organizations Serving Insurance Businesses, (f) Retired, and (g) Other;
3. Academy Membership: Active (a) less than 5 years, (b) 5 to 10 years, (c) 11 to 20 years, (d) more than 20 years, and (e) Retired; and
4. Location: (a) U.S. Northeast, (b) U.S. Southeast, (c) U.S. Midwest, (d) U.S. Southwest, (e) U.S. West, (f) U.S. Unspecified, and (g) Foreign.

Table 2 shows the percentage within a demographic that scored any of the 18 statements a 4 or 5. It shows considerable variation among certain demographics: For example, Foreign (41%), Retired (39%), and Academic (37%) versus U.S. Midwest (19%). On the other hand, the rankings by area of practice and time since becoming Academy members (excluding retired actuaries) were relatively tightly clustered.

Table 2 – Variability by Demographic Group

Demographic	Subcategory	Number of Respondents*	Percentage Answering 4 or 5
Overall		2,995	24%
Area of Practice	Health	722	23%
	Life	696	24%
	Pension	525	26%
	P&C	762	22%
	RM/FR	197	23%
	Other	88	34%

* Not all respondents answered every survey question. Therefore, the sum of the numerical subsets may not necessarily equal the total.

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Demographic	Subcategory	Number of Respondents*	Percentage Answering 4 or 5
Employment	Academic	18	37%
	Consulting	1,020	24%
	Government	84	31%
	Insurance company	1,602	21%
	Organization serving insurance business	97	28%
	Retired	94	39%
	Other	74	30%
	Member of Academy	< 5 years	544
5 – 10		526	24%
11 – 20		784	21%
> 20		1,044	23%
Retired		93	39%
Location		U.S. Northeast	988
	U.S. Southeast	366	23%
	U.S. Midwest	1,077	19%
	U.S. Southwest	178	23%
	U.S. West	268	28%
	U.S. Unspecified	33	32%
	Foreign	85	41%

* Not all respondents answered every survey question. Therefore, the sum of the numerical subsets may not necessarily equal the total.

V Ranking by Area of Practice

Table 3 illustrates the 18 issues ranked by area of practice.

Issue 6 is ranked 1 (most concern) by all five areas of practice, followed closely by issue 5, which is ranked 2 by health, life, and pension, and 3 by risk management. The practice areas generally agree on most of the other issues, but variability indicates that the rankings should be viewed as indicative, rather than precise.

Table 3 – Ranking by Area of Practice (1=highest concern, 18=least concern)

Issue	Description	Health	Life	Pension	P/C	RM/FR	Other
	Number of responses*	722	696	525	762	197	88
1	Failure to provide products and services of the highest quality from the principal's perspective	17	17	16	16	16	18
2	Failure to provide timely responses to inquiries and requests from the principal	18	18	18	18	18	17
3	Making disparaging remarks about competitors, their products, or their employees	14	13	10	14	17	9
4	Misuse of proprietary/confidential information	4	5	6	5	6	7
5	False or misleading representation of products or services in marketing, advertising, or sales efforts	2	2	2	7	3	2
6	Responding to pressure from principals and/or management to select inappropriate assumptions used in pricing or reserving	1	1	1	1	1	1
7	Failure to provide complete and accurate information to regulators	8	6	9	6	8	3
8	Conflicts of interest between opportunities for personal financial gain (or other personal benefits) and proper performance of one's responsibilities	5	4	3	4	4	5

* Not all respondents answered every survey question. Therefore, the sum of the numerical subsets may not necessarily equal the aggregate totals.

Issue	Description	Health	Life	Pension	P/C	RM/FR	Other
9	Conflicts of interest involving business or financial relationships that influence, or appear to influence, one's ability to carry out professional responsibilities	7	8	4	9	6	5
10	Discrimination in the workplace [please specify type of discrimination]	15	15	17	15	10	13
11	Lack of knowledge or skills to competently perform one's duties	13	13	13	13	13	13
12	Selling products or services that do not meet the needs of principals	16	16	11	17	14	16
13	Failure to be honest and objective with others in one's business dealings	10	10	7	11	12	8
14	Misrepresenting or concealing limitations in one's abilities to provide services	6	7	5	3	4	4
15	Failure to take appropriate action when another actuary misrepresents information	3	3	8	2	2	11
16	Failure of actuarial bodies to investigate and discipline violations of professional conduct by actuaries	12	12	14	10	14	9
17	Failure of principals to ensure that only qualified actuaries are used to perform services related to appropriate actuarial matters	9	9	12	8	10	13
18	Showing partiality toward principals perceived as influential	11	11	15	12	8	12

* Not all respondents answered every survey question. Therefore, the sum of the numerical subsets may not necessarily equal the aggregate totals.

VI Ranking by Type of Employment

Table 4 provides the issues ranked by type of employment. It shows some distinct variations. Issues 3, 4, and 16 have rankings differing by 10 or more places. For example, issue 3 (making disparaging remarks about competitors, their products, or their employees) ranked seventh among actuaries in organizations serving insurance businesses, but “other” actuaries ranked it the issue of least concern (18th). Issues 7, 10, 11, 12, 17, and 18 have rankings varying by seven to nine places out of 18 places. Issues 4, 7, 16, and 17 were ranked in the top four areas of concern by at least one group while other groups did not share that level of concern.

Table 4 – Ranking by Employment (1=highest concern, 18=least concern)

Issue	Description	Academic	Consulting	Government	Ins company	Org serving ins business	Retired	Other
	Number of responses*	18	1,020	84	1,602	97	94	74
1	Failure to provide products and services of the highest quality from the principal’s perspective	16	16	15	16	14	16	17
2	Failure to provide timely responses to inquiries and requests from the principal	17	18	18	18	16	18	16
3	Making disparaging remarks about competitors, their products, or their employees	11	11	17	14	7	11	18
4	Misuse of proprietary/confidential information	7	7	14	4	4	6	9
5	False or misleading representation of products or services in marketing, advertising, or sales efforts	2	2	3	2	4	3	4
6	Responding to pressure from principals and/or management to select inappropriate assumptions used in pricing or reserving	1	1	1	1	1	1	1
7	Failure to provide complete and accurate information to regulators	11	8	2	7	8	2	11

* Not all respondents answered every survey question. Therefore, the sum of the numerical subsets may not necessarily equal the aggregate totals.

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Issue	Description	Academic	Consulting	Government	Ins company	Org serving ins business	Retired	Other
8	Conflicts of interest between opportunities for personal financial gain (or other personal benefits) and proper performance of one's responsibilities	3	3	4	6	6	6	2
9	Conflicts of interest involving business or financial relationships that influence, or appear to influence, one's ability to carry out professional responsibilities	11	5	5	7	8	6	7
10	Discrimination in the workplace [please specify type of discrimination]	11	17	15	13	18	17	13
11	Lack of knowledge or skills to competently perform one's duties	7	13	12	15	15	9	13
12	Selling products or services that do not meet the needs of principals	18	15	9	17	16	12	15
13	Failure to be honest and objective with others in one's business dealings	11	10	12	9	12	14	9
14	Misrepresenting or concealing limitations in one's abilities to provide services	7	4	5	5	2	5	5
15	Failure to take appropriate action when another actuary misrepresents information	3	6	7	3	2	4	6
16	Failure of actuarial bodies to investigate and discipline violations of professional conduct by actuaries	3	12	8	11	13	12	7
17	Failure of principals to ensure that only qualified actuaries are used to perform services related to appropriate actuarial matters	3	9	10	10	10	9	3
18	Showing partiality toward principals perceived as influential	7	14	10	11	10	15	12

* Not all respondents answered every survey question. Therefore, the sum of the numerical subsets may not necessarily equal the aggregate totals.

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VII Ranking by Time Since First Becoming MAAA

Table 5 shows the issues ranked by respondents' length of time of Academy membership. This table shows some marked differences. Issue 7 (failure to provide complete and accurate information to regulators) ranked second for retired actuaries but sixth to eighth for working actuaries. The ranking of issue 4 (misuse of proprietary/confidential information) ranges from third to eighth, with the issue less of a concern to actuaries who have been an Academy member for more than 20 years.

Table 5 – Ranking by Length of Academy Membership (1=highest concern, 18=least concern)

Issue	Description	< 5 years	5–10	11–20	> 20	Retired
	Number of responses*	544	526	784	1,044	93
1	Failure to provide products and services of the highest quality from the principal's perspective	16	15	17	16	16
2	Failure to provide timely responses to inquiries and requests from the principal	18	18	18	18	18
3	Making disparaging remarks about competitors, their products, or their employees	14	13	15	13	11
4	Misuse of proprietary/confidential information	3	6	4	8	6
5	False or misleading representation of products or services in marketing, advertising, or sales efforts	2	2	2	2	3
6	Responding to pressure from principals and/or management to select inappropriate assumptions used in pricing or reserving	1	1	1	1	1
7	Failure to provide complete and accurate information to regulators	8	7	8	6	2
8	Conflicts of interest between opportunities for personal financial gain (or other personal benefits) and proper performance of one's responsibilities	6	4	6	4	6

* Not all respondents answered every survey question. Therefore, the sum of the numerical subsets may not necessarily equal the aggregate totals.

Issue	Description	< 5 years	5–10	11–20	> 20	Retired
9	Conflicts of interest involving business or financial relationships that influence, or appear to influence, one's ability to carry out professional responsibilities	7	8	7	7	6
10	Discrimination in the workplace [please specify type of discrimination]	13	14	14	17	17
11	Lack of knowledge or skills to competently perform one's duties	15	16	13	11	9
12	Selling products or services that do not meet the needs of principals	17	17	16	15	12
13	Failure to be honest and objective with others in one's business dealings	9	10	11	10	14
14	Misrepresenting or concealing limitations in one's abilities to provide services	4	5	5	5	5
15	Failure to take appropriate action when another actuary misrepresents information	5	3	3	3	4
16	Failure of actuarial bodies to investigate and discipline violations of professional conduct by actuaries	11	9	12	12	12
17	Failure of principals to ensure that only qualified actuaries are used to perform services related to appropriate actuarial matters	10	11	9	9	10
18	Showing partiality toward principals perceived as influential	12	12	10	14	15

* Not all respondents answered every survey question. Therefore, the sum of the numerical subsets may not necessarily equal the aggregate totals.

VIII Ranking by Location

Table 6 shows the issues ranked by U.S. regional and other locations. The only issue with a large spread was issue 17 (failure of principals to ensure that only qualified actuaries are used to perform services related to appropriate actuarial matters), but because the highest ranking is 7 (U.S. Southeast), this may be less significant. Of the four highest-ranked issues overall (6, 5, 15, and 8), there was substantial consistency in the responses, except for issue 15 (failure to take appropriate action when another actuary misrepresents information), where the ranking ranged from 2 in the U.S. West to 8 in the U.S. Southwest and among actuaries in an “unspecified” location.

Table 6 – Ranking by Location (1=highest concern, 18=least concern)

Issue	Description	United States						Foreign
		Northeast	Southeast	Midwest	Southwest	West	Unspecified	
	Number of responses*	988	366	1,077	178	268	33	85
1	Failure to provide products and services of the highest quality from the principal’s perspective	17	17	17	13	17	13	14
2	Failure to provide timely responses to inquiries and requests from the principal	18	18	18	18	18	13	18
3	Making disparaging remarks about competitors, their products, or their employees	12	14	14	12	15	13	12
4	Misuse of proprietary/confidential information	5	4	6	3	7	4	3
5	False or misleading representation of products or services in marketing, advertising, or sales efforts	2	2	2	2	3	3	2
6	Responding to pressure from principals and/or management to select inappropriate assumptions used in pricing or reserving	1	1	1	1	1	1	1
7	Failure to provide complete and accurate information to regulators	7	8	8	4	8	2	8

* Not all respondents answered every survey question. Therefore, the sum of the numerical subsets may not necessarily equal the aggregate totals.

Issue	Description	United States						Foreign
		Northeast	Southeast	Midwest	Southwest	West	Unspecified	
8	Conflicts of interest between opportunities for personal financial gain (or other personal benefits) and proper performance of one's responsibilities	4	6	4	4	3	4	4
9	Conflicts of interest involving business or financial relationships that influence, or appear to influence, one's ability to carry out professional responsibilities	8	9	7	4	5	4	7
10	Discrimination in the workplace [please specify type of discrimination]	15	16	15	15	14	11	12
11	Lack of knowledge or skills to competently perform one's duties	14	13	13	13	12	13	16
12	Selling products or services that do not meet the needs of principals	16	15	16	15	16	18	14
13	Failure to be honest and objective with others in one's business dealings	9	11	12	9	8	9	9
14	Misrepresenting or concealing limitations in one's abilities to provide services	5	5	4	7	6	4	4
15	Failure to take appropriate action when another actuary misrepresents information	3	3	3	8	2	8	6
16	Failure of actuarial bodies to investigate and discipline violations of professional conduct by actuaries	11	12	10	11	12	9	10
17	Failure of principals to ensure that only qualified actuaries are used to perform services related to appropriate actuarial matters	10	7	9	10	10	12	17
18	Showing partiality toward principals perceived as influential	13	10	11	15	11	13	11

* Not all respondents answered every survey question. Therefore, the sum of the numerical subsets may not necessarily equal the aggregate totals.

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Appendix 1 – Description of Survey Methodology

Survey Format

The 2012 Survey was conducted electronically using the Qualtrics Online Survey software system. Initially, the vice president of the Academy's Council on Professionalism sent an email message (see Appendix 2) to all Academy members announcing that an ethics survey would be forthcoming electronically. The message also explained the importance of the survey to the Academy's mission of fostering a strong commitment to ethics. A link to the survey questionnaire website was then emailed to all Academy members with valid email addresses (who did not choose to exclude receipt of information via email) on Oct. 1, 2012, with a total of 15,305 potential respondents. Follow-up email reminders were sent to Academy members who had not yet completed the survey on Nov. 8 and Nov. 15, 2012. The email link to the survey was discontinued on Nov. 21, 2012.

Survey Questionnaire

The questionnaire that was used for the 2012 Survey appears as Appendix 3 to this report. The questionnaire contained a cover letter explaining the purpose of the survey, a statement of support from the Academy, and a request to each Academy member receiving the survey to submit a completed questionnaire.

The survey questionnaire was divided into three parts. Part I of the questionnaire listed 18 closed-ended statements describing ethical concerns that could impact the actuarial profession. Survey respondents were asked to rate each of the 18 statements using a Likert scale from 1 to 5: a value of 1 meaning the statement is not a current ethical concern for the actuarial profession, and a value of 5 meaning it is a major concern for the profession. In addition, an open-ended question was also made available to the respondents that allowed them to describe any other ethical problems not listed in Part I of the survey form.

Part II of the questionnaire contained an open-ended question that requested survey participants to tell us what they believed to be the most important specific ethics problem or issue facing those who work as actuaries. This open-ended question was included in the survey to determine whether the comments obtained by this question were consistent with the responses to the 18 closed-ended statements in the survey.

Part III of the questionnaire included five demographic questions that invited respondents to identify their (a) type of actuarial credential(s), (b) primary area of actuarial practice, (c) type of industry employment, (d) length of Academy membership, and (e) geographical location.

Individual members of the Academy's Council on Professionalism at that time assisted the Drake researchers in the development of the survey questions.

Response Rates

Over 3,300 Academy members who received the survey submitted responses to one or more of the items listed on the questionnaire, which yielded a 22 percent overall response rate. In addition, 10 percent of those responding (344 individuals) provided one or more responses to the open-ended question included in Part I of the survey that asked respondents to describe any other ethical concerns not previously listed in the 18 ethics statements. For Part II of the survey, 38 percent of those responding (1,298 individuals) provided a response to the open-ended question that asked them to identify the most important ethical concern facing actuaries. Ninety-eight percent of the respondents provided the demographic information requested in Part III of the survey.

Appendix 2 – Solicitation Email from Karen Terry

Email from Ms. Karen Terry¹ to the Membership of the American Academy of Actuaries Announcing 2012 Ethics Survey

Dear Academy members:

The American Academy of Actuaries has *always had* as one of its primary missions to uphold and promote high standards of actuarial professionalism. This mission is of utmost importance to a self-regulating profession such as ours. Therefore, as the new Vice President of Professionalism, I am pleased to announce the Council on Professionalism’s initiative to survey the professional and ethical landscape within which our members work. We have combined efforts with professors from Drake University, which has a strong actuarial program, to obtain feedback from our members. We want to understand the issues you face and determine how we can be of assistance.

We would greatly appreciate a few moments of your time to complete the survey, as described in the attached letter. In doing so, you will directly participate in assisting to further actuarial professionalism while shaping professional considerations for the future of the profession.

Thank you in advance for your time. I look forward to serving you and advancing the Academy’s professionalism mission.

¹ Vice President, Chairperson of Council on Professionalism (2012-14) of the American Academy of Actuaries

Appendix 3 - Questionnaire

SURVEY QUESTIONNAIRE

Ethical Actuaries Fall 2012

As you know, ethics is a critical issue for the actuarial profession and for the integrity of the financial system. With increasing emphasis being placed on ethics today, we are conducting a survey to learn more about the key ethical issues that affect the actuarial profession. This survey is supported by the American Academy of Actuaries and will provide valuable information that can be used by individuals, professional associations and organizations as they face increasingly complex ethical issues. We conducted a similar survey 20 years ago and the findings were published in the *Journal of Actuarial Practice* in 1993. This survey should take less than five minutes to complete. Your participation in this survey is anonymous and very important to the actuarial profession as it continues to look for the best practices in addressing ethical concerns.

Thank you in advance for your participation in this research.

Sincerely,

Rahul Parsa, Ph.D.

Principal Financial Group Distinguished Professor of Statistics and Actuarial Science
Drake University
College of Business & Public Administration
Des Moines, IA 50311

Garry L. Frank, Ph.D.

Herb and Karen Baum Chair of Ethics & the Professions
Drake University
College of Business & Public Administration
Des Moines, IA 50311

I. Major Ethical Problems Currently Facing the Actuarial Profession

On a scale of 1 to 5, where 1 means that it is not an ethical problem today and 5 means that it is a major ethical problem today for the actuarial profession, how would you rate each of the following? Please select your response for each issue.

		1	2	3	4	5
1	Failure to provide products and services of the highest quality from the principal's perspective					
2	Failure to provide timely responses to inquiries and requests from the principal					
3	Making disparaging remarks about competitors, their products, or their employees					
4	Misuse of proprietary/confidential information					
5	False or misleading representation of products or services in marketing, advertising, or sales efforts					
6	Responding to pressure from principals and/or management to select inappropriate assumptions used in pricing or reserving					
7	Failure to provide complete and accurate information to regulators					
8	Conflicts of interest between opportunities for personal financial gain (or other personal benefits) and proper performance of one's responsibilities					
9	Conflicts of interest involving business or financial relationships that influence, or appear to influence, one's ability to carry out professional responsibilities					
10	Discrimination in the workplace [please specify type of discrimination]					
11	Lack of knowledge or skills to competently perform one's duties					
12	Selling products or services that do not meet the needs of principals					
13	Failure to be honest and objective with others in one's business dealings					
14	Misrepresenting or concealing limitations in one's abilities to provide services					
15	Failure to take appropriate action when another actuary misrepresents information					
16	Failure of actuarial bodies to investigate and discipline violations of professional conduct by actuaries					

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		1	2	3	4	5
17	Failure of principals to ensure that only qualified actuaries are used to perform services related to appropriate actuarial matters					
18	Showing partiality toward principals perceived as influential					

Use the box below to describe any other ethical problems not previously listed.

II. Use the box below to tell us what you believe is the most important specific ethics problem or issue facing those who work as actuaries.

III. Information about you and your organization

1. Please identify all of the actuarial credential(s) you hold. *(Check all that apply)*

- Member of the American Academy of Actuaries (MAAA)
- Member of the American Society of Pension Professionals and Actuaries (MSPA)
- Fellow of the American Society of Pension Professionals and Actuaries (FSPA)
- Associate of the Casualty Actuarial Society (ACAS)
- Fellow of the Casualty Actuarial Society (FCAS)
- Associate of the Conference of Consulting Actuaries (ACA)
- Fellow of the Conference of Consulting Actuaries (FCA)
- Associate of the Society of Actuaries (ASA)
- Fellow of the Society of Actuaries (FSA)
- Enrolled Actuary (EA)
- Chartered Risk Enterprise Analyst (CERA)

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- Fellow Canadian Institute of Actuaries (FCIA)
- Fellow Institute and Faculty of Actuaries, United Kingdom (FIA or FFA)
- Fellow Actuaries Institute, Australia (FIAA)
- Member Colegio Nacional de Actuarios, Mexico
- Other *(please specify in the box below)*

2. What is your primary area of actuarial practice?

- Health
- Life
- Pension
- Property/Casualty
- Risk Management/Financial Reporting
- Other *(please specify in the box below)*

3. Please indicate your current employment industry.

- Academic
- Consulting Practice
- Government
- Insurance Organization
- Organization Serving the Insurance Business
- Retired
- Other *(please specify in the box below)*

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4. How many years have you been a member of the Academy?

- Less than 5
- 5-10
- 11-20
- Over 20

5. In what location do you primarily render actuarial services?

- United States
- Outside of the United States

6. If you are located within the United States, please indicate the region of the country.

- Northeast
- Southeast
- Midwest
- Southwest
- West

Thank you for your input. Press the submit button to finish your survey and submit your answers.

Appendix 4 – Data Analysis

The Council on Professionalism was provided a spreadsheet with the raw survey results from the researchers at Drake University. The council performed a preliminary analysis on the data and determined the distribution by number of ethical issues scored (out of a possible 18) and by whether the row was coded “finished.” The council decided to proceed with the 2,996 rows that scored all 18 issues and finished as the most valid sample and clearly of sufficient size for analysis. Only these 2,996 rows were used in the analysis; all other rows were deleted. However, not all respondents answered every survey question; therefore, the sum of the numerical subsets may not necessarily equal the total.

Number of issues scored	Did not finish	Finished	Total
0	1,307	21	1,328
1	6	0	6
2	8	0	8
3	3	1	4
4	5	0	5
5	5	1	6
6	4	0	4
7	1	0	1
8	0	1	1
9	3	1	4
10	2	1	3
11	1	0	1
12	2	0	2
13	2	1	3
14	0	6	6
15	0	13	13
16	1	49	50
17	4	285	289
18	31	2,996	3,027
TOTAL	1,385	3,376	4,761

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The survey also included demographic data. We reviewed these results by:

1. Area of practice (Health, Life, Pension, Property/Casualty, Risk Management and Financial Reporting and Other);
2. Type of employer (academic, consulting, government, insurance company, organization serving insurance business, retired, and other);
3. Length of Academy membership (< 5 years, 5–10, 11–20, > 20); and
4. Work location (U.S. Northeast, U.S. Southeast, U.S. Midwest, U.S. Southwest, U.S. West, U.S. Unspecified, and Foreign).

The distribution of coding looked reasonable for the last three demographics, but the area of practice looked unusual.

1. The codes 1–6 were not assigned in the order of the choices in the survey. Pension (the third entry) was code 6 and codes 3–5 were assigned to the fourth through sixth entry.
2. No response was coded 6 for the first 8.15 hours the survey was active.
3. Of the 252 responses coded “other” in the first 8.15 hours of the survey, 221 had the word “pension” or “retirement” in the associated text field. There were only 5 such rows after the first 8.15 hours.
4. The relative distribution of responses coded 1–4 was virtually identical in the first 8.15 hours and after that time.

Checking the email history revealed that for the first 8+ hours of the survey “pension” was not shown under area of practice. The Council concluded pension was inserted with an associated code of 6 at that time and recoded the 226 “other” responses with the word “pension” or “retirement” in the associated text field as “pension” and then analyzed the data.

5 Appendix 5 –Variability by Demographic Group

The table below shows the same overall data presented in Table 1 but includes the variability by demographic group. So, for example, many demographic groups ranked issue 5 as the area with the second-highest level of concern, but the P/C practice area ranked it seventh. Fifty-five percent of the foreign demographic group (containing only 85 respondents) ranked this issue a 4 or 5, making issue 5 the top concern for this group. The table gives some indication of the heterogeneity of the responses.

In this table, the “all” columns are taken from Table 1, and reflect the overall survey results. Under demographic groups, “worst” is the highest level of concern that any one demographic group assigned to the issue (from 1 to 18, with 1 being the highest level of concern). Conversely, “best” indicates the lowest level of concern any one demographic group assigned to an issue. “Avg” indicates the mean of all the scores from each of the 25 demographic groups.

Under “Percentage Answering 4 or 5,” “Min” indicates the smallest percentage of respondents within any demographic group answering 4 or 5, scores that reflect the highest level of concern, while “Max” indicates the largest percentage of respondents within any demographic group answering 4 or 5. “Avg” is the mean among all 25 demographic groups of percentage of respondents answering 4 or 5.

Range of Results by Demographic Group

Issue	Description	Issue Rank				Percentage Answering 4 or 5			
		All	Demographic Groups			All	Demographic Groups		
			Worst	Avg	Best		Min	Avg	Max
6	Responding to pressure from principals and/or management to select inappropriate assumptions used in pricing or reserving	1	1	1.1	4	44%	37%	49%	66%
5	False or misleading representation of products or services in marketing, advertising, or sales efforts	2	2	2.6	7	31%	25%	36%	55%
15	Failure to take appropriate action when another actuary misrepresents information	3	2	4.8	16	29%	25%	33%	48%

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Issue	Description	Issue Rank				Percentage Answering 4 or 5			
		All	Demographic Groups			All	Demographic Groups		
			Worst	Avg	Best		Min	Avg	Max
8	Conflicts of interest between opportunities for personal financial gain (or other personal benefits) and proper performance of one's responsibilities	4	2	4.3	6	28%	22%	32%	52%
14	Misrepresenting or concealing limitations in one's abilities to provide services	5	2	5.0	10	28%	22%	32%	52%
4	Misuse of proprietary/confidential information	6	1	5.5	14	27%	21%	31%	54%
7	Failure to provide complete and accurate information to regulators	7	2	6.8	11	26%	20%	31%	54%
9	Conflicts of interest involving business or financial relationships that influence, or appear to influence, one's ability to carry out professional responsibilities	8	4	6.8	11	26%	20%	30%	46%
17	Failure of principals to ensure that only qualified actuaries are used to perform services related to appropriate actuarial matters	9	3	9.7	17	23%	18%	26%	44%
13	Failure to be honest and objective with others in one's business dealings	10	7	10.0	14	23%	16%	26%	39%
16	Failure of actuarial bodies to investigate and discipline violations of professional conduct by actuaries	11	3	10.5	14	21%	16%	25%	44%
18	Showing partiality toward principals perceived as influential	12	7	11.8	15	20%	16%	24%	39%
3	Making disparaging remarks about competitors, their products, or their employees	13	7	13.0	18	19%	14%	22%	37%
11	Lack of knowledge or skills to competently perform one's duties	13	7	12.9	16	19%	16%	23%	39%

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Issue	Description	Issue Rank				Percentage Answering 4 or 5			
		All	Demographic Groups			All	Demographic Groups		
			Worst	Avg	Best		Min	Avg	Max
10	Discrimination in the workplace [please specify type of discrimination]	15	2	13.9	18	18%	13%	20%	34%
12	Selling products or services that do not meet the needs of principals	16	9	15.4	18	16%	11%	20%	35%
1	Failure to provide products and services of the highest quality from the principal's perspective	17	13	15.9	18	16%	12%	19%	33%
2	Failure to provide timely responses to inquiries and requests from the principal	18	13	17.6	18	13%	9%	15%	25%

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1850 M Street NW, Suite 300
Washington, DC 20036
Phone: 202.223.8196
www.actuary.org