Many people think of professional as associated with receiving a salary or fee, in contrast to amateur status, as the word is commonly used of sportsmen and women. A well-defined job which requires knowledge, skill and training, such as teacher or independent financial adviser, may also be spoken of loosely as a profession and may be associated with particular characteristics and ethos as a result of tradition, peer pressure or regulation.

In the United Kingdom and certain other countries the major learned professions were established on the basis of Royal Charters. This means that they have public recognition, so long as they demonstrably serve the public interest rather than solely the interests of their members. What then are the characteristics of such a profession? A succinct definition of the essential elements of any profession was provided by Mr Justice Willard Estey, a former member of the Supreme Court of Canada, in his keynote address during the celebration of the centenary of the actuarial profession in North America in Washington DC in June 1989 (Estey, 1989). First, skilled intellectual technique must be associated with the professional undertaking. Second, there must be, at the core of the profession, a voluntary association bound by a code of conduct. Third, the profession must have a formalised mode of enforcement of that code upon its membership.

These key precepts drove the establishment of the IFAA in 1995 and the subsequent rebirth of the International Actuarial Association in its current form at the 26th International Congress of Actuaries in Birmingham in 1998. The membership of the IAA now consists of actuarial associations, which, to become full members, have to demonstrate that they have an adequate code of conduct, a transparent discipline process, and that they meet the core syllabus requirement for actuaries to be admitted as fully qualified.

The following are usually considered to be distinguishing features of a profession in this sense:
— advanced educational requirements, well above first degree level;
— accreditation of the attained educational standard by a professional body;
— work experience in a professional context;
— a high degree of detachment and integrity in the exercise of professional judgement;
— a code of professional conduct which members are required to follow;
— written standards of practice;
— collective responsibility for maintenance of competence and standards;
— a requirement to remain in good standing as a member;
— continuing professional development requirements (the trend is for these to become more formal);
— a discipline process to investigate complaints, review allegations and to impose sanctions on unacceptable behaviour; and
— the possibility of a common voice to participate in public debate.

The existence of professions is not universally viewed as a good thing. Some would see them as inhibiting competition, erecting unnecessary barriers to practice and ramping up the earnings of their members through restricting entry in order to limit supply. However, the award of a Royal Charter and the accompanying privileged position that a profession enjoys demonstrate a belief that the professions operate in the public interest. The benefits to the public of having the professions can be seen as including:

— quality assurance in:
  — education standards for qualification;
  — continuing education and development; and
  — professional norms and standards of practice;

— reliability of professional advice and a reasonable degree of consistency;
— availability of the required service in accordance with reliable standards;
— fiduciary relationships between the professionals and their clients; and
— the possibility of clients and third parties being able to lay a complaint and seek redress.

An important element of professionalism, as seen in the context of membership of an organised professional body, is the concept of a fiduciary relationship between the professional and the client. Fiduciary comes from the Latin noun *fiducia* (confidence) which is all about trust (Latin *fidere* = to trust). A fiduciary relationship entails mutual trust based on willing disclosure, with no material information withheld by the client. The professional trusts the client to disclose all relevant information and the client trusts the professional because of education, membership of a professional body, standards of practice, practising certificates, etc. The professional focuses on addressing the client’s interests and gives high quality advice, tailored to the client’s needs, but having proper regard to professional standards. Remuneration is usually fee-based to avoid financial conflicts of interest and the professional should disclose any other relevant financial interests.
People do not trust professionals out of blind faith, but because they have had personal experience of the profession or know others who have. Trust is often based on personal recommendation. However, even in the absence of personal recommendation or individual experience, trust can be based on the assurance of quality offered by membership of a chartered professional body and the knowledge that the professional has a lot to lose if he or she does not live up to the standards of their profession.

However, much in society would appear to have changed in recent years. The press would sometimes have us believe that professionals cannot be trusted any more. There is little doubt that some professional behaviours have done untold damage in undermining trust (examples such as Dr Shipman and the Alder Hey scandal spring to mind with regard to the medical profession, and Enron and similar financial reporting scandals in relation to accountants). Also, it is probably the case that the concept of trust has more generally been devalued in our society. As a result, most people are unwilling to take anything for granted without justification, argumentation or proof. Regulation is becoming more and more prevalent as the route to controlling behaviours, and to many people the concept of self-regulation appears less and less convincing. Indeed, many would cynically argue that no organisation can realistically be ruled by consideration of the public interest, and that professions are in reality self-serving. For actuaries, the unfolding events at the Equitable Life may have done similar damage to the public perception of whether they can reasonably rely upon actuaries.

**Actuaries and Professional Responsibility**

The final paragraph of my Presidential Address to the Institute of Actuaries ten years ago (Daykin, 1995) raised the importance of the clients, employers and the ultimate consumers of actuarial services being able to trust their actuaries, on the grounds that we are the profession that turns financial promises into reality. In my view it is more important than ever that we maintain and increase our efforts to develop this focus. However, recent events would appear to have set the cause back somewhat. Many of the ultimate consumers who are affected by actuarial advice have been disillusioned by what has happened to bonuses of life insurance companies with which they had policies or with the financial status of pension schemes of which they are members.

Of course, it is not necessarily the case that their disappointment is the fault of the actuary, although there are certainly cases where the actuary may have failed to communicate well the possible consequences of future
uncertainties, the margins needed to compensate for mismatching of assets and liabilities, or where the actuary may indeed have failed to appreciate adequately the extent of changes which lay ahead, such as the rapidity of mortality improvement or the deterioration of claim settlement prospects in relation to asbestos-related claims.

To some extent the remedy to some of these issues may lie in improving the technical skills of actuaries, but, in many cases, the issue is not so much the lack of technical understanding by the actuary as the failure to communicate uncertainty well to clients and other stakeholders.

It is sadly the case that a reputation established over centuries can be lost in days. Even though the slur may, in some cases, be wholly or largely unjustified, it is extremely difficult to undo the damage once done. Actuaries, as a whole, have lost out on trust because of a general, and not always particularly well-informed, perception of what happened to the Equitable Life.

Once lost, can trust ever be restored? It is unlikely to happen overnight, and the relationship of trust may never be restored to what it was before. To succeed in rebuilding trust the professions need to establish a new paradigm.

In her 2002 BBC Reith Lectures, Onora O’Neill explored the concepts of openness, transparency and accountability as a basis for trust in societal relationships (O’Neill, 2002). Jeremy Goford took this up in his Presidential Address to the Institute of Actuaries (Goford, 2002), when he placed emphasis on the need for individual actuaries “to demonstrate, with openness, transparency and accountability, how we make financial sense of the future in both our prudential and our entrepreneurial roles.” Attractive though the mantra of openness, transparency and accountability may be, these characteristics are necessary, but not sufficient, conditions for the restoration of a satisfactory fiduciary relationship between the professional and the client and other stakeholders. They can be seen as contributing to the rebuilding of trust, rather than as a substitute for trust itself.

Openness implies clarity in terms of engagement and expectations, the avoidance of jargon and the willingness to offer full explanations in language easily understood by the layman. It suggests a readiness to be challenged, indeed, perhaps, even a willingness to provoke and encourage challenge, and a clear objective of seeking to limit any possibility of confusion or misunderstanding.

Transparency involves placing all the cards on the table and not holding anything back. For a professional such as an actuary, with a complicated technical toolkit, transparency means coming out from behind the black box and demonstrating a willingness to explain what is going on and disclose the thought processes in full.

Accountability means acceptance of responsibility and responsiveness to the client’s sensitivities and concerns. It implies taking unambiguous
individual responsibility through personal signature of advice (rather than hiding behind the corporate responsibility of signing in the name of a firm). True accountability also necessitates making available to the client an easy route to challenge and express concerns, for example through face to face presentation and explanation of the advice, and an easy mechanism to complain and, if appropriate, to seek redress.

RESTORING TRUST

Individual professionals may be able to rebuild trust with their own clients, since, in many cases, the strength of the fiduciary relationship at the personal level will be enough to counter the adverse effects of publicity relating to elsewhere in the profession. In just the same way, most of us can still have confidence in the medical advisers whom we know personally, notwithstanding failures of trust by others in the medical profession. Professionals need to know their clients well and understand their requirements, always maintaining a strong customer needs focus. In the modern climate it is essential for the professional to be open and transparent in dealings with clients and to go out of the way to carry them along in understanding the basis for advice and the rationale for it, rather than relying upon professional mystique and black box solutions.

The strategy should be to give them good grounds for trust, avoiding all forms of obfuscation and economy with the truth. In informal discussions with Onora O’Neill on the restoration of professional trust, the phrase ‘proactively limit deception’ was coined to describe a professional approach which goes out of its way to pave the way for a relationship of trust to be established and maintained. The professional needs to be fully accountable and demonstrate willingness to be monitored to ensure accountability. Personally, I think that the phrase is unfortunate, implying as it does that deception is regularly practised and needs to be limited! Although deception may, indeed, sometimes be present, I think a more general problem with professionals is their tendency to obscure the truth by jargon, poor communication or a desire to retain some mystique. A better objective for the professional might be ‘to proactively limit obfuscation’.

Indeed, there is, unfortunately, a risk that greater openness, transparency and accountability could further undermine trust. As already mentioned, the way in which these concepts are often being worked out in the regulatory environment is through ever increasing volumes of rules and regulations to govern how everything is to be done and in ever greater levels of disclosure. These may end up having wholly or largely perverse effects, since they will detract from personal responsibility, both of the adviser and the advised, replacing professional judgement with safe harbour compliance with regulations and rules, and caveat emptor with a
culture of blame and compensation. A more effective route in the long term may be to bolster reliance on professional judgement through increased clarity of communication and openness to challenge and to independent review.

**THE ROLE OF THE PROFESSIONS**

The professions themselves can do a lot to begin to restore public confidence. They need strongly to emphasise training in professionalism, all the way through a professional’s working life. They should introduce and require mechanisms of peer review and encourage professionals constructively to criticise each other, in order to reduce the risk of a ‘bad penny’ giving inappropriate advice. They need to enforce rigorously the code of conduct and professional standards and be active (and public) in reviewing allegations of unprofessional behaviour and in applying appropriate discipline. On the other hand, they also need to provide a strong community of support for individual professionals who are seeking to uphold the highest professional standards. The professional bodies need to go back to the basics of why professions exist and are granted public privileges — all structures and actions should be reviewed to test whether they are evidently serving the public interest. The professions need to be regularly seen to be on the side of the angels by demonstrating interest and concern for the consumer and speaking up more on public interest issues. They should consider introducing more public accountability into the process of setting and monitoring standards.

The loss of trust in the professions may not, in fact, be as great as the media sometimes make out. Many people still have much respect for professions, and especially for individual professionals whom they know and of whom they have had personal experience. So, in the end it probably comes back to trust being essentially a matter of personal relationships and integrity. No manner of disclosure, regulation, monitoring and discipline can achieve as much as demonstrably trustworthy behaviour, a strong fiduciary relationship and good quality advice.

Individuals and corporate clients do need to be able to trust professionals. A basis for trust may come from knowing more about the nature and track record of the profession in question, from personal recommendation and from getting to know an individual professional.

There are plenty of reasons for not being able to trust people and entities. However, we do need trust in order to be able to live manageable lives within the complex framework of modern-day society. The professions offer a strong foundation on which to continue to build relationships of trust, in an atmosphere of openness, transparency and accountability, but they will need to work very hard if they are to rebuild and maintain public trust.
References


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