

# Navigating Ethical Dilemmas in Actuarial Practice

A Professionalism Discussion Paper

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Any references to current laws, regulations, or practice guidelines are correct as of the date of publication.

# Navigating Ethical Dilemmas in Actuarial Practice

## A Professionalism Discussion Paper

This professionalism discussion paper was developed by the Committee on Professional Responsibility of the American Academy of Actuaries for discretionary use by actuaries. This paper was not promulgated by the Actuarial Standards Board (ASB) and is not binding upon any actuary. No affirmative obligations are intended to be imposed on any actuary by this paper, nor should such an obligation be inferred from any of the ideas expressed or suggestions made herein.

This discussion paper is intended to stand on its own and be freely interpreted. To the extent any conflict exists or could be implied between this paper and the Code of Professional Conduct, Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (USQS), and the actuarial standards of practice (ASOPs) promulgated by the ASB, the professional standard prevails.

Actuaries, reflecting upon the professional standards that apply to them, are free to accept or reject any part or the whole of this discussion paper. While it is the Code, the USQS, and the ASOPs that govern the responsibilities of actuaries, the ideas and suggestions offered in this paper are intended to assist actuaries in applying professionalism requirements to their individual situations.

Readers are encouraged to share their comments on this paper with the Committee on Professional Responsibility. Comments can be submitted to [professionalism@actuary.org](mailto:professionalism@actuary.org).

## Introduction: Navigating Ethical Dilemmas in Actuarial Practice

The actuarial profession holds itself to a high standard of technical rigor and ethical integrity. Actuaries are not only responsible for producing accurate, unbiased work, but also for ensuring that their work fulfills the profession's responsibility to the public.

High-profile business failures remind us that unethical actions by a few individuals can damage public trust in an entire profession. Actuaries must remain vigilant against becoming complicit, even unintentionally, in situations that undermine public trust or self-regulation.

The Committee on Professional Responsibility developed this discussion paper to help actuaries identify, assess, and respond to serious ethical dilemmas, especially those that have the potential to affect individual careers, entire organizations, and even the actuarial profession as a whole. The discussion is grounded in the Precepts of the Code of Professional Conduct (the Code), particularly considerations of integrity (Precept 1), actuarial standards of practice (ASOPs, Precept 3), conflicts of interest (Precept 7), cooperation with other actuaries (Precept 10), and addressing apparent, unresolved, material violations (Precept 13).

This paper addresses conflicts that pose significant ethical dilemmas, where the actuary is pressured to produce results that stretch or even violate professional standards. These conflicts may involve multiple stakeholders with misaligned incentives or principals requesting biased, misleading, or incomplete work. Often, these dilemmas arise in subtle ways—borderline cases where behavior may seem justifiable in the moment, but ultimately threatens professional integrity, organizational sustainability, or public trust.

This paper does not discuss routine business or interpersonal conflicts. While these scenarios may be challenging, they typically do not present ethical dilemmas that compromise professional standards or have the potential for legal or regulatory action. Similarly, malfeasance or illegal activity that falls outside the scope of actuarial work, though potential violations of the Code, is not the focus of this discussion.

Actuaries may be subject to privacy or non-disclosure agreements or laws and should think about how to comply with Precept 9 (confidentiality) of the Code in the sections that follow.

Ethical challenges are inevitable, but how we handle them can affect the reputation of the profession. This paper aims to help actuaries not just do the right thing, but do it with confidence, clarity, and professionalism.

## Recognizing a Difficult Ethical Situation

Ethical dilemmas often arise in complex environments where professional standards, stakeholder interests, and personal integrity may come into conflict. Recognizing *when* you face a potentially serious ethical conflict is crucial to protect your own standing, uphold the integrity of the profession, and fulfill your responsibility to the public. Indicators include:

### Material Violations of Professional Standards

One of the clearest indicators of an ethical dilemma is a material violation of, or pressure to violate, professional standards. For example, knowingly producing a work product based on flawed assumptions or manipulated data would be a serious breach of Precepts 1 (integrity) and 3 (standards of practice) of the Code.

### Organizational Threats and Reputational Risk

An ethical conflict can be so severe that it threatens the viability of your employer or your client, such as situations involving fraud, manipulation of financial statements, or regulatory evasion. The profession itself can be harmed, especially when public trust is at risk.

### Unethical Requests from Principals or Stakeholders

Actuaries may find themselves facing ethically questionable requests from clients, employers, or other stakeholders. These often begin subtly—“Can you just take the results a bit further?”—but can escalate to demands that cross ethical or even legal boundaries. Examples include:

- Experiencing commercial pressure to adopt estimation methods that are inaccurate or biased.
- Requests to produce or justify biased results to support management’s preferred position.
- Pressure to use biased estimates or certify unsupportable assumptions or outcomes.
- Requests to adopt a false or misleading rationale for a business decision predetermined for different motives.

Tension can also arise when there is a mismatch between short-term incentives and long-term consequences, especially in areas like pricing, pension funding, or risk management.

Ethical obligations extend beyond the principals to all intended users, and Precept 8 of the Code requires actuaries to take reasonable steps to ensure their services are not used to mislead other parties.

### **Personal Risk and Workplace Toxicity**

Ethical distress can take a severe toll on the actuary. This might manifest as the urge to document conversations or decisions as a form of self-protection—an early sign that professional boundaries are being tested. Evidence of a toxic or deceptive work environment is another strong signal. This includes being misled about data or project scope, discovering that key information is being withheld from auditors or regulators, or observing misuse of actuarial recommendations.

The actuary's own mental, physical, or financial well-being may be at risk. Repercussions of unethical practice could range from job loss, reputational damage, or damage to the actuarial profession. When ethical integrity collides with organizational loyalty, actuaries must take care to act in a way that both supports their personal values and meets their responsibility to the public.

An actuary may be able to avoid some difficult ethical situations by taking on only appropriate assignments for which the actuary is qualified and has adequate experience, staffing, tools, and time to provide quality actuarial services. And the converse is also true: an actuary with inadequate experience and resources for an assignment may easily find themselves in a difficult ethical situation.

## Approaching an Ethical Conflict: Tools and Strategies for Actuaries

When faced with a difficult ethical situation, actuaries should consider utilizing existing support structures, such as avenues for raising concerns within their employer, peer professionals, or the Actuarial Board for Counseling and Discipline (ABCD).

An objective situational analysis is a valuable first step. Understand the conflict, the motivations of the parties involved, the potential consequences of your actions or inactions, and your own biases. Emotional reactions, cognitive dissonance, or reluctance to acknowledge past errors can cloud judgment. Seeking input from others can further clarify your perspective. A technical peer review or ethical consultation with a capable, unbiased colleague may reveal previously overlooked considerations. For particularly complex or emotionally charged situations, external resources—such as mentors, professional counselors, or the ABCD—can provide objective, experienced, and confidential guidance and reassurance that you’re taking responsible steps to uphold professional standards.

The actuary may not have complete information about the business situation or the principal’s motivations, particularly in cases involving confidential transactions such as potential mergers, acquisitions, or other sensitive strategic decisions. If the actuary lacks complete information, a principal’s request could appear unethical. In such situations, the actuary should make a concerted effort to learn as much as reasonably possible, asking relevant and thoughtful questions to better understand the broader context. A confidential discussion with the principal may elicit sufficient information to alleviate the actuary’s concerns.

If the actuary trusts their organization’s internal resources, the actuary could consult them for help. If not restricted by privacy or non-disclosure terms, the actuary could discuss concerns with a peer or a senior actuary in the organization, who may have a different view of available information or next steps. Leadership, legal departments, compliance teams, or whistleblower programs may be able to offer both procedural direction and institutional support.

Often, ethical pressures arise when non-actuarial principals are unaware, misunderstand, or do not fully respect the actuary’s professionalism obligations. In such cases, apprising such principals of these responsibilities can help reframe their requests and avoid misaligned expectations. (See [Explaining Professionalism to Principals.](#))

It is crucial to document the situation and related discussions. Documentation of key decisions, communications (including oral communications), and rationale may become essential if your conduct is later questioned or if the issue escalates. If necessary, consider hiring independent legal counsel to ensure your individual interests are protected.

Thinking through various potential outcomes, including worst-case scenarios—such as needing to terminate a client relationship or being forced out of a role—can help prepare the actuary for adverse scenarios. Questions to ask yourself include:

- Do your actions align with your ethical standards and the standards of the profession?
- Could someone with access to your documentation make a reasonable case that you failed to act appropriately?
  - If the answer is yes, you may need to reconsider your position, escalate, or adjust your response.
- What do acceptable resolutions look like?
  - If resolutions you deem acceptable are out of reach under current circumstances, you may want to prepare for the possibility that the situation may not resolve itself without significant action on your part.
  - Will remaining in the relationships or role threaten your health, credibility, values, or future career opportunities? If so, it may be time to go. Think about your well-being; ethical distress can take a heavy toll over time. It's easier to find a new job than a new career.

## Handling Ethical Conflict as It Evolves Over Time

Ethical challenges that develop over time are among the most difficult to manage, and compromise can occur even when intentions are benign. A situation can evolve after you're already embedded in it. Personnel changes, increased pressure, or a shift in client expectations can gradually push you to cross professional or ethical boundaries. Scrupulously honest principals can be replaced with inexperienced or unethical principals. What begins as a seemingly harmless exception can become an untenable precedent. Actuaries must stay alert, particularly when time pressure, materiality, or cost pressure is used to justify professional or ethical shortcuts. Maintaining professionalism in the face of continued pressure requires regularly evaluating both your role and your options.

One of the first and most important considerations is whether you can or should continue in your current role or course of action. Ask yourself if your future actions, as currently planned, are robustly defensible under professional standards and applicable regulations. Be mindful that ASOP No. 1, *Introductory Actuarial Standard of Practice*, prohibits “strained interpretations” of ASOPs. Even if your past decisions were reasonable, a situation can drift into ethically compromised territory over time. This “slippery slope” effect means that inaction can gradually lead to complicity, making you a participant in misconduct rather than just an observer.

If necessary, escalate. The actuary could consider requesting an independent peer review or issuing a qualified or adverse actuarial opinion if it will satisfy professionalism standards.

Even if you’ve been complicit in past actions but have now reached a personal or professional breaking point, it’s not too late to respond. You may need legal advice or to amend or disclaim previous work if it no longer reflects your professional judgment.

Sometimes continuing the current path may place too much at stake. When ethical concerns remain unresolved, consider your exit options. Leaving does not necessarily mark failure; sometimes it is the most responsible thing to do. Indeed, if you conclude the situation is irredeemable, then disengaging may be the best way to protect your reputation and career.

If you decide to leave, the next question becomes, when? Leaving an unresolved situation may feel uncomfortable, especially if it seems premature or disruptive, but waiting too long can trap you in a web of shared responsibility. As decision theorist Annie Duke put it, “Quitting on time will usually feel like quitting too early.”

Deciding when to disengage is rarely clear-cut. Consulting with trusted peers or mentors can help. Consider the seriousness of the situation, including legal risks, regulatory exposure, and the risks to your reputation.

Disengagement is justified in some circumstances. As an example, the Code's Precept 1, Annotation 1.2 states the "actuary shall not provide actuarial services for any principal if the actuary has reason to believe that such services may be used to violate or evade the law or in a manner that would be detrimental to the reputation of the actuarial profession." Other examples where disengagement may be justified include a personally or professionally harmful work environment, abuse of business relationships, severe clashes on personality, priorities, or approach.

If you disengage, consider what obligations you still have. Precept 10 of the Code, on Courtesy and Cooperation, encourages cooperation with your successor, both to ensure continuity and to avoid professional repercussions. You may also choose to support colleagues still navigating the same ethical challenges, helping them avoid the pitfalls you've experienced.

This paper speaks to an actuary as an individual, not as a leader of a firm or consulting engagement. Disengaging may have broader business implications for an organization. As an example, an actuary who is a partner in a consulting firm can adversely impact other partners with these decisions. We raise awareness of these issues, but they are beyond the scope of this paper.

## Conclusion

Ethical challenges can be part of our professional practice, and actuaries needn't face them alone or unprepared. When actuaries meet these challenges thoughtfully, consistently, and with courage, the profession remains robust and vibrant.

Ultimately, ethical professionalism is not only about avoiding violations, but about reinforcing trust—in our work, our organizations, and our profession.



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