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*This short article sets out a hypothetical workplace dilemma. We invite you to submit comments and suggested solutions which will be summarized and published in the next issue of The Stepping Stone. All submissions will be received in confidence, and any identifying details removed prior to their inclusion in the discussion of the case.*

Stanley the FSA was the sole actuary for a smaller insurance company for many years. Then Stanley hired Trevor after college graduation five summers ago, and Trevor subsequently attained his FSA in short order. During the past two years, their firm started selling new insurance products—not in Stanley or Trevor's primary area of practice—manufactured by another firm but written on the smaller company's paper. Stanley handled the actuarial work for the growing block on his own.

Stanley coped with the increasing complexity of external reporting for the new products by reaching out to Walter the FSA, an old school chum and consultant. Walter was always glad to help, telling Stanley to read "this section of that regulation" or a passage from a certain practice note. This ad hoc approach seemed to work okay for Stanley.

Then just before financial reporting year-end, Stanley died in a tragic holiday traffic accident. Walter now began to field Trevor's telephone calls seeking assistance. Walter didn't see any harm in giving the "friend of a friend" the same kind of suggestions provided to Stanley. And Trevor seemed to be managing alright given the shock of Stanley's death and his heavy workload.

The following April, Trevor called Walter asking for help with correspondence for the state regulator. Walter said, "It would be best if you hired me as a consultant so I could do this properly for you." Trevor thought for a moment and replied, "Maybe next year," before persisting with his questions. Walter eventually gave in, and suggested "I might say something like this ..."

A couple of weeks later, Walter received a series of frantic messages from Trevor. The state regulator had discovered a material inconsistency between Trevor's data filing and subsequent correspondence, and was seeking clarification.

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# the stepping stone

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# Chairperson's Corner

By Kristen Walter Wright

This fall, I wrap up my three-year elected term serving on the council for the Management and Personal Development Section. Given the end of my term and the season of giving thanks, now is an opportune time to recognize several individuals who ensure the M&PD Section operates smoothly in serving you, our section members.

First of all, I would like to extend a warm thank you to my fellow retiring council members, Jeff Stock and Muhammad Haris Nazir. Jeff has served the section well as the M&PD web liaison in his recent council duties. Haris has brought a unique international perspective to the leadership and direction of the section activities. I look forward to working with both Jeff and Haris in the future in new capacities with the M&PD Section.

Thank you to Jill Leprich, who serves as our SOA Section Specialist. Jill ensures that our council meetings and activities move forward as planned by helping us out whenever we need to figure out the logistics of "how exactly do we get this done?" Jill also provides insight into our section finances and serves as an excellent resource to the section.

Many thanks to our SOA Staff Partner, Meg Weber. Meg not only generates great ideas and opportunities as to how to engage the M&PD Section as a nontraditional area, she also brings solid strategic perspective based on what the SOA is aiming to accomplish. I appreciate Meg's feedback on what we are doing well, as well as her ideas on how we can work even more effectively.

Marcus Robertson has served as our section Board Partner for the past year. I appreciate the guidance and wisdom he shares with the council. Marcus provides good insight into Board activities and priorities, and actively contributes great ideas to our council based on both his Board experience and previous section council experiences.

Thank you to John West Hadley, who edits our section newsletter, *The Stepping Stone*. John has now served as our newsletter editor for five years. John does exceptional work in developing,

recruiting and providing guidance to volunteers, guest contributors, and council members, resulting in a valuable and practical section newsletter. John works closely with Glenda Maki, the SOA staff newsletter editor, in the design, final editing, and production of our newsletter. Many thanks to Glenda for her support.

Special thanks to Michael Braunstein for his generous contributions as an experienced and highly involved Friend of the Council. Michael was involved in the section well before it was a section, and has continued to support our activities, including co-leadership of meeting coordination for both this year's Health Meeting and Annual Meeting. Michael is also helpful in providing history and context to different section activities and objectives.

Thank you to the continuing council members Frank Grossman, Olga Jacobs, Meredith Lilley, Stephanie Weist, Nick Jacobi and Anju Gupta-Lavey for your gift of time and effort in leading the section well. Council members have contributed their time and attention to coordinating section activities at the Life & Annuity Symposium, the Health Meeting, the Valuation Actuary Symposium, and the Annual Meeting. Incoming Chairperson Olga Jacobs brings a lot of energy for our section's mission and objectives, and I expect she will serve the section well.

Finally, thank you to each of you, our section members. We welcome your continuing support and involvement. ●



Kristen Walter Wright is vice president of actuarial analysis at Regence in Seattle, Wash. She can be reached at [kristen.walter@regence.com](mailto:kristen.walter@regence.com).

## The Actuarial Ethicist: Jam Sandwich Correspondence

**J**ust read the discussion of the May 2011 Actuarial Ethicist Jam Sandwich case study in the August 2011 issue of *The Stepping Stone*.

I wanted to point out that in the first paragraph of the section labeled “Managing Up”, it’s noted that Rick’s promotion created an opening for Charlie, so “Rick must be doing something right”.

Going back to the Peter Principle, many of us have known people who were promoted to their level of incompetence. In this case, Rick’s technical skills may have gotten him promoted to a level that requires people and relationship skills that he hasn’t developed yet.

Just a thought that we should not assume that Rick’s promotion is confirmation that he’s doing things right, particularly in his new role. He may be at the point where he needs Marshall Goldsmith’s book, “What Got You Here Won’t Get You There”.

Thanks for investing the time to develop the scenarios and read and summarize the responses. This is an excellent series of articles, part of what I like about the M&PD and *The Stepping Stone*—very realistic, practical, usable advice.

Keith Hartsough, FSA, EA  
September 24, 2011, via email

TAE’s Note: There may have been a tinge of irony in the discussion article’s comment about Rick’s performance. Perhaps “Rick must have done something right in the past” would have been slightly more accurate.

In their 1969 best-seller “The Peter Principle,” Dr. Laurence Peter and Raymond Hull asserted, “In a hierarchy every employee tends to rise to his level of incompetence.” According to Peter’s follow-up tome “The Peter Pyramid” (1986):

I called this concept a principle, not a law, because it was neither universal, immutable, nor inevitable. It only described a tendency of an individual to climb or be promoted from one level of competence to the next until arrival at a level of incapacity. Unfortunately, this is where he or she usually remains, frustrating co-workers, eroding the efficiency of the organization ...”

Hence your comment about Rick and the Peter Principle was quite apropos. Thanks for your note and your thoughtful feedback. ●

## DEEP-END OF THE POOL | FROM PAGE 1

Walter contacted Trevor and received the full measure of Trevor's distress. Though Walter may have had some prior inkling of Trevor's callowness, he now realized that Trevor was in way over his head. Trevor had apparently been afraid to ask his management for additional resources during year-end, and thereby concede his inability to fill Stanley's shoes. According to Trevor, his present entanglement with the state regulator wouldn't have happened had Walter's instructions been clearer.

Walter pushed back, whereupon Trevor blurted out, "I'm just doing the best I know how!"

### WHAT SHOULD WALTER DO?

*Send your suggestions before November 10, 2011, to [Craigmore54@aol.com](mailto:Craigmore54@aol.com). The discussion of Walter's dilemma will be published in the February 2012 issue of The Stepping Stone. ●*



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# The Actuarial Ethicist:

## Responses to “Purloined Pages”

by Frank Grossman



Frank Grossman, FSA, FCIA, MAAA, is a senior actuary at AEGON USA who is mindful of La Rochefoucauld's observation: "Everybody complains of his memory, but nobody of his judgement." He can be reached at fgrossman@aegonusa.com or 319.355.3963.

### THE CASE STUDY

Briefly summarized<sup>1</sup>, Erin the FSA is an interest-sensitive product valuation actuary who works for Dave the ASA, their division's CFO. On their way to their first meeting with Vincent, one of their firm's portfolio managers, Dave explained that: (i) the investment strategy for one of Erin's product lines prescribes a duration matching approach to managing interest rate risk, and (ii) the last time the liability duration was updated was prior to both Dave and Erin's appointment to their current positions three years ago.

During their meeting with Vincent, Dave and Erin learned that the asset portfolio's duration was calculated by external software. The meeting ran long as Erin and Vincent discussed the technical aspects of calculating durations. Erin mentioned the sensitivity of the liability duration to dynamic lapse rate assumptions, which seemed to be news to Vincent.

Erin prepared a written report summarizing her duration calculations for the next meeting with Vincent a couple of weeks later, including an appendix with her policyholder behavior sensitivity test results. While waiting for Vincent to arrive, Dave quickly read Erin's report, asked for all three copies and removed the appendix from each report before returning them to Erin. Just as Vincent entered the room, Dave said "Let's try to finish today's meeting on time, okay?"

### READER RESPONSES

Your comments and suggestions about Erin's next move ranged widely: from proceeding with the meeting and delivering a succinct presentation for Vincent; to drawing Dave aside and challenging his decision. Responses have been edited for space considerations.

#### Dramatis Personae

An actuary familiar with the asset-liability management (ALM) scene observed that the case study "seems to be more about business roles and responsibilities ... (and) less like an ethical

dilemma." The actuary proceeded to assess the roles and responsibilities of each of the "players" in the case study.

- "Erin very much sounds proactive and thoughtful, trying to incorporate any significant modeling considerations into her analysis. (Yet) Erin's role is least clear of the three. She owns the liability modeling and appears capable of making an informed liability duration recommendation.
- Dave has oversight of the liability modeling, including assumption setting and deciding which liability duration target will be used. It is unclear, however, whether Dave really wants Erin to spend much time on refreshing the liability duration. He may be generally impatient, perhaps because his CFO role grants him little time for details.
- Vincent was clearly willing to have a fairly detailed conversation with Erin ... So, we can assume that he's diligent and prepared to do the right thing. Vincent needs to know the liability duration target, but also additional information that may help him manage the liquidity of the assets better."

The actuary then asked, "Who is responsible for what?" and suggested:

- "Erin needs to make her liability duration recommendation and highlight any caveats at the appropriate level for her audience.
- Dave needs to understand the policyholder behavior sensitivity results, since he needs to be comfortable with Erin's assumptions.
- Vincent only needs to understand the policyholder behavior sensitivity to the extent that change is likely, in which case he should be made aware of the potential directional bias in any future duration target."

A second actuary mentioned, "Sometimes the employee is closer to the details of what matters than the manager. Managers need to understand and weigh that when making their decisions. ... Dave sounds like he is more concerned with getting things done on time than with making sure management is well informed."

A third noted “... *this (ALM) topic had gone over three years without being discussed.*” as a possible explanation for Dave’s apparent urgency—the pressing need to get *something* done.

### **Risk is a Disclosure Opportunity**

That Erin followed up on the initial meeting with Vincent by encapsulating her duration estimates for the interest-sensitive products in a written report suggests that she understood her professional responsibility. Actuarial Standard of Practice (ASOP) 41 Actuarial Communications clearly specifies the need for an actuarial report where there is reliance on the actuary’s work.

ASOP 41 Actuarial Communications §3.2 Actuarial Report (in part): The actuary should complete an actuarial report if the actuary intends the actuarial findings to be relied upon by any intended user. The actuary should consider the needs of the intended user in communicating the actuarial findings in the actuarial report. ...

It’s also important to recognize that the actuary has an obvious responsibility to consider the intended user’s needs when drafting a report.

ASOP 41 §3.4 discusses certain disclosures that should be made within an actuarial report. In particular, §3.4.1 targets the actuary’s responsibility to the intended user of an actuarial report when findings are less than clear-cut.

ASOP 41 Actuarial Communications §3.4.1 Uncertainty or Risk: The actuary should consider what cautions regarding possible uncertainty or risk in any results should be included in the actuarial report.

One actuary specifically noted that this subsection “*requires a discussion of risks (such as sensitivity to the dynamic lapse assumption). This argues in favor of Erin following up with additional information for Vincent—even if Dave feels it was right to constrain the report for the purposes of their (second) meeting.*”



### **What Just Happened?**

Respondents offered diverse interpretations of Dave’s actions. Several were under “*the impression that Dave was trying to hide something, and in that situation, (thought) Erin needs to find a way to share the necessary information (with Vincent) while hopefully finding a compromise with Dave.*” One actuary wrote, “*If Erin perceives that Dave is unwilling to allow that level of communication, then she has a real problem. However, it would be borrowing trouble to think that is likely.*”

It was possible that Dave, after a quick review, concluded that the appendix was poorly written. A second actuary wrote: “*Erin may simply have done a bad job of communicating in the appendix. Sometimes actuaries are too technical. Note that the prior meeting ran long due to a technical discussion. Perhaps Dave thought the appendix was too technical to be accessible by Vincent.*”

The same actuary noted that ASOP 41 §3.3 states that the content of an actuarial report may be constrained by circumstances.

ASOP 41 Actuarial Communications §3.3 Specific Circumstances (in part): The content

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of an actuarial report may be constrained by circumstances. ... Where those constraints exist, it may be appropriate not to include some of the otherwise required content in the actuarial report.

...

*“It may be that Dave has a good reason for not wanting the meeting to go over (its scheduled time), and removing the appendix is the means to that end. However, he should be prepared to identify the reasons for limiting the content of the report. Erin should ask for that justification.”*

Yet another made the point that while Erin’s sensitivity test findings were doubtless important, updating the liability duration was urgent. *“(T)he information in the appendix, though valuable for the longer-term effort, would be a diversion from the immediate need.”*

A canny actuary—familiar with the inertia of the status quo in the corporate world—suggested *“Another possible reason why Dave removed the pages is that he may have wished to pre-empt Vincent from using the information in the appendix as an excuse for not adjusting the portfolio to the new liability duration.”* Brilliant!

#### **Good Practice ... Makes One Better**

Common sense suggests that incorporating the name of a document’s author and its creation date within the document is a good idea. This is notwithstanding the sheer volume of written materials the world over (both physical and virtual) penned by the ubiquitous “Anon”. ASOP 41 confirms that including the name of the actuary responsible for an actuarial communication, as well as its date and other identifying details, is good actuarial practice.

ASOP 41 Actuarial Communications §4.1.1 Identification of Responsible Actuary: Any actuarial communication should identify the actuary who is responsible for the actuarial communication.

ASOP 41 Actuarial Communications §4.1.2 Identification of Actuarial Documents: Any actuarial document should include the date and

subject of the document with any additional modifier (such as “version 2” or time or day) to make this entire description unique.

The case doesn’t mention whether Erin incorporated these basic and prudential elements in her written report. But if she did, their inclusion would have incontrovertibly established a key point: the report was Erin’s actuarial communication. The SOA’s Code of Professional Conduct (COPC) speaks directly to an actuary’s control of his/her work product.

COPC Precept 8: An Actuary who performs Actuarial Services shall take reasonable steps to ensure that such services are not used to mislead other parties.

COPC Annotation 8-1 (in part): An Actuarial Communication prepared by an Actuary may be used by another party in a way that may influence the actions of the third party. The Actuary should recognize the risks of misquotation, misinterpretation, or other misuse of the Actuarial Communication and should therefore take reasonable steps to present the Actuarial Communication clearly and fairly ...

The balance of ASOP 41 §4.1 provides a summary list of disclosures that should be made within any actuarial communication. One actuary suggested, *“(Had) Erin used this section as an outline of sorts, it would have been impossible for Dave to remove the appendix without letting (other) people know that they were not getting the entire report.”*

#### **Ties That Bind**

Several readers noted the practical expedient of referring to an appendix containing the sensitivity test results within the body of the written report. One actuary suggested, *“If Erin referenced the appendix in the main document body, then Vincent would know of its existence and likely ask for it—even if Dave tried to prevent him seeing it. It is good practice to indicate what constitutes a full version of the report per ASOP 41.”*

... while Erin’s sensitivity test findings were doubtless important, updating the liability duration was urgent.

ASOP 41 Actuarial Communications §3.2 Actuarial Report (in part): ... An actuarial report may comprise one or several documents. ... Where an actuarial report for a specific intended user comprises multiple documents, the actuary should communicate which documents comprise the report. ...

Once again, the case doesn't mention whether Erin cross-referenced the appendix, but doing so would have established a second key point: the entirety of her actuarial communication.

It may be worth noting that veteran report writers often employ a "Page X of Y" footer within their documents. This convention makes the illicit removal of pages more difficult. A corollary benefit of defining what constitutes an actuarial report—whether in terms of supplementary sections or the document's page count—is that it makes it harder for someone to *add* unauthorized content. A slightly different kind of boot-strapping.

### Rejoining with Vincent

Now that Vincent has arrived and Dave has edited her report, Erin needs to overcome her surprise—and quickly. One actuary offered practical advice. *"There are changes she could make in the future to avoid these types of situations, but during this particular meeting, she should make the best of the situation until she can meet later with Dave one-on-one."*

Another actuary suggested that Erin make the presentation of her findings short and to the point. *"Erin should present the (remaining) materials that she prepared to Vincent and start with the answer, 'Based on my work, the liability duration is 'X'.' Then she should mention that the liability duration is subject to change in the future based on her lapse rate study. For example, when interest rates are high, there are more lapses and the duration will be shorter. She might recommend that the asset duration be adjusted slightly shorter for this finding, or that the liability duration be reviewed monthly*

*(or at least quarterly), or when interest rates move by more than 'Y' basis points."*

Adopting a flexible—and politic—approach appealed to the first actuary. *"Erin should see how long the meeting goes. If there is extra time at the end, Erin could bring up the type of material covered in the appendix. ... She should likely avoid mentioning the actual appendix, as it would bring up the question of why it wasn't included with the rest of the report. ... Erin could mention that she has additional information for Vincent, and would be available to schedule a follow-up meeting."* An option play of sorts.

A third offered: *"It seems as though Erin has enough information to do her job, while Vincent may not be as informed as he should be. Maybe Erin does not need to push to share the sensitivity test results, especially if Dave is hesitant. She has to consider what she needs to do and not just what she'd like to do."*

### Back on the Chain Gang

Recognizing that *"first impressions can be deceiving,"* a thoughtful actuary sought to sketch the most benign explanation, thereby casting Dave's behavior in a somewhat more favorable light.

*"At first blush, Dave's last-second removal of significant information from Erin's report seems quite unethical. It appears as though he deliberately withheld information ... that could help to prepare Vincent for the almost inevitable revision of liability duration estimates, as more information becomes available about dynamic policyholder behavior."*

*"Clearly, Erin realized after their first meeting that there was a need to educate Vincent about the uncertainties in the calculation of a liability duration. ... (S)he thought the appendix would be a good way to begin that education process."*

*"Not so obviously—but quite possibly—Dave was also surprised to learn that Vincent was unaware of the*

... first impressions  
can be deceiving ...

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**What we have  
is a failure to  
communicate.**

*uncertainty inherent in the liability duration estimate. He similarly realized that they needed to help Vincent understand those uncertainties, and work together to revise the investment strategy accordingly to reflect them. Dave may have even started a separate line of communication with Vincent.”*

*“The circumstances of the purloined pages bring to mind a line of dialogue from (a chain gang scene in) an old movie, Cool Hand Luke: ‘What we have here is a failure to communicate.’ Both Dave and Erin quickly and independently realized the need to bring Vincent up to speed. However, over the intervening days between the two meetings, they took different paths to address that need—and neither informed the other of what he/she was doing.”*

*“Upon reading Erin’s report, Dave recognized that failure in their communication but it was too late to correct their mistake. ... The best course of action was to remove the appendix so that the meeting could focus on the immediate objective, namely updating the liability duration estimate. Unfortunately, Vincent walked into the room before Dave could inform Erin; and offering an explanation with Vincent present would have caused the distraction he wished to avoid. ... Despite her apparent shock, Erin needs to follow Dave’s lead and proceed with the meeting focused on their company’s existing strategy and the duration matching agenda.”*

*“Very soon after the meeting with Vincent (immediately, if possible), Dave and Erin need to meet separately so that they can come to a clear understanding of what they’re trying to accomplish. Ideally, Dave would initiate that discussion, and perhaps open with an apology for his own failure to communicate i) his strategy for dealing with newly recognized need and ii) how that strategy prompted him to remove the appendix. Should Dave not take the lead, then Erin might begin by acknowledging that she had failed to alert Dave in advance about the appendix. That could segue to a discussion of Vincent’s need and how they would work together to meet that need.”*

*“Perhaps the most disturbing part of this scenario is that, after working together for three years, Dave and Erin don’t know each other well enough—*

*they were both surprised by the turn of events.” Reason enough to begin working on that “failure to communicate” thing.*

**Corridor Conversation**

An alternative perspective was offered by a sage actuary who concluded that the case “creates an impossible situation for Erin, and Dave should have known better.”

*“Had Dave reviewed the report in advance of delivery and requested or ordered Erin to remove parts of the report, Erin should have refused to sign or participate in its delivery. She had no other choice if the pages were essential to understanding the implications of the report.”*

*“Erin has no alternative course of action but to leave the meeting with the incomplete reports in hand and ask Dave to step outside. This creates a terribly embarrassing situation for Erin, Dave and their employer. But the alternative is a potential professional/financial disaster if Vincent draws the wrong conclusions from the incomplete report, and takes actions which he would not have taken, or later alleges he would not have taken, had he been given the full report.”*

*“By removing any part of the report, Dave has invalidated Erin’s signed professional opinion and she has no option but to say so, even at the risk of her job. What a terrible position for any actuary to be placed in!”*

**Rapprochement with Dave**

Respondents consistently encouraged Erin to follow up with Dave following the second meeting with Vincent. One neatly set out a course of action. “Erin’s first priority is to check with Dave to understand why he removed the appendix. Was it an issue of wanting to keep the meeting on time, or was he avoiding the topic for another reason?”

- *If it was purely a time concern, she can send the appendix to Vincent and schedule another meeting to discuss (if necessary).*
- *If Dave is avoiding the topic, Erin needs to understand why. Is it due to a previous issue,*

*because Dave thinks it's not worth Vincent's time, or something else?"*

This actuary concluded by noting the basic need to maintain a client-centered focus. *"Vincent should be the one to determine if the material is important for him to understand."*

A second thought was that Erin might find it helpful to review her responsibilities per ASOP 41 together with Dave. *"She may want to do this in a one-on-one meeting ... Depending on how well that goes, she may want to follow up with the chief actuary or an HR representative. If Dave moves to dismiss her for being rebellious, others in the organization should know that it really boiled down to ethics."* The first actuary observed, *"Erin may need to balance her professional responsibility versus her responsibility to her employer. If she feels they are in conflict, she needs to document that."*

The second also stressed the need to be circumspect when communicating with others in the workplace. *"Consider your relationships. Consider your method and timing. Don't let your emotions get in the way."* After all, it's been said that there's a time and a place for everything. *"Erin may really do best by engaging Dave privately to discuss his reasons, listen to his points ... If he had good reasons for removing the appendix, she may simply make a political mistake by speaking up during the meeting with Vincent. For example, she may have truly done a lousy job writing up the appendix, and Dave may fully intend for her to do a proper rewrite ... It is easy to get proprietary about our work, but sometimes other people do know better."*

Whether Dave knew better or not, another actuary didn't think he had the right to unilaterally edit another actuary's written report. *"Erin has a responsibility to (preserve the integrity of) her work product, so if she feels it's appropriate/necessary, she should send a follow-up email with the appendix."* Others agreed that, absent a satisfactory conclusion to her discussion with Dave, choosing to *"email the supplemental pages later on"* was a legitimate option.

Several respondents were concerned about the

way Erin and Dave worked together. Dave's last-minute invitation didn't afford Erin an opportunity to prepare, and pre-meeting briefings offered while "walking and talking" seemed to court imprecision at best, and miscommunication at worst. For Erin's part, her just-in-time delivery of a report heading into the second meeting wasn't very sharp.

The following is reflective of the suggestions offered: *"Before their next meeting with Vincent, Erin and Dave need to meet to prepare the documents and agree on the material to be covered. ... They should establish agendas for future meetings to make sure all important topics are addressed."*

Ultimately, one reader targeted the vital need for Erin and Dave to come to terms. *"Dave is an ASA, and Erin is an FSA, but Dave is Erin's boss. It's unclear which of them has more professional knowledge and should be the one to ultimately decide whether or not to share the information with Vincent."* Back to a shared understanding of roles and responsibilities, or so it would seem.

## CONCLUDING THOUGHTS

A sincere thank you to all who contributed their comments and suggestions about Erin's next move. The contents of this article should not in any way be construed as a definitive interpretation of the various actuarial guidance documents referenced within the article. This hypothetical case study and its discussion are intended for the personal use and (possible) edification of members of the Management & Personal Development Section. ●

### END NOTES

<sup>1</sup> See the August 2011 issue of *The Stepping Stone* for the complete description of this case study.

It is easy to get proprietary about our work, but sometimes other people do know better.

# Report from a Distant Quarter: PSoA Holds Professionalism Workshop - Part 2

Contributed by the Pakistan Society of Actuaries



**From left to right;** Ms Usha Nenwani, actuarial student; Mr Mohammed Altaf, FSA; Ms Raazia Haji, Ms Ambreen Azmat and Mr Syed Abdul Mujeeb, actuarial students

*Editor's Note: Earlier this year, the Pakistan Society of Actuaries (PSoA) conducted a half-day professionalism workshop which focused on the SOA Code of Professional Conduct (COPC) and a couple of The Actuarial Ethicist case studies. The event was well attended by around 50 PSoA members, and our correspondent indicated that, "The discussions were pretty lively and interesting." This is the second and concluding portion of the PSoA's report, and includes their thoughts about the "Mortality Study Conundrum" case originally published in the January 2010 edition of The Stepping Stone, available at <http://www.soa.org/library/newsletters/stepping-stone/2010/january/stp-2010-iss37.pdf>.*

Attendees were given copies of 'The Mortality Study Conundrum' and divided into teams. The teams were first asked to identify the issues that of concern, then to see what COPC precepts applied to the case and examine ways that Jack could address the situation.

Briefly stated, here is 'The Mortality Study Conundrum' case study:

*"Jack summarized the findings of his company's first individual life insurance mortality study in a report for his manager, George the FSA. George requested two modifications:*

- 1) Spiral-bind the report for wider distribution, including a title page with both their names as authors.*
- 2) Adjust the actual-to-expected (A/E) ratios to exclude amounts exceeding the company's retention limit.*

*Jack knew that the A/E ratios for a couple of products were significantly lower when calculated net of cessions, and he suggested that both gross and net ratios for those products be included in the report— or, at least, that the report's introduction disclose that claims exceeding retention were ignored. George disagreed, stating that, 'everyone who reads the report will know that it's net of reinsurance.' What should Jack do?"*

The issues that were identified by the teams ranged as follows:

## DUAL AUTHORSHIP

The dual nature of the report authorship was cited by a team to be a concern. There were comments about Jack doing the hard labour and George receiving the fruit, and some teams were unhappy about "George claiming credit for work he hadn't performed and saw his mention as a co-author to be a professional and ethical misconduct."

One student observed that "in present times, people in organizations might have responsibility, where they might be heading a department and hence need to validate a report. In that capacity, it is okay for George to sign-off a report which is then being forwarded by him to another party. However, it should be clearly mentioned that he is not the author of the report and is signing it in a capacity of a reviewer or supervisor."

One respondent cited that "Jack should remove his name from the report, particularly if his fear about the disclosure about authentic information couldn't be allayed by George, and let George take the full responsibility for the material and publication. It is very important that responsibility can be attached to the implications of the report, and if Jack feels that George is trying the distort figures then he shouldn't take ownership of the report."

## WIDER AUDIENCE

The issue of a 'Wider Audience' was picked as a potential theme. The fact that the report was meant for wider distribution indicated that it would probably cater to a large subset of the audience for whom it might not be obvious that the figures quoted were 'net of reinsurance' and hence might be misled by the information.



**From left to right;** Mr Nauman Cheema, past president of PSOA and moderator of the seminar; Mr Arif Rasool, current president of PSOA; Mr Muhammad Haris Nazir, council member, PSOA; and Zain Ibrahim council member and secretary, PSOA

One respondent noted that *“George’s assumption that everyone who read the report would know that the figures were net of reinsurance is a clear violation of the code of conduct which clearly states that communication has to be clear and appropriate to the circumstances.”*

## BOTH FSAS

George’s hesitancy was perceived as a villainous trait by many members who speculated that it might be driven by a desire to hide certain information or misrepresent facts, a clear violation of the SOA code of conduct as discussed in the precepts.

One member was of the view that *“Jack should not agree to ‘net’ representation and insist on a disclosure. His qualification status rendered him equally in a position to express his opinion, as both he and George were FSAs, and he should hold his ground and approach higher authorities if a disagreement persisted.”*

## CONFUSION OVER THE PRINCIPAL

The identification of the principal was not clearly stated, hence creating a problem in identifying the target audience for the work. In knowing who the principal was, Jack would be better able to decide whether they would know the figures were ‘net’ of reinsurance, or did George have something up his sleeve?

## CONFLICT BETWEEN ACTUARIES

The conflict between both Jack and George as qualified actuaries was cited as a potential issue. Their difference of opinion was recognized to be a matter of concern.

One member stated, *“Communication had to be clear and understood. At best, both the gross and net amounts could be shown in the report. If George still disagreed and no consensus could be reached, then possibly senior management could be involved*

*and ask to act as an arbitrator. Alternatively, another senior actuary could be asked to intervene.”*

One participant coolly suggested revisiting the basics of effective communication with the view that, *“Jack should first try to communicate with George and possibly make him aware of the potential precepts that Jack thought he would violating by pursuing the report publication according to his assumptions. Communication and courtesy were crucially important and might help to diffuse the growing tension and confusion.”*

## GEORGE MIGHT NOT BE A VILLIAN

At the end of the session, a possible view was discussed which didn’t portray George in such a negative light. One member urged that *“Jack should find out George’s reasoning behind stating the amount ‘net of reinsurance’. Maybe George’s senior position allowed him to speak from prior experience or allowed him to have access to obvious information that Jack might be unaware of. George probably wasn’t acting to mislead but might genuinely be of the view and just had to be convinced otherwise.”*

*Editor’s Concluding Note: Kudos to the PSoA for organizing a successful professionalism workshop, and thanks as well for preparing a written account for our readers. The first portion of the PSoA report may be found in the August 2011 edition of The Stepping Stone, available at <http://www.soa.org/library/newsletters/stepping-stone/2011/august/stp-2011-iss43.pdf>. ●*

**Communication had to be clear and understood.**

# Making Money When Others Are Losing It: A Book Review

THE BIG SHORT BY MICHAEL LEWIS

By Mary Pat Campbell



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“Equities in Dallas!” brayed the Salomon Brothers backbenchers in the book that put Michael Lewis on the map, *Liar’s Poker*.

A book cram-packed with characters and detailing the insanity of putting millions of dollars in the hands of kids fresh out of college with very little to back them but personality made for a rollicking good tale. It included themes of shaky assets built on questionable lending practices of banks, described the asset class of mortgage-backed securities and took a detour into Michael Millken’s junk bond shenanigans, as well as talking about how a market could explode due to regulatory change. Many characters are described as having simple dumb luck, harnessed to larger-than-life personalities, though not really understanding the business or risks they were undertaking...just a matter of time before disaster inevitably occurred.

Of course, the events of *Liar’s Poker* occurred in the benighted pre-internet days of the 1980s. Lessons learned, yadda yadda.

In *The Big Short*, what is essentially a sequel to his first foray into book-writing, Michael Lewis comments that he was surprised by the reception of his initial book. In *Liar’s Poker*, Lewis explicitly emphasized his befuddlement over the behavior of firms like Salomon Brothers, overpaying under-experienced young men to play with other people’s money without little more than gut feel for what they were doing. Okay, let’s admit it—they had no gut feel for anything. You can’t get gut feel, aka intuition, without extensive experience. The people Lewis wrote about were fresh out of college, with “animal spirits” and dollar signs in their eyes—but little insight into what they were doing. Lewis recounted episodes of his confusion, attempting to drum up business but then realized that the glee of his “colleague” on the trade comes from the ignorance of the client.

Lewis thought that his entrée to the world of financial journalism would put people off from the sausage factory of high finance. I guess if he had stuck around he would have been relegated to

Equities in Dallas, because when you are talking about young idiots making big bucks, no matter how bad this looks ethically, you’re going to spur the imaginations of ambitious people seeking to hit the big time. This population is not thin on the ground, most especially in America. Lewis had commented repeatedly on how aghast he was to hear how many people were inspired to enter investment banking due to his writing of how rotten (and lucrative!) the system was.

It seems Lewis learned something from his freshman endeavor, and the focus of *The Big Short* makes an interesting contrast to his earlier business classic. Instead of focusing on the consensus people, the yes-men who were the BSDs<sup>1</sup>, in *The Big Short* Lewis focuses a great deal on geeks and contrarians. He cannot deny how much money was being made by shady operators throughout the credit crisis, but he lionizes those who discovered the credit bubble a few years before it popped.

In many ways, the book represents an arms war in terms of information and it definitely challenges the concept of the efficient market hypothesis (EMH). I hew to an extremely weak form of the EMH: I, Mary Pat Campbell, will not be able to outperform the market by playing in it. But Lewis gives examples of people who actually put in the work of analyzing cash flows and fundamentals—people who could see the very obvious weakness of the credit market backing a variety of consumer debt vehicles, though most especially the consumer debt vehicle yclept the subprime mortgage.

If you have been confused by the various papers that were generated before and after the credit crisis regarding credit default swaps, CDOs, and all sorts of assets leveraged off of more familiar fixed income instruments, Lewis provides a very good plain language description of these financial instruments. To give you a flavor, here is his description of a relatively simple credit default swap:

“A credit default swap was confusing mainly because it wasn’t really a swap at all. It was an insurance policy, typically on a corporate bond, with semiannual

premium payments and a fixed term. For instance, you might pay \$200,000 a year to buy a ten year credit default swap on \$100 million in General Electric bonds. The most you could lose was \$2 million: \$200,000 a year for ten years. The most you could make was \$100 million, if General Electric defaulted on its debt any time in the next ten years and bondholders recovered nothing. It was a zero-sum bet: If you made \$100 million, the guy who had sold you the credit default swap lost \$100 million.”

I will not give the game away for this book review—Mr. Lewis deserves to get his royalties from this work (guilt trip: we’re actuaries! We can afford to buy his book!), but I want to point out a few lessons. Yes, there are lessons of human interaction that may be of interest to the Management & Personal Development Section—you will find that many of the people who made money off of shorting the subprime market are rather abrasive and/or antisocial types. The difficulties these people had in convincing others that they were right about a credit bubble about to burst and the relative insouciance of the investment bankers rolling up the credit default swaps for those shorting the funds makes for much psychosocial rumination.

But the bottom line message I got was to beware market consensus. Also, one must keep checking assumptions, whether implicit or explicit. It can be a difficult exercise, but the downside can be disastrous.

The issue we often have as numbers-oriented people is realizing how often the numbers can get distorted in the presence of actual people and their less-than-optimal behavior. One concocts beautiful liability models, and determines optimal behavior—and wouldn’t you know it, policyholders manage to figure out a way to behave so that both they and the insurance companies get damaged! Forget about zero-sum games, these can be negative value games. In *The Big Short*, Lewis focuses specifically on subprime mortgages, and the various financial

instruments that had been spun off from them. All sorts of assumptions were wrapped up in the edifice of pricing and risk management of these instruments, but we have seen before how assumptions can completely destroy institutions such as Equitable Life in the UK. While reading the setup before things start turning and turning in the widening gyre, I feel like the movie-goer wanting to shout “No! Don’t open the door! The call is coming from inside the house!” We know how the story ends. It can come across as a good yarn, we know what had happened.

But these hindsight tales do us no good unless we can transfer them to our prospective actions. Do we have the intestinal fortitude to tell others that the course they want to set out on can wipe out their entire holdings? Are we willing to stand up against the cries that “This time it’s different!” or “Laissez les bon temps roulez!”

It does get to be difficult—actuaries have been trying to break out of the stereotype as being the people who always say “No!”, not allowing for the pursuit of profitable opportunities. But if there are no other professions willing to tell others to draw back from the precipice, we are not true risk managers.

That said, for those who have played Tiresias, bearing bad tidings that no one wants to heed—the book gives us the realization that we can profit off of the willful stupidity of others in the financial industry. Perhaps Lewis will find this as unpalatable as the result of *Liar’s Poker* spurring on ever more people to seek profits through financial shenanigans.

If that does happen, at least Lewis can’t say he was surprised. ●

#### END NOTES

<sup>1</sup> Check the Wikipedia entry for *Liar’s Poker* for the terminology—for those who have not been exposed to Lewis’s writings, I’ve got to warn that there’s a lot of what I call “New York City language”, and I doubt I could get away with including it in SOA publications.

**Do we have the intestinal fortitude to tell others that the course they want to set out on can wipe out their entire holdings?**

# Volunteer to Accelerate Your Career

By John West Hadley



I believe we owe it to society to give back to the communities in which we live and work. This helps to keep our communities vital, allows us to have influence on how those communities develop and the ethical framework within which they operate, and keeps us connected to others.

Volunteer efforts also help infuse your life with things you are passionate about. They give you a chance to really explore what is important to you, and to feel like you are making a significant contribution.

This is a particularly effective remedy to job apathy. By including a passion in your weekly routine, you re-establish balance in your life, which often spills over into renewed passion about your job as well. It often also leads to new insights into how to better align your career with your life goals. (It may even open you to completely new career options you never considered possible.)

Here are 10 ways in which volunteering can help accelerate either your career or your career search:

1. **Recharging** - It provides a place where you are able to get involved in something satisfying, and puts your focus on something bigger than yourself.

2. Feeling you are contributing counterbalances hits you've taken to your self-esteem from losing out on a promotion, getting a bad performance review, being laid off, sending out tons of résumés with few responses, or going on interviews and never getting the offer you want.
3. It builds confidence so critical to your search, and to how people perceive you on the job.
4. It gives you a chance to develop a new set of allies for your search and your career.
5. Volunteering is a great leveler - you get to connect with people at very high levels in various organizations, and who know a wide spectrum of potentially helpful contacts.
6. Attending volunteer initiatives can be a very casual, non-threatening way to 'network,' one that's not just 'about you'.
7. It sets you up in others' eyes in a whole new (positive) light.
8. It gives you a chance to build skills and adds to your portfolio of accomplishments that will help you sell yourself for any new opportunity.
9. It fills gaps in your work history.
10. It shows people what you can do, which can often lead to offers to do similar things for pay.

It's interesting that despite all the benefits, particularly in these economic times when job seekers need every edge they can get, so many miss the boat. I can only conclude that they are so worried about their own situations, and so focused on everything they need to do to get their next job, that they forget about all the ways volunteering can actually help them achieve their goals.

Some time back, an article in the Sunday *New York Times* ("Doing Well in Your Career By Doing Good Outside It"), cited the case of an operations manager who spent four weeks doing volunteer work in an impoverished community as part of UPS's community internship program. He reported that it improved his team-building and problem-solving skills and made him a more sensitive manager. He later was one of only eight UPS executives nationwide chosen to train 3,000 supervisors in communication skills.

**By including a passion in your weekly routine, you re-establish balance in your life, which often spills over into renewed passion about your job as well.**

In my own career, I have been drawn to educational initiatives. Initially it was to support my children's schools in the usual way, through PTO membership, but quickly led to a variety of committees and community activities, and ultimately to several leadership roles that gave me a great deal of personal satisfaction and forged many deep friendships. Somerville, N.J. was transformed from the place we happen to reside into our true home!

Similarly, raising my hand at an SOA meeting resulted in a series of leadership roles in the predecessor committee to the Management and Personal Development Section. I believe this was the initial snowball rolling down the hill that led to my current successful career coaching business.

Many people starting out try to build their résumés through paid or unpaid internship programs, and often face stiff competition in seeking those positions. One client reported a case where he had applied for an internship at CISCO, and found out he was one of 3,000 applicants!

In such cases, volunteer work can also be effective. Steven Rothberg, president of CollegeRecruiter, was quoted as saying *"Employers don't care how much you were paid to work; they want evidence you can perform the job."*

And another example from the article I cited above: The VP for HR at a medical marketing firm hired a college graduate without any experience, saying, *"She volunteered as a student for an organization that did drug and alcohol prevention for teens and became their youngest board member. She also ran fund-raising programs for a cancer research organization. It showed me she was a very dedicated person and she had developed skills in planning she wouldn't have had otherwise. Absent that, we wouldn't have considered her."*

Now, there are good and bad ways to go about your volunteer activities. Make sure you avoid these six common traps:

1. Don't volunteer just because someone asked you to. Look for an opportunity that aligns well with your passions and your goals.
2. Don't over-commit. (This is especially easy to do if you've done a good job with #1!) Watch for the time commitment that you can manage around your search or job. If you are in a job search, especially guard your 9-5 time, since that is the key networking meeting and interviewing time.
3. Seek out volunteer activities that will help you in concrete ways, such as:
  - a. Developing skills that will make you more marketable.
  - b. Giving you strong 'accomplishment stories' that you can use to strengthen critical areas in your background or areas of expertise.
  - c. Putting you in regular contact with influential people who can help you in your search or career.
4. Don't push too hard or too soon on the networking opportunities that arise. Let people first see that you are very committed and adding value before you try to enlist them as powerful allies.
5. Don't complain about the rest of your life, your job, your career search or even how the organization is going about its charge. You want people to see you as upbeat and confident, someone they would want on their team or would want to refer to someone else's team.
6. Don't let someone's position intimidate you. You are likely to find yourself elbow to elbow with CEOs and other senior officers, political figures and people who have a wide range of influential contacts. The fact that they see you volunteering for a cause to which they are also committed will incline them to want to help you, making it fairly easy to connect.

I urge everyone to look for ways you can get involved in outside initiatives that will help you feel like you are making a real contribution, while also building your résumé and skills. If not, you may find yourself fulfilling this quote by the novelist Catherine Aird:

*"If you can't be a good example, then you'll just have to be a horrible warning."* ●



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# How to Sabotage Your Career

By Leo C. Lin



Leo C. Lin is a management consultant for a top-tier global IT services firm, specializing in business process analysis, executive coaching, organizational change management, and professional development. He can be reached at [leoclin@yahoo.com](mailto:leoclin@yahoo.com).

**W**e can all think of someone we know who is bright, talented and seems to have everything going for him, but something always gets in the way of career growth. This someone always seems to miss out on that promotion, raise, or bonus or always hear critical news too late to take timely action in his favor. We can blame it on bad luck, the economy, the psycho boss or the “dot-com bubble”, but often what limits a professional’s continued growth are certain behaviors referred to as “career limiting moves”, or CLMs.

CLMs are often just bad habits we’ve developed over the years because our colleagues or managers have not taken the time to bring them to our attention. (Yes, we can even blame our colleagues for our bad habits.) We’ve gotten comfortable with these behaviors and are not aware of their damaging effects on our reputation and careers. I’ll list a few examples.

1. **Arrogance.** You may have many professional certifications or various advanced degrees; you may have graduated from the best schools in the country; you may even be really good at what you do. You may have been groomed to think you are special because of that actuarial certification. But there is a very fine line between having confidence and being arrogant. Understand this: it doesn’t matter if you think you are “just being confident”; it’s other people’s perception that matters. If they think you are being cocky, you should probably tone it down.
2. **Disrespectfulness.** This is very closely related to arrogance, and just a shade off from outright rudeness. Think about how you talk to others. How often do you say “please” and “thank you” and really mean it? When we think of disrespectfulness, we often think of kids or teenagers. You’ve all heard at least one of them say “please”, “thank you”, or “sorry”, and you know they did not mean it. You’re not a genius; we can *all* tell when someone is being insincere. Respectfulness and sincerity are difficult to fake. Treat every interaction with everyone as if they have control of your

career because, in a sense, they do. That’s how reputations are established.

3. **Insensitivity.** In the current economy, many company cultures have shifted slightly to focus more on revenue and productivity. In spite of this shift, many of us still work *with* people and the relationship you have with managers, peers, subordinates, and clients will impact your productivity and success. A good relationship requires a certain level of awareness of what others are going through and an appreciation of any challenges they may be facing, both professionally and personally. Though HR professionals will caution us to tread carefully here, I believe we can’t be effective if we are insensitive and uncaring. We can maintain professionalism while still showing empathy.
4. **Betraying a trust.** If you are someone who cannot be trusted, then you are setting yourself up to be the last person to know potentially critical information that may impact your career. When someone confides in you, be careful not to repeat the subject of that discussion to others unless it is information about an unethical or illegal activity (whether past, ongoing or intended) or it is information that could impact someone’s health, safety or life.
5. **Overly Ambitious.** Ambition is not bad, except when it is at the expense of ethics and integrity. If your ambition causes you to be insensitive, disrespectful and untrustworthy, you are giving others very easy excuses to not help you along your career progression.

Other examples of CLMs include:

- Dishonesty
- Defensiveness
- Not accepting responsibility for your mistakes
- Showing a lack of ethics and values

The following few examples show either poor judgment or a lack of respect for others’ time:

- Tardiness to meetings or conference calls
- Inappropriate or habitual use of “reply to all” in e-mails
- Inappropriate work attire or accessories
- Inappropriate language



can identify and eliminate or, at least, control will be one fewer barrier to your success.

*Leo C. Lin has made a career out of helping others reach and surpass their potential. It's the central theme running through his roles as a math instructor, a Boy Scout Merit Badge Counselor, a track, soccer, and volleyball coach, a management consultant, and a corporate trainer. He welcomes comments on this article at [leoclin@yahoo.com](mailto:leoclin@yahoo.com). ●*

One or two isolated incidents will rarely harm you, but consistent violation might get you labeled as clueless or someone who just doesn't care enough to make the effort. In this age of Facebook™ and Twitter™, where professionals seem to shamelessly provide evidence of unprofessional behavior, you need to be extra careful how others (in your professional life) perceive you.

If you've carefully examined your behaviors and concluded that you generally don't commit any of the abovementioned CLMs, I suggest you get a second or third opinion to confirm your assessment. If your manager is not the type to give you honest feedback on these core "soft" competencies, you should find a colleague you've worked with for a number of years, someone you trust who will give you an honest assessment, and respectfully ask for some help. If you're relatively new to the work force, you can ask a family member or a close friend from school. A fair bet is that the poor behaviors you exhibit at work likely started well before you joined the work force.

An excellent book that describes specific steps you can take to identify these CLMs is *What Got You Here Won't Get You There* by Marshall Goldsmith with Mark Reiter. (Copyright © 2007 Marshall Goldsmith) It also contains a list of excellent habits all professionals should practice.

It's time to stop sabotaging your own career and take responsibility for those behaviors that prevent your continued career growth. Every CLM that you

**In this age of Facebook™ and Twitter™, where professionals seem to shamelessly provide evidence of unprofessional behavior, you need to be extra careful how others (in your professional life) perceive you.**

# Lessons From A Toothache – Part 1

By David C. Miller



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## AN UNFORTUNATE BITE

It all started with a strip of bacon. I was out having breakfast with my son, Brandon. It was his birthday (June 17) – he turned 15. We celebrated by getting the Hungry Man’s breakfast at a local diner.

I took a bite out of the bacon strip and hit something hard. It turned out to be a piece of my wisdom tooth! The dentist said it had to come out – there was not much of the tooth left. In fact, he recommended pulling out all four while I was at it.

Fortunately, I was not in any pain and I started down the track of getting this problem solved. I quickly realized that you can’t just call an oral surgeon to get your wisdom teeth extracted the same day. You need to schedule a consultation and then the procedure may be weeks later.

I was nervous that I was playing with a time bomb. Sooner or later the exposed nerves were going to scream out for attention. I had to schedule everything and get through a vacation first.

In addition, I found out that this procedure wasn’t covered under health insurance – I needed dental insurance. Given the cost of extracting four wisdom teeth, dental insurance made sense here. I found one without a waiting period, but I still had to wait until August 1 for it to kick in. I scheduled the procedure for August 9.

Then it happened. Six weeks after the “bacon incident”, the exposed nerve exploded. The pain was tremendous. And, of course, this occurred in the middle of my vacation! I got antibiotics and pain relievers – downing Ibuprofen like it was candy.

There was no relief. I got home, and there were still three weeks until the date of my surgery. I never knew how brutal tooth pain could be. Finally, I cried uncle and scheduled to have the offending tooth pulled on July 27. I couldn’t wait any longer, didn’t have insurance and didn’t care how much it cost.

The relief was worth any price!

## LESSON #1: NO PAIN = LACK OF URGENCY

As I recovered from the surgery I had a chance to reflect over the past six weeks. These little lessons can help you as you work to grow your business or consulting practice. They also apply if you are an executive looking at how to better sell your ideas to the C-suite.

The first thing that occurred to me was my willingness to test fate and put off the surgery. When I first broke the tooth, I was worried, but the combination of experiencing several days of no pain and learning about how much an uninsured procedure would cost me caused me to put off the surgery. I wanted to get the insurance in place and save as much money as possible.

The pain of the uninsured visit was greater than the pain (which was zero) of my broken tooth.

In the same way, if a prospect is not moving to purchase your product or service, they are not experiencing enough pain with their current situation.

## LESSON #2: ACTION IS DIRECTLY PROPORTIONAL TO THE AMOUNT OF PAIN EXPERIENCED

I was willing to put off the procedure to schedule it after my vacation and after I got insurance coverage. Other variables beside the health of my tooth came into play. I was willing to roll the dice, take my time and approach the situation logically.

When the pain exploded, my priorities changed. I wanted to schedule the procedure as soon as possible and was willing to pay any price to get it taken care of. It was about action, not about the analyzing the most economic way of getting the procedure done.

This is what it takes for us to be successful selling products, services or ideas to prospects. We must find the pain the prospect is experiencing and it must be acute enough to take action if we want to be successful.

How can we apply these lessons? Here's the first way:

## STRATEGY #1: FIND PROSPECTS EXPERIENCING GREAT PAIN

The easiest way to grow your business is to find prospects who are experiencing severe problems in areas where you can help them. I've worked with many professionals who provide services that are "nice to have" – but not perceived as "I must have this now."

There are a few necessary ingredients here:

1. **Be crystal clear on your target market.** Know who your ideal prospects are. Who is having the types of problems for which you have solutions? Where is the pain the greatest? What are the demographics and psychographics of these prospects?
2. **Craft a marketing message focused on the pain.** Most professionals' messages are generic and focus only on solutions. If this is you, your prospects will have a hard time understanding exactly what you do and if you are the right answer for them. Your message will resonate if you connect with the pain they are experiencing.

In my situation with the toothache, which do you think would have caught my eye more?

- a) "We perform wisdom teeth extractions." Or
- b) "Have tooth pain that is making you miserable? Call us to schedule immediate relief."

Make sure your marketing message causes your prospects to "raise their hand" as they read about the problems you solve. You want them to be thinking "that's me" as they hear your message.

3. **Get your message in front of your target prospect** Don't be the "best-kept secret". You need to get your message out in front of your ideal prospects so they know you exist. We live in a big world and our reach is greater than ever before.

There are 100 times more qualified prospects than you could service in a lifetime.

So be encouraged. You simply need to choose a few marketing strategies to get in front of those prospects who are dying to work with someone like you.

First, you need to think about where your ideal prospects congregate. What association meetings do they attend? What trade journals do they read? If you are an executive with an internal prospect, how can you best get in front of them?

Some of the best strategies are:

- Speaking (live or virtual)
- Writing – articles, newsletter, white paper
- Networking
- Referrals
- Direct invitation – invite them to have lunch, for example

The key with Strategy #1 is that we are looking for prospects who are ready to buy. They just need to connect their pain with our solution. This is the fastest way to grow your business, because there is little selling or persuasion involved. Their urgency is great and they are ready to take action now.

In the next issue of *The Stepping Stone*, I will share two other strategies to non-manipulatively utilize the concept of "pain" to grow your business and influence. ●

**The easiest way to grow your business is to find prospects who are experiencing severe problems in areas where you can help them.**

# Powerful Postures: Think Big, Act Big and Feel Big

by Doreen Stern, Ph.D.



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**T**hink of the three top performers in your organization. Picture them in your mind. See them walk down the hall, stop to greet an acquaintance and afterward walk into an auditorium to deliver a scintillating presentation.

Were the shoulders of any of these people caved in? Did their heads hang low? Did they look downcast? *Nope. Not a chance.*

I'm so convinced of it that I'll wager \$100 the opposite is true: the top performers you pictured stand tall, with their shoulders back and their heads held high. Similarly, they make eye contact with the people they see. And smile at them.

## HOW CAN I BE SO SURE?

Research shows that the way we carry ourselves tells a story — about who we are — and how confident we feel. For instance, a slouched posture conveys fatigue, poor health or low esteem. On the other hand, when you sit erectly and stand tall, you convey self-assurance — to those observing you — and also to yourself.

## HOW WE LOOK MATTERS EVEN MORE THAN WHAT WE SAY

For a half century, social psychologists have been saying that body language communicates anywhere from 50 to 80 percent of what we get across. Now researchers have shown that powerful postures may trump title and rank.

These research findings surprised even the professors from the Kellogg School of Management who conducted the study: When research subjects were asked to place one arm on the armrest of a chair and the other on the back of a nearby chair, they felt more powerful and took more action than those asked to sit in a constricted position: hands under thighs, shoulders dropped and legs held tightly together.

Likewise, research subjects who were instructed to sit in either an erect or slouched position varied in the degree to which they believed they would perform as a professional employee.

“People assume their confidence is coming from their own thoughts,” observed Dr. Richard Perry, professor of psychology at Ohio State University and a study co-author. “They don’t realize their posture is affecting how much they believe what they’re thinking.”

This will automatically make you pull in your stomach and stick out your chest. Take a few steps away from the wall and practice walking down the hall. As you do, tell yourself that you are smart, strong and sexy. Your mind listens to what you say, especially when you’re standing tall.

**Posture, like other habits, can be changed.**

## WHAT ARE POWERFUL POSTURES?

First, make yourself BIG: take up a reasonable amount of space, since doing so connotes power. Stand with your feet planted about eight to 10 inches apart with one foot slightly in front of the other. This allows you to easily change weight from one foot to the other, increasing the amount of space you occupy.

Women sometimes adopt the first position in ballet: the inside of the left foot touches the inside arch of the right foot. Experts point out, however, that women who stand in this position in business often look like they may topple over. I suggest avoiding it.

For their part, men may tend toward the fig leaf stance. If this is you, promise yourself you’ll never do it again: experts observe it guarantees a loss of respect and power before a man even opens up his mouth.

When walking, hold your head up, shoulders back, with your arms swinging from side to side. Look people in the eye: maintaining eye contact without staring is interpreted as open and disclosing.

Similarly, smiling increases attractiveness and likeability. Research indicates that people who smile a lot are deemed more trustworthy, more cooperative and earn more money.

## WHAT IF YOU HAVE POOR POSTURE NOW?

Posture, like other habits, can be changed. Stand with your back to the wall and look straight ahead. Make sure your head and back are touching the wall. As you stand there, touch your shoulders to the wall and hold the position for 10 seconds.

Before you know it, you’ll be feeling and acting like the top performers you pictured in your mind. ●

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