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Letter From The President

A GOOD NIGHT'S SLEEP

BY TONYA B. MANNING

“Live one day at a time emphasizing ethics rather than rules.”—Wayne Dyer

As my final letter as president, I first thought I would focus on a list of the organization’s major achievements over the past year. I could explain why each of these achievements is of benefit to not only members, but also exam takers, the profession and society. And, that list would be impressive: our research regarding the expected claims costs under ACA, a report on proposed changes to pension funding rules, the launch of a new track in general insurance, and the expansion of professional development offerings in Asia. But, I changed my mind.

Just as good news does not make for a catchy headline, what is going well with the organization and the profession is not always what members want to hear about. Often it’s the challenges that draw the bigger crowd, start the conversations and act as catalysts for the first steps to action.

I recently spoke with some students, faculty and SOA members when visiting the University of Minnesota. During the Q&A

portion of my presentation, Laurie Derechin, executive director, Minnesota Center for Financial and Actuarial Mathematics, asked me, “What is your main concern with the profession? What keeps you up at night?”

I am a natural worrier (some say I excel in this area), so several things came to mind. But one was at the forefront: maintaining our stature as a profession of the highest integrity.

While on a panel with other actuaries at a recent SOA Student Summit, the group was asked what they liked most about being an actuary. One of the panelists responded, “That what we do really matters and often has significant financial implications for our clients.” When asked what his least favorite aspect was, he replied, “That what we do really matters and often has significant financial implications for our clients, but we are usually providing forecasts, not concrete answers. So, we are not going to get it right. Explaining that upfront, and then later explaining why the results deviated can be a challenge.”

And, that is the life of an actuary. We make forecasts, and then we find out how close we were in our calculations. Based

on SOA research, our profession is highly regarded as being ethical and objective and we have gained the trust of the financial community. Our standards of practice, code of conduct, qualification standards and discipline process are key to this. But, as mentioned in my last letter, that trust is being challenged by the recent push for greater disclosure and transparency. While our standards and regulations outline certain requirements for disclosure, we should also stop and ask: Is that enough? Does the person making a decision based on my information understand enough of the process to apply the results? What’s not being highlighted that may be important? What needs more clarity?

It is often not enough that we comply with disclosure requirements or seek only to answer a client’s specific question. We should also provide information that covers variations, additional scenarios or related events that are pertinent to the client’s request. Here is an example, based on an actual event, but simplified a bit to make a clearer point.

An actuary was assigned to his first pension plan as its enrolled actuary and consultant.



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The CFO asked for the amount of cash that would be required for amending their plan. He calculated the amount, had it checked and peer reviewed, and provided it to the CFO on time, with all of the required documentation regarding the assumptions, data used, etc. What the consultant did not provide was the impact on the company's financial statements due to the

invite senior executives and chief actuaries to meet with us and share their insights on the future of the profession and feedback on SOA initiatives and key deliverables. During this meeting, a professor offered that actuaries could have a strong future in financial analytics. He felt that, not only would we bring strong analytical skills to this area, but also a high level of professionalism.

clients and colleagues understand what we did and how they can use our results. This is how we will remain a strong and relevant profession. And this is how we will penetrate new areas of practice.

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amendment. The CFO was not aware that there would be special accounting rules, and therefore a significant loss associated with the amendment, in addition to the cash outlay. So, the consultant did a great job of answering the CFO's question, but he did not answer an equally important question—a question that the client did not ask.

In fact, he saw our professionalism as a key differentiator in this area of practice. To have advice provided by someone that is bound by our code of conduct and standards of practice would be unique and highly valued. I think he is right.

As our profession continues to evolve, we will see new areas of practice emerge, bringing with them new methods and models. In many instances, our assignments will precede the development of standards of practice and regulations. When we take on these tasks, we need to make sure we are upholding the level of professionalism that has served our profession so well. And in all areas of practice, we should always strive to inform and prepare the decision maker with all the possibilities, not just the quick answers or the minimum level of disclosure. Give them what they need, not just what they ask for. This is how we will remain trusted and relevant as a profession. This is how our clients will respect us and look to us as authorities in our fields of practice. This is how we all might sleep better at night.

Some may say that this is an example of poor consulting. But, I think it is more than that. It is an example of where we, as a profession, need to answer more broadly the narrow questions we are often asked, and provide better, more encompassing information. We should just not strive to answer the question; we should strive to help find solutions. That is how we will remain trusted, respected advisors.

But, as with every profession, ours is not without its challenges. The complexity of our work and the amount of data we analyze has grown significantly, along with the range of needs and offerings in the insurance and financial markets. We must strive to keep our practice—and our standards—current with these changes. And in the absence of specific standards around new areas of practice, products or services, we need to fill the gaps with highly ethical and professional work. We can't wait for the rules; we need to follow what we think is right. The goal is to provide good information with sufficient disclosure and transparency so our

Before I end this letter, I would like to thank everyone for the support you have given me during my year as president. I am truly grateful for the opportunity to meet and work with so many wonderful people—members, candidates, volunteers, SOA staff, business associates and educators. I hope that our paths cross often in the future.

Warm regards! **A**

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The SOA recently held one of our semi-annual Employers Council meetings, where we