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## Issue Notes from the Editor

by Bill Ely

In this quarter's issue of *The Independent Consultant*, we feature a wide range of topics, including a book review, tips on writing how-to articles, talent acquisition and more. Enjoy the issue!

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## From the Chairperson-Check Us Out!

by Larry Stern

I would like to highlight a few of the visible activities your Entrepreneurial Actuaries Section (EAS) Council is making available to you: preferred vendor program, webinars and networking opportunities.

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## Book Review: Self Promotion for Introverts®

by Nancy Ancowitz (Review by Ruth Ann Woodley)

I've just finished reading a very helpful book that reads as though it were written with actuaries in mind: *Self Promotion for Introverts®: The Quiet Guide to Getting Ahead*. Full disclosure-I've known Nancy Ancowitz for several years, helping coordinate her presentations for the SOA and articles for this newsletter. So I was looking forward to her first book, knowing how well Nancy understands the personal preferences I share with many of my fellow introverted actuaries.

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## Write the Right Kind of How-To Article

by Carl Friesen

In thinking about a possible theme for an article to write and get published in a business publication, many consultants assume that

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writing about what they do for a living makes a good topic. It's interesting to them-why not to the readers of the publication?

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## Talent Acquisition Is More Important and Complex in Recession

by Douglas Reiter

Even when times are bad, it's still hard to find good talent. That is what many consultants are learning as they attempt to replace talent they let go earlier in the past year's recession, whether for subcontracting help or collaborative efforts.

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## Is Self-Insurance the Right Choice for Your Practice's Short-Term Disability Program?

by Jim Mooradian

As employers and consultants look for ways to save money, all costs are under scrutiny, and the first place they look is their medical plan, given high premium costs. That's fine, but it also makes sense to analyze the costs of a self-insured, short-term disability (STD) program.

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## Negate Failure and Legal ("N-F-L") Optimizing Player Decision-Making in the National Football League (NFL™)

by Nickolas J. Ortner

On-field failures and off-field transgressions of players represent business, fiscal and public relations risk to National Football League (NFL™) franchises. In this era of emerging economic uncertainty and fiscal pressure in the NFL™ due to the league-specified salary cap (preventing teams from simply 'buying out' their personnel mistakes), those risks are magnified.

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## The Birth of an Independent Actuarial Consultant

by John Dante

Have you ever dreamed of becoming an independent actuarial consultant? What if you found yourself in a situation where becoming an independent actuarial consultant was the only option you had to continue to provide for the needs of your family? How would you go about this? What would you need to do?

[\[Full article\]](#)

## 2010 Health Meeting Scheduled for June 28-30 in Orlando!

by the SOA

Attend the SOA '10 Health Meeting, where we've lined up engaging speakers, thought-provoking sessions and plenty of networking opportunities. You won't want to miss our point/counterpoint debate between two leading minds in health care reform, followed by a question-and-answer session. Matt Weinstein, humorist and author of *Work Like Your Dog*, will round out our speakers. We've got sessions planned on a wide variety of topics-emotional intelligence, trends and issues facing health insurance companies and reinsurers and untapped opportunities for health actuaries. And, we're once again offering a unique learning experience-sign up for our computer-based learning session, where you will design a basic health plan to cover the uninsured. The catch? The money available is one-third less than typical employer based coverage.

[\[Full article\]](#)



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## Issue Notes from the Editor

by Bill Ely

In this quarter's issue of *The Independent Consultant*, we feature a wide range of topics.

- Larry Stern, our chairperson, asks you to "Check us out." Check out Larry's article highlighting some of the offerings of the Entrepreneurial Actuarial Section (EAS).
- Ruth Ann Woodley weighs in on a book she considers a must read for all of us entrepreneurial actuarial types.
- Is part of your firm's marketing strategy to get your name out in the market via publishing articles? Carl Friesen offers some tips on writing how-to articles.
- Has your firm grown to the size where it needs additional employee resources? Douglas Reiter discusses talent acquisition during times of recession.
- Is your firm now big enough that employee benefit costs are becoming an issue? Jim Mooradian walks you through the pros and cons of self-funding your STD benefits.

We continue publishing from a selection of essays submitted to the EAS-sponsored Papers Competition last summer. Our first featured essay is titled, "Negate Failure and Legal ("N-F-L")—Optimizing Player Decision Making in the National Football League (NFL™)" by Nickolas J. Ortner. Nickolas received an honorable mention award for his entry. The second featured essay is John Dante's, "The Birth of an Independent Actuarial Consultant."

Enjoy the Issue!

Bill Ely is director, Actuarial Services of Coventry Health Care of

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by Larry Stern

I would like to highlight a few of the visible activities your Entrepreneurial Actuaries Section (EAS) Council is making available to you: preferred vendor program, webinars and networking opportunities.

Preferred Vendors. I'm an entrepreneur. You're an entrepreneur. And we're all striving to make a living. But being in business for ourselves requires we assume many more roles than if we were comfortably employed in a larger company or firm. When you established your business, did you contemplate any of the following? How do I set up my business from a legal standpoint? (e.g., LLC, Sub S, Corporation, etc.). How do I set up accounting procedures? What about tax reporting? How do I create my Web site? What about insurance? How do I handle all these other responsibilities and still find time to promote myself as an actuary? I'm sure we were all faced with these decisions, and many more like them.

Did you know the EAS has developed a list of several preferred vendors willing to offer you discounts for their services? Many can assist you with the challenges in creating and managing your business mentioned above. This program started a couple of years ago under the tutelage of Michael Frank and has now accumulated 20 firms of various specialties, and the list continues to grow.

The list was assembled from recommendations and experiences of EAS members. Please note: A vendor appearing on the list does not constitute an endorsement, recommendation or approval of the vendor or the vendor's products or services by the Society of Actuaries, nor are there any exclusive arrangements. The preferred vendors list is solely provided as a resource based on individual referrals of EAS members.

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If you would like to add your business to the list, or if you have had positive experiences with a particular vendor and wish to recommend them, contact Michael Frank at 914.933.0063 or [Michael.Frank@AquariusCapital.com](mailto:Michael.Frank@AquariusCapital.com). There is a nominal fee of \$25 to cover administrative costs.

This list and summary of each of the current preferred vendors can be found from the [EAS Web page](#).

I invite you to check us out. ...

Webinars. Our busy schedules do not always allow us the opportunity to attend SOA and industry-sponsored seminars, conferences and meetings. For those of us interested in maintaining our professional credentials and staying abreast of current events, an attractive, efficient way to receive continuing professional education (CPD) credits is through webinars.

Did you know in the last two years the EAS sponsored five webinars? Topics included: Business Building, Focusing Your Time for Superior Results, Project Management, Influential Selling, and Self-Promotion for Introverts. All of these were worthwhile and timely for entrepreneurs.

However, the most difficult CPD credit to achieve is for professionalism. This term and its use have become confusing as the reference to the credit requirement involves the traditional code of professional conduct/ethical issues. Whereas, the use of the term professional development by the SOA now includes the broad context of continuing educational opportunities. The EAS Council is now planning at least one (if not more) webinars to deal with professional conduct/ethical issues facing entrepreneurs.

Have you ever been confronted by a client wanting more than just an actuarial analysis with regard to an acquisition, private equity investment or stock purchase? What about offering an opinion based on personal experience rather than just prevailing expertise? These are legitimate concerns of our clients and issues we face as entrepreneurs. What about the professional conduct/ethical issues involved in rendering advice or opinions? We plan to bring these issues together in a webinar scheduled for this spring. Be on the lookout for the announcement.

If you have an interest in participating in one of the webinars, or have a suggestion for a topic, please contact Jim Ramenda at 860.676.1942 or [jr@northington.net](mailto:jr@northington.net); or me at 704.904.8204 or [larry\\_stern@earthlink.net](mailto:larry_stern@earthlink.net).

I invite you to check us out. ...

Networking Opportunities. For those of us attending SOA and

industry meetings, we are afforded the opportunity to network most often at receptions, luncheons and the ever popular early morning section breakfasts. How about trying something new? The EAS Council knows how important networking opportunities are for entrepreneurs. They are a great way to enrich relationships which may lead to a business purpose resulting in additional revenues. Be on the lookout for some nontraditional activities and events planned for this year's SOA meetings.

If you'd like to share networking opportunity ideas with the council, please submit them to Pauline Reimer at 516.935.0100, ext. 307 or [paulinereimer@aol.com](mailto:paulinereimer@aol.com).

I invite you to check us out. ...

A final note. By the time this column appears in The Independent Consultant, we will have already conducted a survey of the EAS membership. Thank you to those who participated. The information from your responses will assist your council in planning section activities beneficial to us all.

Until next time, may all your experiences be profitable ones!

Larry N. Stern, FSA, MAAA, is president of Canterbury Consulting LLC. He can be reached at [larry\\_stern@earthlink.net](mailto:larry_stern@earthlink.net).



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by Nancy Ancowitz

Reviewed by Ruth Ann Woodley

I've just finished reading a very helpful book that reads as though it were written with actuaries in mind: *Self Promotion for Introverts®: The Quiet Guide to Getting Ahead*. Full disclosure—I've known Nancy Ancowitz for several years, helping coordinate her presentations for the SOA and articles for this newsletter. So I was looking forward to her first book, knowing how well Nancy understands the personal preferences I share with many of my fellow introverted actuaries. Now I can objectively say that there is great value in this book, whether you are promoting your own business or consulting practice, or just want to be sure your talents are recognized within your larger organization.

I read an advance copy of the book on plane flights over the course of a few months, and each time I picked it up I found advice perfectly suited to my current situation. As I read the first chapters, I had just landed a significant assignment with a new client. Instead of being excited, I scared myself to death with thoughts of everything that could go wrong. Lucky for me, Chapter 1 is titled, "Your Negative Self Talk," and I found myself quickly and actively engaged in the exercises included. Nancy tells us that it's common for introverts to have more "chatter" in our heads, and that often for us, self-talk is negative. After I followed some of her suggestions—like creating a list of my biggest fans and cheerleaders, and writing down some fact-based statements to refute my negative thoughts—my attitude about the new assignment did an about-face and I tackled it excitedly.

The book has many such moments, and includes numerous concrete action steps rather than just feel-good talk. Some of the points are quite basic, such as e-mail etiquette, or learning as much as possible in

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advance about your audience for a presentation or people you want to meet. And yet, there wasn't one of these tips that I haven't needed at some point, or seen others (often senior executives who should know better!) need too. I loved the examples of networking e-mails and conversation starters; these will be great to use so that I don't have to start with a blank page.

The section on public speaking and presenting—which I happened to read as I flew to my first presentation with another client—caused me to step back and gain new clarity on my thoughts and goals for that meeting. The last chapter on connecting with extroverts is full of entertaining stories of Nancy ginning up her courage to get advice from famous chatterboxes. And it features some "us" and "them" comparisons that made me laugh out loud with recognition, but also gave me better insight into some of those extroverts with whom I sometimes struggle to connect.

Not every section of the book will be immediately useful at any given point in your career. For example, advice on job interviews and salary negotiations are not relevant to me right now (although some of the ideas I can apply to other areas) and the section on choosing your best marketing activities mostly confirmed that I'm already on a good track. But I plan to keep my copy of this book in my office close by, and refer to it often for guidance and moral support as I do battle with the extroverted part of the world.

Ruth Ann Woodley, FSA, MAAA, is a consulting actuary and vice president of Ruark Consulting, LLC in Connecticut. She can be reached at [ruthann@ruarkonline.com](mailto:ruthann@ruarkonline.com).

Nancy Ancowitz is a business communication coach, adjunct instructor at New York University, and blogger for *Psychology Today*. Visit her Web site at [NancyAncowitz.com](http://NancyAncowitz.com). She can be reached at [Nancy@NancyAncowitz.com](mailto:Nancy@NancyAncowitz.com). Find out more about her book, *Self Promotion for Introverts®: The Quiet Guide to Getting Ahead*, published by McGraw-Hill, at <http://www.youtube.com/watch?v=1e0zbQGdjb4>.



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## Write the Right Kind of How-To Article

by Carl Friesen

In thinking about a possible theme for an article to write and get published in a business publication, many consultants assume that writing about what they do for a living makes a good topic. It's interesting to them—why not to the readers of the publication?

My advice? Don't do it. Your clients and readers are mostly interested in results they can use; they don't want to know how you do it. That's what they hire you—for your expertise—so they don't have to learn about it. Also, do you want to give away your trade secrets?

But what journalists call a how-to article does have its place in helping demonstrate thought leadership.

As an example, consider a former client of mine, a trustee in bankruptcy. His job was to help companies in financial difficulties to either close themselves down, or survive what might be a corporate near-death experience. He'd written a long, comprehensive article about how to go through the bankruptcy process, replete with detail after detail about how such a process works.

What did I suggest to him? I suggested that he rewrite the article to focus on a specific aspect of bankruptcy, e.g., the need to keep lines of communication open to creditors, suppliers, employees and other stakeholders. The result was an article that was genuinely useful and presented my client as the informed, caring person that he is.

The point is that to be useful in communicating the message you want, a how-to must be on a topic that the readers—current and prospective clients—want to know about and one which invites them to take action if they so choose.

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One kind of how-to article that meets this criterion is the how-to-work-with article. In other words, who is the best person to work with regarding a specific business need? For example, an article that describes the value of bringing in an outside actuary or CPA early in the development stages of a project designed to launch a new service unit or product line fits in this category. In such an article, you can explain how major, potentially troublesome financial issues must be identified before the new service or product is rolled out or extensively developed. This action could end up saving the developer lots of time and money, not to mention headaches. This information is precisely the right kind of info readers want to know.

In short, when you're planning to write an article for publication, include information about issues you have solved for your clients time and time again; avoid writing about broad expertise that you know a lot about. By focusing on specific, truly relevant problems, your readers will gain the wisdom of your consulting expertise.

Carl Friesen is a chief associate with emerson consulting group inc., which specializes in transforming business experts and professional service firms into thought leaders. He can be reached at [carl@thoughtleading.com](mailto:carl@thoughtleading.com) or visit [Thoughtleading.com](http://Thoughtleading.com).

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## Talent Acquisition Is More Important and Complex in Recession

by Douglas Reiter

Even when times are bad, it's still hard to find good talent. That is what many consultants are learning as they attempt to replace talent they let go earlier in the past year's recession, whether for subcontracting help or collaborative efforts.

As I write this article, I'm engaged in many searches for key executives for client companies. While the number of average-to-good candidates who are eager for a new assignment has increased, there remains but a small number of great candidates—individuals who really stand out. A year ago, I was able to identify one or two stand-out candidates for each of my executive searches, but today I'm finding two or three. This may be a 50 percent increase, but it does not dramatically change the equation.

So why isn't the talent pool bigger and easier to navigate? Why are the typical tasks of talent selection— candidate identification, assessment and acquisition (closing the deal) actually taking longer these days? The answer to the first question is simple. In good times or bad, companies are always recruiting from the same talent pool, with the same distribution of average, good and great candidates. Just because a candidate is unemployed does not necessarily place that individual, in terms of talent, in a different part of the bell curve. We are always dealing with the bell curve of talent—the rating system that places people on a particular scale as a standard distribution. There's always a small number of super-talented individuals at one end of the spectrum, and a small number of poor performers at the other end, with the lion's share of mediocre-to-good individuals in the middle of the curve. Any company that is looking to acquire talent always wants to select from the top 10 to 20 percent of the talent pool. This is true now as well as in a booming economy.

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OK, now the second question: why is the talent selection actually harder? There is great uncertainty in the current business cycle—so much uncertainty, in fact, that the top 10 percent of the talent pool is more in demand than ever. What's more, that talent at the top is actually more reluctant to move than ever! These top individuals understand the inherent risk of this environment and often do not want to assume that risk. Given these realities, consultants and companies must take several key steps to assure they maximize their talent search as the economy pulls out of this recession.

#### [Take Advantage of This Recession by Overhiring](#)

There are many talented professionals currently available who are old enough to understand the gravity of this economic period, wise enough to adjust their sights, and mature enough to consider taking a lesser position than previously held. Many of these candidates are more than 50 years old with many highly productive years ahead. If you were in the market for a car, for example, would you buy a new Chrysler or a used Lexus for the same money? I would buy the Lexus. Similarly, within this worthy group of executives, there is great talent at bargain rates. This is an opportunity; take advantage of it, as it won't last long. Hire great people to help you now while you can lock them in.

#### [Resist the Urge to Take Shortcuts to Save Money](#)

Shortcuts may include, but are not limited to, the following actions:

- Not using search consultants.
- Not conducting assessments and other tests on final candidates.
- Not conducting thorough interviews and reference checks.
- Not negotiating realistic (based on the market) compensation packages.

Here is another typical shortsighted mistake: you assume you are in the driver's seat and, therefore, don't need to negotiate or conduct interviews respectfully. But don't forget that the behavior displayed by both sides during a negotiation sets the stage for the relationship going forward.

#### [Look Inside Your Own Network for Talent](#)

It's been oft-repeated, "When written in Chinese, the word crisis is composed of two characters—one represents danger, and the other represents opportunity."

Crisis is catalytic. Great leaders are forged in times of crisis. Take a look around you and seek out those who seem to always be coming up with great ideas, innovation, creativity and grit.

[Hire Real Leaders ... and Fire Those Who Can't Lead Or](#)

## Don't

A friend, and well respected, now retired chief financial officer, once told me of an old Spanish proverb, "The fish stinks from the head."

Take, for example, a company I worked with recently that had been around for more than 180 years, but that filed for bankruptcy (and was liquidated) in 2008. I interviewed some senior managers from this company and learned that, during the last year of the company's operation, there were no urgent meetings called to deal with the crisis, no strategies developed to turn the company around and no plan of action. This is a stunning failure of leadership that ruined countless lives. Leadership matters.

So look for people who have displayed true leadership, not for leaders in name only. If you don't in the end, it will cost you money because every day that problems remain unsolved, cash gets sucked from the bottom line.

Secondly, and perhaps more importantly, it sends a message to your other collaborators and even to your client that you tolerate (or even support) poor performance. This will drag the morale and performance of your entire team in one direction ... down! My CFO friend was right; the fish does stink from the head.

In this unprecedented, unpredictable economy, it is survival of the fittest. For consultants to prevail now and prosper in the future demands genuine leadership. If you are not already hiring or partnering with the very best talent you can find, you must begin now to find and acquire it. To do otherwise is to saddle your practice with too many risks.

Doug Reiter is founder and president of Douglas Reiter Company, Inc., an executive search firm that recruits C-level talent for companies seeking high-performing executives to lead teams to new levels of profitability while preserving the organization's cultural integrity. Using his own unique blend of quantitative and qualitative analyses, Reiter has achieved an unprecedented 95-percent or better success rate for his clients. His firm also offers interim executives and consultants. He can be reached at [doug@reiterco.com](mailto:doug@reiterco.com) or [Reiterco.com](http://Reiterco.com).



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## Is Self-Insurance the Right Choice for Your Practice's Short-Term Disability Program?

by Jim Mooradian

As employers and consultants look for ways to save money, all costs are under scrutiny, and the first place they look is their medical plan, given high premium costs. That's fine, but it also makes sense to analyze the costs of a self-insured, short-term disability (STD) program. Within the last decade, it has become popular to self-insure this benefit rather than purchase insurance through a carrier, but most professionals have not analyzed these costs in many years. However, after medical benefits, short-term disability costs can be one of the bigger items on the table. Here's how to decide whether a self-insured STD program makes sense for you and your company or practice, and weigh the benefits of opting for a fully insured program or taking a hybrid approach.

Many firms self-insure their STD programs because they feel that their claims have not been substantial enough to warrant paying premiums for a fully insured program. However, before you can safely conclude that you should self-insure your STD plan, consider these three factors:

1. Actual amount of STD claims paid. Have you tracked your claims? Most firms are completely unaware of what they have actually paid out in STD claim dollars, but this data is essential for any analysis. Calculate the number of claims, the weekly benefit and the duration to see what your true costs are.
2. Proof of loss. Most employers require a doctor's note to initiate a short-term disability claim. But an insurance company requires supporting data, because a simple note cannot reliably paint a specific picture of when someone first became unable to perform his or her job, or when they are able to return. The duration of an STD claim is a complicated business and most



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employers who self-insure have no way to accurately manage this claim component. Most employers are not set up to administer these STD programs, opening themselves up to the possibility of unsubstantiated claims. Because of HIPAA, employer access to certain information is restricted, resulting in self-insured claims having longer—and more expensive—durations than those managed by a claim professional.

3. Sick time. If your firm offers employees a bank of sick days to draw upon, some employees can accrue large amounts of sick time which they may use to pay for a claim. This system creates several problems:

- Sometimes an employee does not have enough sick days to extend through the elimination period of the group long-term disability plan.
- Employees who were never sick have cashed in their unused days as compensation upon retirement or separation, which is not the STD program's intent.
- If employees use vacation days as sick days, this is hard to track and leaves the employer vulnerable to the possibility of some misuse.

### Benefits of the Fully Insured Plan

The objective of an STD program, whether self-insured or provided through a carrier, is to ensure that disabled employees receive benefits if unable to work. A fully insured program will generally satisfy this objective more efficiently and cost effectively than a self-insured program in at least five ways. A fully insured program:

1. Ensures that a disabled person is always paid on a timely basis due to the plan design, and also brings professional expertise to determining benefit duration.
2. Stabilizes costs, because the monthly premium is a fixed cost. And, if your company has positive claims experience, you can rely on stable premiums.
3. Allows your company to outsource all facets of the claim process, increasing your HR department's productivity.
4. Eliminates the liability of large payouts upon employee separation for unused sick days.
5. Creates a much easier paid time off internal policy, which takes the employer out of the guessing game of why an employee is out.

Here's an example of how looking at the numbers prompted one company to switch from self-insured to fully insured. The company had 92 full-time employees covered under a self-insured STD program. Over a three-year period, their claims had averaged \$28,761 per year. Several claims had extended beyond the duration originally anticipated, which had led to some contentious issues between the claimant and the employer.

Taking the company's census to the marketplace, we received premium quotes of around \$1,800 per month or \$21,500 annualized with multiple-year rate guarantees. The company's move to a fully insured plan saved them substantial money immediately, and also allowed the employee responsible for HR to unload the time-consuming duty of claims administration.

### A Hybrid Approach

If neither self-insured nor fully insured is the right choice, you have a third option: a hybrid approach that can offer the best of both worlds. For example, your company may want to provide disabled employees with a length of time at 100 percent salary replacement. Because most carriers won't go beyond a 66 percent income replacement formula, your company can still choose to pay the balance to get an employee to 100 percent income.

The benefit? Your company is shifting some of the claims volatility onto the carrier while still receiving the benefit of professional claim management to control durations, protect privacy and keep your HR professionals out of claims administration.

Before you can determine whether your company should opt for self-insurance, go fully insured through a carrier, or choose the hybrid approach, consider these key factors:

- The claims dollars you have paid out versus the cost of the premiums to insure this liability.
- The functions you want your HR department to be performing—do you really want your HR staff managing claims?
- The risk of a bad claims year—can your organization afford a year in which your claims may double?
- The liability of making an incorrect decision—if you had a contentious claim, is your organization capable of defending its claim process?

If you're looking to control costs, use these guidelines to scrutinize the often-overlooked but key expense of your company's short-term

disability program. Ask your broker or benefits consultant to help conduct the analysis, and you'll discover the money-saving option that's right for your company.

Jim Mooradian, founder of Jim Mooradian and Associates, Inc., has been a New England financial broker for the last 25 years. He formed his firm in 1998, continuing and expanding his work in the supplemental disability arena. Jim Mooradian and Associates, Inc. is a Boston, MA-based full service insurance brokerage firm that specializes in supplemental insurance programs, including voluntary benefits and supplemental disability programs. He can be reached at 617.423.0062 or via [Jmooradian.com](http://Jmooradian.com).



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## Negate Failure and Legal ("N-F-L") Optimizing Player Decision-Making in the National Football League (NFL™)

by Nickolas J. Ortner

### Executive Summary

On-field failures and off-field transgressions of players represent business, fiscal and public relations risk to National Football League (NFL™) franchises. In this era of emerging economic uncertainty and fiscal pressure in the NFL™ due to the league-specified salary cap (preventing teams from simply 'buying out' their personnel mistakes), those risks are magnified. Recognizing, quantifying and minimizing that risk to optimize personnel decision-making remains an enormous challenge for NFL™ franchises, with that player selection/retention process still largely an inexact science.

We developed a Negate Failure and Legal (N-F-L) player selection and pricing model to meet this challenge. Relying on historical data adjusted to reflect today's NFL™, our model strives to optimize the drafting of (college-age) eligible players and the signing of players already in the NFL by quantifying the probabilities of success both on and off the field for every player investment considered by an NFL™ franchise.

### Identification of Business Problem

The specific business problem currently confronting the NFL™, seemingly emerging more frequently and not currently adequately addressed, is one of significant player/personnel investments failing in such high profile ways as:

- Salaries paid to players inconsistent with their achievements lead to losses on the field and locker room strife emanating from those performing at levels consistent with their salaries.
- Off-field incidents, arrests and prosecutions tarnish the organization's image and make fans reconsider their financial

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commitments (ticket and paraphernalia purchases) to the teams they support.

Such outcomes lead to short-term impacts on the field (more losses) and long-term damage to the image and income potential of the professional franchises.

The player investment process—despite attempts by franchises to better quantify it with significant investments in scouting departments and extensive physical and psychological evaluation practices—remains a deeply inexact and subjective "science," requiring actuarial expertise to better quantify and predict the seemingly unquantifiable and optimize the hit-or-miss player selection and investment decision-making methodology currently used by NFL™ franchises.

### Description of Business Impact

The decision-making problem faced by NFL™ franchises has numerous costs and risks, as well as opportunities if the personnel decisions and outcomes improve from proposed upgrades to the current assessment process.

On the field, the costs and risks inherent in the current process include:

- Selection of substandard players yields more losses and reduced chances to participate in the playoffs and win championships (also impacting the financial bottom line—via lost ticket and merchandise revenue—and reducing the prestige/standing of the franchise among its peers).
- Off-field transgressions of players serve as a distraction and translate to inferior preparation and execution on the field by those players, resulting in the deterioration of the skills of those once-prized assets.

The jeopardizing of the health and careers of other valued, oftentimes highly compensated assets—for example:

- Poor play from offensive linemen, those paid to protect the skill position players (e.g., quarterbacks [QBs], running backs [RBs]) and make space for those players to excel, increases the opportunities for the defense to level injury-causing hits/tackles on those players.
- Inaccurate throws from an inferior QB jeopardize the health of his wide receivers (WRs) as those receivers expose more of their bodies to hits from the defense in attempts to catch wayward throws.

Off the field, numerous costs and risks also exist for maintaining the current failing model:

- Declining morale/locker room discontent—players performing at/above expected levels but not compensated for that, while overpaid peers perform at inferior levels, may be more likely to create discord in the locker room, reduce performance from current levels, and/or seek another employer due to perceptions of compensation/rewards not tying to current performance.
  - Bottom line financial impacts may be felt in the short term, as poor play and more losses equate to lost revenue via: Reduced ticket sales and/or the need to reduce prices to sell tickets (fewer will pay a premium price for an inferior product).
  - Reductions in attendance also decrease related highly leveraged revenue—revenue that doesn't count toward the league-imposed salary cap such as luxury box sales, parking, concessions, and merchandise sold in franchise-owned stores.
  - Diminished leverage in negotiating advertising and local TV/radio contracts (those contracts are another leveraged area not subject to league salary cap rules).
- Over the longer term, greater financial and public relations damage results if an organization repeatedly fails:
  - Financial inflexibility and salary cap trouble—with rules in the NFL™ specifying the maximum amount of total annual salaries that may be paid, continued failures in the compensation decision-making process jeopardize the ongoing ability of franchises to make critical investments in worthy players, as the salary cap system prevents past mistakes from being entirely "wiped off the books" and limits the future ability of franchises to pay additional players that may maximize the team's chances for success.
  - Public perception/lack of confidence in the organization—as "isolated police incidents" accumulate or fewer, larger incidents occur as a result of the actions by players selected by one franchise, perceptions can quickly sour

and spiral into a public relations fiasco that may do great and lasting harm to not only the franchise's name, but also the financial bottom line (people will find other avenues to spend their entertainment dollars).

The aforementioned costs and risks also present opportunities with optimization to the player selection/compensation decision making:

- No franchise has developed an especially successful player selection system—a few have more successful systems in place than others (e.g., New England), but in a 32-team league, that leaves great opportunity for growth and distancing yourself from most of the pack.
- The NFL™ remains wildly popular—poor public and media perceptions (and the resulting impact on revenue) can be quickly transformed into sales, buzz, and restored faith with even incremental improvements in the compilation of the player roster.
- Although the NFL™ mandates a 53-man roster, just a few successful selection decisions and surgical cuts may be needed to reverse the fortunes of a downtrodden franchise—the timeline for such a reversal may be as quick as 1 to 2 years, particularly if a team optimizes its selection of leadership positions such as QB.

### Proposed Solution

Our proposed solution—the N-F-L player selection and pricing model—to address the inexact and still oftentimes subjective player selection process incorporates the following elements:

- Compilation of upwards of 25 years (i.e., the modern-day NFL) of statistical information for players with documented success (e.g., multiple years of All-Pro designations, results that placed those players in the upper half of their peers, quantifiable outstanding individual performance in multiple pressure situations [e.g., playoff games]).
- From that database of successful players, quantification and assignment of credibility (and irrelevancy) to the following elements perceived by NFL™ franchises to be relevant:
  - Background—sizes (big/small) of and coaching at the high schools and colleges attended (any indicated track record of success); family (athletic/NFL pedigree, personal highlights or red flags); optimal ranges for height and weight at each position (e.g., opt for the taller or shorter QB, the leaner or heavier tight end [TE]?).

- o Performance and longevity—on the field (does a longer track record of pre-NFL™ or early NFL™ success predict further success, or does it mean the player has already achieved all he can and can't, or won't, give any more?) and in other testing (are certain speed, strength, or other athleticism measures [e.g., 40-yard dash, bench presses, agility tests] more indicative of success in the NFL than others? Are certain tests meaningless?).

Psychology—rather than rely on the extensive battery of intelligence and psychological tests currently used to assess the mental make-up of their potential investment, our analytics will establish the streamlined questioning needed to measure the intelligence and psychological capacity required for players to individually succeed on the field, work collaboratively in a team environment, and participate in the broader community positively.

NFL™ franchises enlisting our services will thrive, as our objective and streamlined approach will:

- Optimize the player selection/retention process and inspire confidence in the currently subjective and inexact process.
- Free up resources to focus on player/system development and evaluation and broader business development/market expansion opportunities, to better utilize the franchises' personnel/expertise.

Our company/firm will also prosper from our proposed solution in several ways:

- Vast potential client network and funding for project/engagement opportunities within the arena of football and other sports analyses, given the specific popularity of the NFL™, the broader popularity of other professional and college sports, and the revenues available in those sports to fund transformational analytics.
- Expansion of our profile and potential customer base outside of the sports world, resulting from our demonstration of knowledge and business acumen outside of the traditional actuarial realm.
- Avenues for crossing over into other sports and potential collaboration with other like-minded sports analysts (e.g., actuary John Dewan, who revolutionized the field of sports statistical analysis with his baseball analytics).

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## The Birth of an Independent Actuarial Consultant

by John Dante

Have you ever dreamed of becoming an independent actuarial consultant? What if you found yourself in a situation where becoming an independent actuarial consultant was the only option you had to continue to provide for the needs of your family? How would you go about this? What would you need to do? What obstacles would you face and how would you overcome them? What are some strategies for becoming a successful independent actuarial consultant? After 29 years working as an actuary for three different commercial insurers, I have decided to make that leap recently and I would like to share with you what I have learned.

### How Did I Get Here?

In today's volatile economic environment, there are no guarantees in terms of longevity with a particular employer. While there may be many positions available on a recruiter's Web site, what if you find that very few if any are a fit for you? What if that perfect position requires relocation and that is not possible due to your family situation or the inability to sell your house? You may find that becoming an independent actuarial consultant is your only option. Others may feel that it is time to respond to the entrepreneurial desire that has been simmering inside them.

For myself, I just wanted to focus on what I enjoy the most—actuarial work. When I started my actuarial career, my job was to underwrite renewals for large companies. I was given a mechanical pencil, 11" x 17" graph paper, a ruler, a calculator and told to analyze. That has been my passion ever since. I feel a sense of gratitude towards the actuarial exams for instilling in me a profound analytical ability. That ability overflowed into other aspects of my life. In fact, our local tax assessor got much more than he bargained for when I showed up to appeal my

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real estate taxes. The following saying from Confucius also contributed to my desire to make the change: "Choose a job you love, and you will never have to work another day in your life."

### How Do I Get From Here to There?

I feel fortunate that many training opportunities seemed to hit my radar as soon as I made the decision to become a consultant. Were they always out there, but I just never noticed them before? I don't know.

I first attended a webinar on networking and I don't think that there is a better initial step than that. When you understand networking, you understand what drives business. Next, I found myself on a conference call organized by a motivational coach with the author of a book on starting your own business. Even though the author's book was targeted to women, I found it to be very valuable. A local internet start-up company offered two free breakfast seminars that were very interesting. One was on using social media to promote your business, and the other was on Web site design. A friend who was a sales coach became a good sounding board for me with respect to my marketing efforts.

I found out through this process that one of the greatest things about being an actuary is the support that you get from other actuaries. Every actuary I talked to genuinely wanted to help me. This was regardless of whether they knew me or not and even if they were busy. I barged in on a few while they were working on Medicare, but they graciously gave up the time to talk to me. They were all invaluable in terms of the advice that they provided me. When you talk to a lot of people, it really gives you a sense as to what is going on in the industry and what you might be able to do to help. It was helpful to reconnect with some former colleagues who became independents; in fact, I found a presentation that one of them gave on the advantages and disadvantages of becoming an independent consultant. I attended the SOA Health meeting in Toronto this year and found several sessions that were of value in preparing me to be a consultant, including one where the President-Elect, S. Michael McLaughlin, provided career advice.

### What Will I Face Out There?

It was amusing to me to notice the two different reactions that I would get from people in the course of the same conversation. When I would first say that I was unemployed, there would be an outpouring of sympathy and I would generally be provided with the name of a recruiter that they know. Then I would say that I am starting my own consulting business and I would be viewed as some sort of a corporate hero. I would be congratulated, praised for my courage and then the person would typically say, "I wish that I had the guts to do that."

I also found the reaction of recruiters to be comical. They refused to

believe that I was actually going to be an independent consultant. It reminded me of the scene in "My Big Fat Greek Wedding" where Aunt Voula is told that Ian (the prospective groom) is a vegetarian. She says, "What do you mean he don't eat no meat?" There is a silence in the room as this is unheard of and then she says, "Oh, that's okay. I make lamb." Perhaps this reaction is out of self-preservation.

All in all, people were very supportive. It occurred to me that if my revenue was based on their support, I would be very successful. The interesting thing is that indirectly, my success is tied to their support. It goes back to the importance of networking because you just never know where the business will come from. More times than not, it is not from where you expect.

You will experience the full range of emotions as you go through this. I remember that anxious feeling in the pit of my stomach when I was told in the networking webinar that I would have to sell myself. I always viewed salespeople and actuaries at the extremes in terms of personalities. In reality though, we all need to sell ourselves to be successful no matter what career we find ourselves in. There will also be the realization that it is all up to you. I found this out recently when I had some computer problems and realized that there was no Help Desk to call. At the other end of the spectrum, there will be the exhilaration of landing the first client and receiving the first paycheck. Also, it is comforting to know that when you make that extra effort, you will now directly benefit from it.

### How Can I Be Successful?

I believe that the first step in being successful is to develop your business plan. Mine started as a list of questions. As each month goes by, I would revisit it by answering as many as I could and then writing down additional ones. You should consider setting goals for yourself as well. The business plan and the goals that you set for yourself will function as your GPS system. If you go off track, it brings you back.

You need to keep in mind that your revenue will need to cover much more than the salary you had at your last company, since you now have to pay for things that your company paid for in the past, such as benefits, Social Security taxes and business expenses. Assuming that you work from home and are careful with regard to spending, I would estimate that you would need between \$10,000 and \$20,000 for business expenses in the first year. The good news is that you can charge less than the larger consulting firms given that you don't have the resources and overhead that they need to cover. Additionally, you will not need to bill out 40 hours a week to get the revenue to cover salary, benefits and expenses.

It is important to spend time and resources on marketing. Take an

inventory of your skills and think about what differentiates you versus those offering the same services. Even though a number of independent consultants don't utilize a Web site, you cannot afford not to have one as a new consultant. It gives you more credibility. Even when you have work, you will still need to think about getting your next job.

Finally, even though your emotions may be on a roller-coaster ride, I think that it is critical that no matter what happens that you continue to believe in yourself and in your success. The author I referred to earlier named her book, *Birthing the Elephant* because she believed that a start-up business takes 22 months to be successful and that is the gestation period of an elephant.

John Dante, FSA, MAAA, is the president and CEO of Dante Actuarial Consulting, LLC in Mountain Top, Pennsylvania. He can be reached at [johndante@danteactuarialconsulting.com](mailto:johndante@danteactuarialconsulting.com).



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Attend the SOA '10 Health Meeting, where we've lined up engaging speakers, thought-provoking sessions and plenty of networking opportunities. You won't want to miss our point/counterpoint debate between two leading minds in health care reform, followed by a question-and-answer session. Matt Weinstein, humorist and author of *Work Like Your Dog*, will round out our speakers. We've got sessions planned on a wide variety of topics—emotional intelligence, trends and issues facing health insurance companies and reinsurers and untapped opportunities for health actuaries. And, we're once again offering a unique learning experience—sign up for our computer-based learning session, where you will design a basic health plan to cover the uninsured. The catch? The money available is one-third less than typical employer based coverage. Learn more at <http://healthmeeting.soa.org>.

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