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ACTUARIES IN NON-TRADITIONAL ROLES

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Actuaries performing in the following functions:

- o Investment
- o Marketing
- o Sales
- o Market research
- o Corporate planning
- o Tax planning/compliance
- o International

MR. STEVEN B. SCHWARTZ: Each of our four panelists started out more or less on a traditional path of the actuary. Each one of them went on to distinguish himself and to become very successful in areas that are considered by most to be off the beaten path for actuaries today. The main objective of this session is to let you know just how wide the range of activities is for actuaries. Not all actuaries have to be involved in constructing mortality tables, calculating the cost of insurance premiums, determining pension benefits, or doing pension valuations, or annual statements. There are many more areas in which actuaries can get involved as a result of their training and background. Their careers can be rewarding, exciting, and interesting. There is no reason for an actuary to be bored.

What we want to convey to you is: How can an actuary find his niche in this broad spectrum of activity? How can you find and pick out that non-traditional role that will make you happy and that will be rewarding and exciting?

MR. BARRY S. BLECHER: I work in the International Division of a U.S. employee benefits consulting firm. I'm a consultant to U.S.-based multinational corporations concerning the benefit plans maintained for their foreign operations. In general, I am not there to replace the local foreign actuary. The thrust of my work is to satisfy certain requirements and needs that are special to the U.S. parent company. The work I do can be broken down into three areas. The first covers a variety of projects all involved in assisting the client in seeing that its benefits policies are maintained worldwide. I'll discuss this general area first since, historically, it's where international benefits began. Then I'll get into the other two areas: taxes and accounting.

In many multinational companies, benefits proposals originate with local management overseas and are then reviewed by the U.S. parent company. The international benefits manager in the U.S. must concern himself or herself with seeing that the proposals meet corporate objectives and are consistent with the company's worldwide policies with respect to benefits design. For example, how does the parent company feel about defined benefit versus defined contribution plans? What is the company's policy toward granting cost of living adjustments to pensions in payment? Are plans calling for employee contributions favored? Does the company encourage early retirement through heavy subsidies, or prefer not to? Does the company prefer to sponsor more generous plans than its competition or are the plans about average? Balanced against the answers to these questions are local factors particular to a given country which might influence a company to bend its usual policy. Do local tax laws encourage different types of plans than the company would prefer to have? For example, some countries, particularly in the Far East, encourage lump sum retirement benefits over pension plans. Employee contributions to pension plans are tax deductible in some countries but not others. Social Security may be more generous in some countries than others. These are all factors which must be weighed and measured when the local proposal comes up for review.

Similar issues arise with respect to funding. Many U.S. parent companies are reluctant to maintain higher levels of funding on their overseas plans than they do in the U.S. This can be a very important issue, since a reversion of assets can be difficult or impossible to achieve overseas, even if the company is pulling out of the country and has fully funded its accrued liabilities. The U.S. company needs guidance to find its way through local funding practices. Some of these practices are the result of laws and regulations, while others simply reflect customary practice and views of the local actuaries. My role, in part, is to differentiate between customary practice and law and to advise the parent company accordingly.

Many U.S. companies also sponsor one or more plans for key local management employees or for TCN employees. A TCN is a "third country national" -- an employee, for example, who is French and working in Venezuela for a U.S. parent company. These employees face special benefit problems both for pension coverage and for Social Security. The company's U.S. international actuary is usually the one responsible for this pension plan.

The next type of work that came into the picture was tax work; Section 404A was added to the Internal Revenue Code in 1980. In brief, Section 404A allows a tax deduction for foreign deferred compensation plans under rules that are less restrictive than for U.S. plans. Prior to this section, a company with a branch operation overseas essentially needed to qualify that plan under ERISA in order to get a tax deduction for it, even if qualification under ERISA was inconsistent with qualification under local tax law. Section 404A is extremely complex, as are the rules relating to taxation of multinational corporations. Suffice it to say that the treatment varies depending on whether the multinational is operating a branch office or a subsidiary office overseas. If it's a branch office, the company is looking for a U.S. tax deduction. If it's a subsidiary office, it's looking for a reduction to Earnings and Profits for the Foreign Tax Credit calculation. Treatment also varies depending on whether the parent company elects funded plan treatment or reserve plan treatment for the local plan.

The third area of my work is that which is done for accounting purposes. Over the past several years, a growing number of multinational companies have seen to it that their consolidated financial statements reflect a consistent approach to pension expense worldwide. However, with the passage of Financial Accounting Standard 87 and its applicability to foreign plans as well as U.S. plans, this issue is receiving more attention than ever before. The predecessor rule, Accounting Principles Board Opinion Number 8, also applied to foreign plans as well as U.S. plans. However, because FAS-87 is much less flexible than APB-8, it's more likely than ever that approaches to pension expense used abroad will not comply with the new standard. In addition, the increasing visibility and materiality of foreign operations and of pension expense within those operations has led to a much more intense focus on foreign plans under FAS-87.

One interesting aspect of FAS-87 is that it specifically covers termination indemnity plans which are "in substance" pension plans. Italy is one country where there are mandatory lump sum termination indemnities. That is, companies are required to make a lump sum payment of an amount specified in the law, on termination of an employee for any reason, at any time in his or her career. The indemnities are provided for through locally tax deductible reserves on the company's books. They are not actuarial reserves. They are calculated simply as the amount to which every employee would be entitled if he terminated. However, under FAS-87, an actuarial valuation is needed for such a plan.

I got myself involved in this field because it fulfilled the need I had to mix some of my outside interests into my work. For a long time, I had been interested in foreign places, foreign people, and foreign languages, and it always seemed to me that I did my best work in an area that interested me most. I have a fair knowledge of Spanish, French and German, which is extremely useful. I can read a good deal of the material that comes in without getting it translated. I'm also able to get through to the person I want, or leave a message when I call overseas and find that nobody who speaks English is in the office at the moment. But for the most part, I work in English and find that the people who work with Americans speak English. Ability with foreign languages is an asset in this field, but not a necessity.

As for foreign travel, there is some, but not a lot, in my work. Consulting fees are generally high enough that many clients are reluctant to pay for their actuary's foreign travel expenses on top of it. Most trips are made only if there is a great need for it or if it's possible to combine several clients' work on the same trip.

I find a good deal of opportunity to be creative in this field, and it's necessary to be resourceful, particularly when trying to gather information about anything from a country overseas. On the other side of the coin, there is the danger of becoming somewhat isolated in the work. You get involved in things that many of your colleagues know little or nothing about and many have no interest in at all. And it's important, but difficult, to keep yourself abreast of benefits developments in the U.S.

Is a U.S. actuary the one best suited to this role, or is there duplication of effort? In other words, can a local actuary perform the calculations needed for U.S. tax and accounting purposes? In some cases, yes. A number of German actuaries, for example, have learned a great deal about Section 404A and have had a lot of experience with it. At present, there is no requirement that an enrolled actuary sign off on the calculation, so a German report might carry the same weight with an IRS auditor as a U.S. report. As for FAS-87, the concepts behind the projected unit credit valuation required by the Statement are understood by actuaries in the United Kingdom. Some of the more esoteric aspects of the Statement may not be understood by them at present, but should be in a matter of time.

The U.S. actuary, though, is closer to the source of both 404A and FAS-87. He is also closer to the parent company and in the best position to understand the U.S. company's corporate objectives. Within FAS-87, for example, there is still some flexibility available in choosing what actuarial assumptions to use. Some companies will choose to be more conservative than others in this. The same flexibility exists for the choice of assumptions on the foreign plans, and it's only with a single actuarial advisor that the U.S. parent company can hope to choose a set of assumptions that is consistent on a worldwide basis.

As I mentioned earlier, there are also countries such as Italy which don't have actuarial valuations done locally. The U.S. consulting actuary is the natural choice for a 404A or a FAS-87 valuation of an Italian termination indemnity plan.

Finally, it's the U.S. consulting actuary who has the U.S. parent company's interests in mind. The local foreign office may want to implement a very rich pension plan that is far in excess of what's normally provided locally. They may want to keep funding at high levels to make sure that the plan is secure. Or the local company may want to fund at a very low level, especially if local management's annual bonus is determined by local profits. My clients rely on me to keep them out of such situations.

For those of you interested in getting into international benefits, I'd suggest first getting as much experience in U.S. benefits consulting as possible. The skills, concepts, techniques and approaches to the work are all, essentially, the same in domestic benefits as in international benefits. At the same time, try to read as much as you can about benefits in other countries. I'd also suggest sticking your toe in first by getting involved in some work on foreign plans. There are a lot of frustrations in the field which you should know about, and which can only be experienced first hand. But I enjoy it and I know I made the right move when I got into it.

MR. STEVE P. COOPERSTEIN: After I had been with Metropolitan for almost twenty years, I decided to take a look elsewhere. The one thing that's been constant since then is my job objective on my resume. That reads, "I'd like to apply my conceptual, managerial, professional, and administrative fortes to run a prestigious insurance and related financial service and marketing organization." That's a pretty broad objective. Actually, I've been a quasi-entrepreneur. I've been a sales person, a broker, a product developer, a marketing consultant in pensions, a mail clerk and a delivery boy, and I've been involved in direct response marketing, niche developments, distribution systems and word processing.

I felt that when I went out into a new field, especially as an actuary, I would get a good education. As a matter of fact, in my last two years at Metropolitan, I went into corporate long range strategic planning and asked to get out of the actuarial division. I was at the point in my career where I really wanted to find another outlook on life.

A very important thing happened to me at that point. I went to interview. I think everybody who ever looks for a job runs across the book *What Color Is My Parachute*, by Richard Bowles. One of the things the book tells you to do is to look back into your career and make an evaluation. The book is good even if you're not looking for a job because it really lets you assess what you want out of life and what you don't want. I realized that I had always been interested in marketing. I had always thought that the sales managers of our district agencies were the ones that made the business go, and I respected them. And, so, that's how I came up with my job objective. Actually, I've looked at four different career paths, all with that general idea of being in charge of my own firm interested in marketing certain financial institutions. I looked at consulting; I looked at being in an agency operation itself. Basically, this process helped me to learn what I was interested in.

I'm now involved in the charitable giving field. I'm out in the marketplace seeing what people want and helping people fulfill their charitable and other financial needs. In that respect, I work as a charitable financial planner. I also go beyond that. I market products for charitable giving. I develop charitable giving products. I consult with charities, and I consult with insurance companies to help them use charitable giving as both a door opener and as a very effective sale in a field that will be very, very important next year if the tax law changes. The charitable deductions will be lower because of the lower rates, but it's one of the deductions that is not being touched directly by the proposed laws.

Why is an actuary suited for what I do? First, an actuary does problem solving, and I find that no matter what I do the problem solving ability comes into play. Creative thinking also plays a key role. Most importantly, actuaries are motivated, driven people, and that can be very effective if you can keep up that drive.

Why would an actuary want to do what I do? Charitable giving is an interesting subject because it happens over a period of time. People don't want to necessarily give to charity; just like insurance, it's a hard sell. It involves financial matters, taxes and legal work. Right now I'm developing something which, if the tax law does go into effect, will really make charitable work very necessary. I'm developing what I call a "cooperative plan," where somebody who gives to charity will be eligible for a contingency in the future. Since I'm the only actuary in the charitable giving field, if I make this work, I will have a nice career path for myself in the future.

The last question is: How does an actuary get into this field? First, you can call me and I can give you some tips. Basically, I think you should be financially secure for at least two years, because you might not make any money. The bigger the change you make in career, I found, the more time it will take you to get into that new field. Just as when you're dealing with diversification of your own companies, if you do a marginal diversification, it's going to be easier to do. If you do a major diversification, it's going to involve more development time. I also suggest that you let yourself evolve.

You have to move with the situation and expect that your next job will not be your final job. If you make an evaluation of yourself, you can evolve into a position that will be interesting to you, will provide you with that second, third, or fourth career. Non-traditional roles have evolved because we're living longer and actuaries have brain power to do a lot of different things.

MR. ARDIAN C. GILL: I want to begin with three actuarial truths:

(1) Not all actuarial work is drudgery, and not all actuarial work is harmless. But, I'm sure there have been times in your careers, as there have been in mine, when you thought you were involved in sheer drudgery.

(2) It's not awfully safe in the executive suite. So, if you do move from technical work into management, you risk getting fired. It's true, the salaries are very high up there, but maybe they are not high enough if you think of it as hazardous duty pay.

(3) It's very hard to accumulate wealth on salary. Most of us put our self-discipline into the exams or into our business life and don't leave any over for our own financial affairs.

I'm not running down a career in a big insurance company or any other big organization. In fact, many actuaries quite happily spend their entire working lives in a large organization until they are forced out at some age, totally unrelated to their ability. I'm not speaking to those who are content to stay in one organization or several big organizations, but rather to those who are not. I'm speaking to those who think that they'd like a difference from harmless drudgery or hazardous duty. The difference I'm talking about is entrepreneurship.

I started two businesses with some success, one as a consultant and one as a reinsurance broker and an insurance acquisition specialist, which I will now describe.

Gill & Roeser, Incorporated, serving both the property, casualty and life insurance industries, is made up of specialists in surplus and premium relief, loss portfolios and financial reinsurance, commutation and run off, traditional reinsurance, quota share, excess and stop-loss programs, assumption reinsurance, strategic acquisitions and divestitures, restructuring of product portfolios, distribution systems and operations, identification of financial distribution and product partners, and identification of acquisition candidates for foreign and domestic expansion. With over $3 billion in asset and liability transfers since 1983, the Gill & Roeser Companies together are a recognized leader in their field.

We have also signed a letter of intent to acquire two insurance companies. One is a property/casualty company and the other is a life company. So, basically, we are entrepreneurs, or you might say, opportunists. We saw an opportunity there. We now have six in professional staff and two office workers. The firm's compensation is entirely in the form of contingent fees and commissions, and our arrangement for employees' compensation is such that each person is his own profit center. We merely shifted the hazards of insurance company employment for the hazards of employment as a broker; we have exchanged the hazard of success for the hazard of failure.

So, while there is risk there are certainly rewards, and here are the rewards: One can have great satisfaction in performing well in such an environment. One can accumulate wealth because of the form of compensation. There is the ability to structure your time differently from the normal work week. Our firm goals are such that you can work to as old an age as you want to, or you can quit early with security, all related to your level of success and abilities.

What does it take to do this?

1. Analytical skills. Gill & Roeser tends to work only on the more complicated deals where our actuarial backgrounds tend to give us a leg up on the more traditional brokers. They are now referring the complicated deals to us.

2. Verbal skills. We must communicate the deal but not its complexities. We are, after all, selling the product.

3. Self-motivation. There is help around but there is very little supervision. The ability to put in long hours of sustained effort at some personal inconvenience is important, as is the ability to handle rejection.

One more requirement that applies in even greater measure if you're going to start your own business is, what Kierkegaard called, a leap of faith. You must have faith in your own ability to succeed.

On a more mundane level, if you start your own business, you must have some financial staying power, an ability to survive for a time without any income. Our financial resources consisted of three check overdraft plans. We had actually counted on five but two banks turned us down. We had no income from the time we started in early September until December 29, when two fees were wired into our bank account in a four-minute interval.

Henry David Thoreau once said, "The mass of men lead lives of quiet desperation." If you have that sense sometimes, entrepreneurship may be the thing for you. It can be very liberating. Certainly in this era when actors can become presidents and professional athletes can become congressmen, then actuaries can become entrepreneurs.

MR. ALAN W. SIBIGTROTH: Today, it's important that actuaries attempt to embark on new career directions to open up new, potentially opportune disciplines for their efforts. In my own case, I saw an opportunity to blend investment strategy with risk management techniques. I've had an active interest in the financial markets over many years, particularly in the equity and options markets, and I was interested in trying to blend the risk management skills that actuaries learn through their discipline with the pragmatic aspects of trading and making financial gains.

One advantage of being in your own business is the opportunity to control your own destiny, to define your own career direction and see first hand whether that brings material and personal rewards. Certainly, there are the opportunities for greater financial rewards. But, I don't feel that a person who embarks on a successful business works for financial rewards alone. Cash flow is the blood of business, but you don't live for blood, you live for life. The personal satisfactions that you gain through your efforts, through being successful, can outweigh the financial potential.

In my case, I have three different firms. One is Sibco Securities, which is a market maker, holds a couple of exchange memberships, trades proprietary capital and is also a New York State reinsurance intermediary.

Sibco Capital is a futures commission merchant, which is the highest level of registration with the National Futures Association. It is empowered to trade commodities and options on financial vehicles for third parties.

Sibigtroth & Consultants is a management consulting firm. It explores risk management techniques using decomposition methods. This is a way of taking a particular insurance product and decomposing it into its various risk components, evaluating those components, and apprising the company of how it might want to manage that exposure. We also do some work in the area of capital management, where we look at capital problems that firms may find. We have a computer system that can evaluate the financial position of a company and review its financial performance. We also consult from time to time at systems design areas, making use of operating environments of different types of computer environments, data base management and so on.

Why is this good for the profession? Actuaries are risk management professionals, so their skills allow them to work in a variety of different areas, unlike the traditional disciplines. I think the business needs to have actuaries approach these new areas and lend their skills. It also affords a greater economic value to the profession as a whole. It will hopefully bring new blood into the profession and allow us to serve a wider selection of industries.

In terms of the skills that help contribute to a successful career in this area, I think it's important to have a vision of what the business can be, and not to be afraid to dream about the possible opportunities. It's very important to be persistent, not to be deterred by early failures. I also think it's interesting that success can also pose its own problems. Many of us are braced for the potential failure that we might encounter, only to find that we really don't appreciate the potential dangers of having successful beginnings. Also, you need the courage to take risks, to face the future, as Ardian said, with a leap of faith. You'll find out through doing what some of the problems will be and how they might be addressed. And it's important to be able to market your own skills.

In terms of the financial resources, it also is important to have cash reserves to withstand the difficult times. I use a measure I call a "survivor index," which is a way of taking free cash (the cash reserves of the business less approvals and less accrued income taxes over the fixed annual expenses) and determining how long one can go without any revenue before one reaches cash flow shortage. It's also important to concentrate on a few areas. Don't try to accomplish too much or be too much of a generalist. It's better to focus your efforts in a particular area and then try to maximize the opportunity for that. As was mentioned earlier, the development time to move into new areas can be very expensive. You also need to have strong personal motivation. You need to be willing to continue in the face of adversity and push forward without near term benefits or near term gains. And you need to have an optimistic attitude. We have an example of a firm that started sixteen years ago with about $40,000 in assets and is now one of the largest ad agencies in the world. Those are the kinds of opportunities that are out there.

MR. SCHWARTZ: I was chosen as the moderator for this session because I am also somewhat involved in non-traditional roles. Like Barry Blecher, I was at Kwasha Lipton for a number of years. I left there last June to start a firm called Actuarial Finance. I'm involved in negotiating Guaranteed Investment Contracts on behalf of defined contribution plans. GICs are fixed income investments for these plans. A few months after that, I started another company, First Annuity Corporation of New York, which markets single premium nonparticipating annuity purchase contracts for terminating defined benefit plans.

I'd like to open up with one question and address it to all the panelists. What risks are there in leaving the normal path and doing something different? Is there really a lot of risk?

MR. SIBIGTROTH: That's an interesting question. My observation is that many times what you perceive as the risky course may be, in the long term, not very risky at all. For example, in a large corporation, your success in moving up the management track may hinge on a lot of things that are outside of your control. In your own enterprise, you know very personally whether or not you succeeded. You also know that if you have certain capabilities, you will probably see the results geared to your efforts and your potential, versus the exogenous environment that you really don't control. So, from that perspective, being in your own business may be a less risky course than putting yourself under the vicissitudes of a larger corporate environment, particularly given the changes in cost structures that a lot of large companies are going through today.

MR. BLECHER: It also depends on how you define risk and failure. It depends on how you see yourself and how you see life. If you see life as experiential, and if you have enough confidence not to put the whole criteria of success on money or how people look at you, then giving yourself additional experiences can be a success, and you can't possibly fail if you go out and experience something new in life. That's the way I look at it. I couldn't possibly fail, because I was involved in something that was going to be better for me as an individual and as a business person.

When I was at Metropolitan, the people in administration would always say, "You are an actuary. You don't have to worry because there are always jobs." Faith has a lot to do with that. But it's probably ill founded faith to go out and try an entrepreneurial venture if you don't have any money in the bank. So, taking risks requires intelligence and confidence, and part of that confidence is knowing that there are jobs for actuaries to come back to. Although you might suffer along the way, suffering isn't necessarily all bad. You learn from pain.

MR. GILL: There are different kinds of risks. Some risk is quantifiable. That is Alan Sibigtroth's survival margin. You can determine how much money you need to live on, how much you have in the bank. I suspect at the beginning many of you would have a negative survival margin.

The other is the risk of success as well as the risk of failure, but you can minimize the risks of failure by getting a head start. Don't just open an office, get a secretary, acquire expenses and go and sit down, but try to get a running start. For example, when I started consulting, I was already moonlighting on two assignments. That gives you a certain confidence that you can go forward with financial success.

The problem I had with consulting was the risk of success. I found that I didn't have as much free time as I had expected, and I didn't have as much control over my time because I was too busy. I finally concluded that I had merely exchanged harmless drudgery for unremitting toil. So, there are two kinds of risk in your own business.

MR. BLECHER: I didn't have the experience of starting my own business, so the risks were not quite as devastating. But there is, as I spoke about, a problem in going off in a small field within a consulting firm. Basically, because the thrust of the work is U.S. domestic business, there is the sense of being off on the side. You are suddenly grasping for information. Everybody else has legal support and research support, and there's never going to be, no matter how large the international side is in any consulting firm, as much support as there is on the domestic side. There is also the problem of staying abreast of what's going on in the mainstream of the business. But, as Steve said, you move on. If it doesn't work out, you move back into domestic or you do both. Things are probably not as risky as they seem once you get into them.

MS. SHERRY DWORSKY:* I am a management consultant involved in executive search, and I deal with a lot of actuaries and benefits personnel. I have heard a number of people speak about going out on one's own. The one thing I haven't heard is what other things you can do without being out on your own. I see actuaries who go in as consultants in various areas of pension and health, defined benefits, and defined contributions. They go into being practice leaders, heads of offices, partners, and principals. I meet people who have taken that leap of faith to go out of the traditional actuarial role in insurance companies, and move into consulting. It appears, then, that you need to have the communication skills, the people skills, and the management skills to take yourself out of the traditional backroom and make that leap into the other areas. But you don't necessarily have to go out and do it by yourself and worry about the cash flow from minute to minute.

MR. SYLVESTER J. HUSE: I started as an actuarial student with AT&T working on pension plans and death benefits. Seventeen years later, they transferred me out. I became a vice president and controller of three different Bell System units, and last year I took early retirement.

We have heard about actuaries who have gone into related fields, but there's plenty of room in unrelated fields. As a matter of fact, I have two definitions of a non-traditional role for an actuary. The first one is when you don't report to an actuary anymore. The second is when you report to somebody who doesn't know what an actuary is.

* Ms. Dworsky, not a member of the Society, is a management consultant with Wesley Brown & Bartle.

MR. ALAN W. FINKELSTEIN: I believe that as actuaries become more involved in non-traditional products, we shall see more of them involved in non-traditional roles. For example, my company entered the Universal Life market five years ago when there were few companies in this field. At that time, illustration proposal software was in its infancy, especially with respect to microcomputer software. Consequently, our original illustration programs were much simpler than they are today.

Due to the increasing complexity of our products, the demand for illustration proposal software, and the regulatory environment of Universal Life products, we found it necessary to form a separate and distinct area known as "Actuarial Illustrations." The purpose of this area was three-fold:

1) To develop and maintain illustration proposal software on our in-house system and on microcomputers.

2) To assist our marketing department in the distribution of floppy diskettes, handling of special requests from our agents, and investigation of possible hardware/software problems of our agents.

3) To act as a liaison between the company and outside vendors who are developing some of our software.

With the entry of a large number of companies into the Universal Life market, the development of illustration proposal software should no longer be viewed as a "non-traditional" role of the actuary.

I have a question for the panelists. One risk I'd like to know your perception of is that of actuarial malpractice. Recently, there was an article published in *Fortune Magazine* that was reproduced in the actuarial newsletter. What are your comments on that?

MR. GILL: I'm not a consultant. But, I was for a year in my own firm and six years in Tillinghast. I think the article in *Fortune* had to do with valuation of a pension plan which involved some steel mills. The company went belly up and closed the mills. The PBGC, which got stuck with the liabilities, said that the actuary should have done a better job of assessing the probability of those mills closing.

One of the conditions of the settlement is interesting to actuaries. There was a new board set up, the Actuarial Standards Interim Board. I was on the committee that set it up. It's a two-edge sword. If you have standards, then you have something to defend yourself in court. You can say, "It wasn't malpractice, I did exactly what the profession told me to do." On the other hand, if you failed to do what the profession told you to do, it gives the opposition ammunition to show that you failed to do it. So, I think the malpractice thing is going to be a coming threat. We're one of the last fields to be approached by the litigation specialists, and the profession is running very hard to set up its defenses before we get a snowball effect.

MR. A. HAEWORTH ROBERTSON: In a nutshell, I have organized and operated as president of a life insurance company for about five years, and I spent about six years in international consulting, working around the world. I have also been chief actuary at Social Security.

If any of you have a reasonably strong desire to be an entrepreneur or make a change, I would encourage you to do it. I think once you've done it, you will conclude that taking the risk was certainly worthwhile; the risk probably wasn't as great as you thought it would be. If you have a reasonable amount of self-confidence and a reasonable amount of money, you'll probably succeed. If you have a lot of self-confidence and no money, you can succeed. Success isn't necessarily making more money, which some of the panelists emphasized. Some of you threw out the idea that you really hadn't made it yet. You talk about a lot of money, but that's not necessarily what you're after.

In closing, when I was interested in going into the international field, I had a hard time finding out what was available. I have three job requests on my desk from the International Labor Office, and I will share these with anybody who wants them. They want one actuary to go to Geneva for one year to work in international social insurance work. They want one actuary to go to Barbados for six months to study workers' compensation and severance pay plans. And they want a computer specialist to go to Surinam, Dutch Guyana in South

America for six months. So, if you have a serious interest in any of those things, just contact me and I'll send you a copy of those proposals.

MS. AMY H. COLGLAZIER: I'm now in a non-traditional role as a marketing actuary. I thought it was a big risk going into a marketing department. It didn't turn out that way. Having spent a year in a non-traditional role has made me look at a lot of other opportunities. I have two questions for the panel: When you see a market niche and you see where your talents could fit in and where there's really a need, what type of steps do you take to really figure out how to put the pieces together? And along with that, do you feel that consulting experience is really an important element to take you into an entrepreneurial position?

MR. COOPERSTEIN: I like playing it safe. I worked seventy-five percent of my time on retainer, and the other twenty-five percent of my time I worked on projects for other people. So, I was able to get into a new field by doing two things at the same time and potentially getting paid for both. I was, in fact, moonlighting, but it was an open moonlighting, which enabled me to test some new fields. I went through pensions. I went through direct response marketing. I finally found the charitable giving area. Then I actually did it for a year-and-a-half on retainer before I decided to go out and do it on my own. And I'm still learning in that field. In fact, only in the last three weeks did I clearly decide that that's what I want to do and that I will be successful in it.

MR. SIBIGTROTH: I never had any consulting experience. I worked for a large mutual company for a number of years and then for a medium size stock life insurance company. I also didn't do any moonlighting. I was concerned about the visibility and the risk that it might become apparent. I also felt that it was important to be able to develop business for myself. It's important to be able to attract potential business opportunities. If I was going to have trouble doing that, I preferred to find out early rather than have a few clients in my hip pocket to keep me going for six months or a year, only to find out that I really couldn't keep the momentum building. I was fortunate that I did some subcontract work with Ardian, and we had a little financial services practice which got me started.

You have to try to make some appraisal of your potential to build a business for yourself. You really have to try to analyze that without a whole lot of insight. There is an awful lot of faith in saying, "I really don't know what I'm going to be up against." I started with a blank yellow pad. I said, "Okay, I want to move in a different direction. I don't know what's out there, but let's see if I can probe some of the key issues and the key concerns that I have." It is very interesting that as you start to identify your key concerns (lack of capital, building a market for yourself, what will be your product or service), you find that you begin to build a strategy as to how you might attack those particular problems. The concerns that you ultimately define may not be as great, or you may find solutions to many of the concerns that you initially thought would stop you from moving forward.

MR. GILL: I'd like to return to the notion of market niche. You very definitely should figure out what that is for you and have some options, because the first idea may not necessarily work. The idea of trying to build on your experience is important for the first shift. I don't think I really succeeded right away in the market niche I had chosen, which was management consulting, because I was thought of as an actuary who could only do actuarial consulting. The second shift I had was working in tax planning and reinsurance for a couple of years, and so it was a fairly natural shift to move to the other side of the table where the broker was and face the actuary who was doing the technical work.

On the question of when you should make the move: If we polled the panel, we'd probably all feel we should have done it sooner rather than later. It's pretty subjective. I guess the right time is when you have enough confidence to make the leap of faith.

As far as a consulting background is concerned, I strongly recommend it. It's a great builder of backbone and skills. It's a shock to be on your own all of a sudden, and you have to think everything through from start to finish. Your clients think of you as knowing everything, and they want an answer right there on the spot. You have to think pretty fast on your feet. So, identify your niche, do your homework, and develop your strategic plan. And if you can get some consulting background, get it.

MR. BLECHER: I think my move was different from the others because I probably didn't think it through quite as carefully. When I first got involved in international benefits about six years ago, Section 404A didn't exist yet. FAS-87 didn't exist. It wasn't really clear to me what work there was for me. I knew that all of the major consulting firms had international divisions. Many of them had very few actuaries, if any, involved in that area, but the field seemed to be growing and I found it attractive. I just began moving toward it, perhaps without my eyes opened completely. Again, I wasn't going into business for myself, so it wasn't quite as dangerous.

MR. COOPERSTEIN: I think it's really good to move outside of the Actuarial Department if you're thinking of a role change. Moving out of the Actuarial Department is a great exercise in learning about other ways of doing things and getting that first encounter with not being "safe." It's a really good way to take that first step.

MR. SCHWARTZ: Part of the mystique of being an actuary in a non-traditional role is that someone who has that bent, that drive, to do something out of the ordinary is not only going to do something out of the ordinary with regard to the job itself, but also is going to do something out of the ordinary with regard to his life. That's perhaps why more of the non-traditional actuaries are in their own businesses.

MR. HUSE: What do the panelists think of the Society's attitude toward actuaries moving into non-traditional roles?

MR. SCHWARTZ: The very fact that they put this panel together indicates that the Society isn't necessarily against actuaries looking toward non-traditional actuarial functions. Do any of the panelists have a comment on that?

MR. GILL: I'm not involved much with the Society any more, but at one time I served on the members committee. One of the questions we wanted to address was: Were we growing too many actuaries? Were there sufficient jobs and opportunities for them? At that time, the general view of the board was that we should encourage diversity of career into other activities, in particular, investments. Is there anybody here in investments who could give us guidance on how you get into that field? I just want to mention that in the U.K., actuaries have traditionally been very much involved in investments. For example, one of the stock indices is the Actuaries Index.

MR. DAVID A. LOGIE: I qualified in Scotland as a Fellow of the Faculty of Actuaries. In the mutual life insurance company that I was associated with, they looked at the actuarial students from the Actuarial Department, and the ones who showed some promise were, at a convenient opportunity, transferred to the investment department. I was fortunate enough to be transferred to the investment department after six months as an actuarial student and continued in investment work as long as I was in Scotland. At that time about fifty percent of the investment managers of the life companies were Fellows of the Faculty of Actuaries. I've always been very surprised that the U.S. companies don't make more use of actuaries' talents in the investment field.

MR. SCHWARTZ: I know that at several of the larger insurance companies, such as Metropolitan and Mutual Benefit Life, there are actuaries involved in the investments. The fact is, there are a number of them. Therefore, I wonder how non-traditional that is any more. The more actuaries who are becoming involved in these various fields that we represent, the less non-traditional they are.

I have a question that I'd like to open up to the panel. Are any special talents required for being an entrepreneur or for being an actuary in a non-traditional role?

MR. GILL: I think that analytical skills and verbal skills are terribly important. I also mentioned the ability to accept less than you might hope for. When I switched this latter time, my financial analysis was such that I made quite a sacrifice in nonvested deferred compensation, pension, and profit sharing benefits. I was also willing to settle for an income twenty percent of what we estimated I was making at Tillinghast. So, you have to have an ability to accept at least a partial failure and not have too much of your ego at stake if you don't succeed right away.

MR. CHARLES K. B. HAMILTON: I was wondering if the panelists could briefly describe any educational background they may have other than the Society of Actuaries exams that would help.

MR. COOPERSTEIN: I think it's quite empirical. Certainly involvement in futures, investments and computers is important. I have found my financial planning experience has helped a lot as well.

MR. SIBIGTROTH: I felt it was my personal experience that gave me the most interest in moving forward. It really wasn't my educational background. The education is important in terms of building discipline and developing technical skills, which are an important resource that we have to draw on. The real question is whether we can bring to the party the other dimensions that are needed to be successful.

MR. GILL: I don't have any particular education outside of a bachelor's degree, the Society's degree, and a study of a number of foreign languages. I don't think you can educate yourself into success.

MR. COOPERSTEIN: How did you limit your risks in terms of expenses?

MR. GILL: To start off, I squeezed into half a shoe box office with part-time secretaries and somebody else's phones, somebody else's Xerox machine and so on. I had no long term lease commitments, just three check overdraft plans that we thought would get us through until year end.

MR. SIBIGTROTH: I had been doing a fair amount of trading prior to setting up my own business, so I had assets available to buy initial installation and a computer environment. I haven't taken any debt, so I don't have any amortization to pay for. Having had a few acquisitions on the trading side was also helpful in getting started.

The important thing for me was to feel that I could go some distance if I was not successful and still survive. I knew I could go a year with no revenue and I'd still be around. I still have not developed any large or fancy office space. You hear about a lot of people who go first class and have a lot of very visible trappings of affluence, but if you've been in it for a while, you realize that that is taking away funds that might be available to do other things. Personally, I would rather trade on the market than have a flashy car. You want to be careful about where you put your dollars, and you don't want to hamper your development by using your funds unwisely.

MR. GILL: The conversation here tends to be a little materialistic. I think Haeworth Robertson made an excellent point when he said there are measures of success other than money. I deliberately put at the top of my list that the rewards can be considerable job satisfaction. Of course, you do have to minimize your financial risk, and you hope to make some money. But, if you switch into another occupation, you should do it for the learning experience, for the ultimate job satisfaction, and just to grow yourself.

MR. COOPERSTEIN: How do you feel you've changed over the years since you moved into a non-traditional role?

MR. SIBIGTROTH: I think you probably become a little more set in trying to establish a certain direction and recognize that you are the one who has got to make your own decisions. You can listen to a lot of other people's advice, but ultimately you have to make the choices. There are lots of people who will tell you how to run your business, but they are not the ones paying the bills.

MR. COOPERSTEIN: I feel I've changed, just in terms of confidence in my own ability. I remember when I first left Metropolitan, I used to call there for advice on law. Now, I open up the code and read it for myself.

In addition, you learn a lot about yourself as well as how to be involved in business by the different people you meet. It also helps your creativity. You become a strategist by trying to figure out how the other person will react to you. You start to listen a lot more than talk. In a situation where I have a client, I know that ninety percent of the time I should be listening rather than talking.

MR. BLECHER: The basic way I've changed is that I'm happier with my work. It's wonderful and a lot of fun meeting people from all over the world.

Actually, this is the first Society of Actuaries meeting I've been at since I got into this field. I tend to go to International Benefits conferences, because information gathering is a very important aspect of the field. Just meeting people whom you can call with questions is important. Part of the interest, too, is seeing how people do different things in different parts of the world. There are things you take for granted, because you've learned that that's the way we do it in the U.S. In Germany, for example, they don't intend to fund their pension plans; they book reserve their pension plans. Eighty-five percent of the pension plans in Germany are book reserved. U.K. actuaries tend to recommend funding levels that U.S. actuaries would never dream of. It's interesting.

MR. GILL: My answer was a little flip but there's some truth to it. A lot of the tension inside a big organization has to do with getting a decision made, getting your ideas implemented, or dealing with somebody else's ideas. When you go out on your own, all that goes away. You change your demeanor and perspective on dealing with situations.

MR. DENIS G. SCHWARTZ: I'm new to the actuarial business myself, but I have to confess that I enjoy being able to depend on other actuaries in a large company. For those of you who are on your own, how was the adjustment to the fact that you have nobody to share your questions with?

MR. S. SCHWARTZ: One of the warnings that a lot of different people gave me with regards to moving from a consulting firm (where we had about three hundred employees and a lot of friends) to a situation where I was in a small office totally on my own was that I would miss the camaraderie and the shouting down the hall. I admit that I enjoyed the camaraderie and being able to run down the hallway to ask another expert a question. That was all great, but I don't miss it.

MR. GILL: It does concentrate the mind marvelously if you have to learn everything yourself. You really learn it, and you relieve yourself of that dependency on someone else. It's a liberating experience.

MR. COOPERSTEIN: Actually, if you just deal well with people during your career, it's amazing how many people are willing to help you. I often found that the peers in other companies were the best people to talk to anyway. So, when you go out on your own, you're still in the position of having peers who will talk to you.

MR. ALAN G. DICKEY: About two years ago, I was asked to move into a position in our international development. I didn't know anything about international development and I don't know any foreign languages, but I took the position because I thought there were some good people there to lead me and educate me. Within six months after taking that position, I had lost three supervisors, and the person now put in charge of it knew less than I did. So, I lost the faith. I didn't have the support that I was used to in a large insurance company.

Also, as you mentioned, it's hard to accumulate wealth on a salary, so it's hard to accumulate enough financial security to be willing to go into your own business. In the last two years, I've seen three people leave our company or decide to leave our company and then reverse their decision very quickly. They either returned or decided not to leave after they had already accepted another position. I was wondering if any of you left your options open to return to your initial employer.

MR. SIBIGTROTH: I, personally, favor the Cortez approach. When Cortez hit the new world, he burned all the ships so that all of his troops would have no choice but to march west. I've seen a number of people who have moved into their own enterprise. Personally, I don't think they have the conviction, the adrenaline, or the hunger to really be successful at their career if they know that they can go back to their prior firm, perhaps even with a promotion. Leaving that option open can be a disadvantage in terms of the potential success of your new efforts, because you always look at that as being a way out. It can be a way to justify not having solved some of the problems and difficulties you will face when you move into your own business.

MR. GILL: I burned the ships, as I said, with considerable treasure on board.

MR. SCHWARTZ: With regard to burning the ships, I second the motion.

MR. BLECHER: I think you can always move on if not back. You can always keep going if you have gone the wrong way. I have kept going since I got out of the domestic benefit involvement. But, I've got the background in this field to go back.

MR. COOPERSTEIN: I was a pure life insurance salesman when I left the Metropolitan. That was the first step that I took. One of the reasons I ended up not being a life insurance salesman was that I had too many options. Somebody advised me to put blinders on. In other words, just look straight ahead and don't look back, or you're not going to succeed. You really do have to burn your ships, because there are emotional things that go on. You're going through a tremendous transition. It is easier if you can't go back easily.