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THE REALITIES OF INFLUENCING PUBLIC POLICY

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This session is all about debunking myths, conventional wisdom about why actuaries have no place in the public policy arena. Panelists, who include actuaries involved in both state and federal level issues and a public policymaker who works with actuaries, will give you insights on lending your actuarial expertise to policymaking debates.

MR. JAMES J. MURPHY: This session is titled "The Realities of Influencing Public Policy." We are going to be addressing three myths.

MYTH ONE: The actuarial profession is too small to influence public policymakers. We don't represent a power base.

MYTH TWO: Legislators just don't want to hear from professionals whose work is so technical in nature and specialized in its application.

MYTH THREE: It's not really necessary to become too involved in public policymaking, because what goes on in legislatures just doesn't affect my day-to-day working life.

We hope that by the end of this session you will agree that these are, indeed, myths and that you'll be encouraged to become involved in efforts to influence public policy.

Our first panelist is Mike Corey, President, CEO, and Chief Executive Chairman for Chicago Search Group, Inc. He was recruited to replace Barbara Lautzenheiser on the panel.

Linda Jenckes is vice president for federal affairs at the Health Insurance Association of America (HIAA). She has been with them about 10 years. Somewhere in the middle of those 10 years, she had a two-year stint with the Department of Health and Human Services. Before that, she was with the Blues for 10 years. Linda has a lot of experience in dealing with health issues at a public policy level.

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PANEL DISCUSSION

Larry Zimpleman is second vice president with the Principal Financial Group. Larry is currently a member of the board of directors for the American Academy of Actuaries. He spent a couple years as chairperson of the Academy's Pension Committee. He has 20 years experience with the Principal Group, where he currently works in the pension area. Larry can speak well to the issue of influencing government policy in the pension arena, from a company's perspective and from his Academy committee experience with government interface in Washington, D.C.

Initially, we'll be addressing these three myths that I just identified one at a time, with each speaker addressing one in turn and then asking the other panelists if they have comments. We will open the discussion to questions from the floor before we get to the end of the session.

MR. MICHAEL J. COREY: What motivates some people to stand up and be counted on beliefs they have and want heard? How can each of us make a difference in building a better world? Will your voice as an actuary pull any weight when you speak, if you speak? Do you, and does your profession, have the power to influence public opinion and public policy? Your answer as an individual and together as a group lies in your heart personally and in your character collectively.

The most successful executives often tell me that, in the last 15 years of their business career, they don't work for money anymore: they work to have fun and to make a difference. How can you personally make a difference and, in turn, influence public opinion and public policy?

First, develop a personal commitment to excellence. Realize that through preparation you can turn your dreams into reality. Expand your intellectual boundaries from those preset behavior and performance standards that others created before your time. Trust your instincts. The intellectual data base you have developed over the years is your most powerful tool. Understand that it is more embarrassing to do nothing than to have tried and failed. Everyone, sometimes begrudgingly, respects and admires those who take a chance. Most importantly, be dogged in your determination. Persist and ignore the downside risk of standing out in a crowd. Those who stand up and are counted have the satisfaction of knowing that their opinion and actions can make a difference.

Recently, a potential client told me a rather interesting and remarkable story that pretty much describes how an individual or a small group of people can make a difference. This individual is currently the president and chief executive officer of his company, which sells nonsmoker/nondrinking insurance policies. Some years back, when he was an executive vice president with the company, two of his family members died in a car crash "engineered" by a drunk driver. He and other members of his family created a truly powerful force. They attended the daily court sessions en masse and ultimately influenced some of the local laws with regard to drunk driving.

Soon after, he heard about a woman who was starting an organization called Mothers Against Drunk Driving. He went to her and arranged to have his company provide financial support. He's on the board of directors of Mothers Against Drunk

Driving, and he and a small group of people have started to change dramatically the attitude in this country about driving while you're under the influence of alcohol.

What motivated that person was a personal experience that created a desire to effect change. In business, every day, we experience problems that require change. All of us see the need for change, especially in the health insurance, pension, and employee benefit businesses. As H. Ross Perot answered when asked about the key to his success, "Find a void and fill it."

No one in the worlds of health insurance and benefits can more easily find voids to fill than an actuary. How do you fill them? Find creative solutions, and personally try to *influence others into making change. Influencing others is an easy statement* but a difficult task. "Influence" is defined as the power to produce effects on others by intangible or indirect means. Influence, therefore, is a function of power.

MYTH ONE
The actuarial profession is too small to influence public policymakers. We don't represent a power base.

This myth assumes that the only source of power is size or large numbers exerting enough pressure to obtain power. Large numbers, of course, are one source of power.

Twenty-five years ago, large numbers of students assembled and demonstrated against the Vietnam War and affected public policy. Some of the same group, now 25 years older and tempered by adulthood, assembled and demonstrated for Desert Storm. Students demonstrating against Desert Storm thought power would come from student demonstrations and were soon overcome by numbers. But, large numbers are not the only source of power.

When Barbara Lautzenheiser gave this presentation in New York at the last Society meeting, she had a t-shirt on that read, "I'm the Mommy, That's Why." Well, I couldn't put the t-shirt on, but I'll paraphrase her and say, "I'm the Daddy, That's Why." In truth, I have a pretty strong influence on everybody but my 16-year-old son.

As actuaries, sometimes many of you have to say, "I'm the actuary, that's why," and you think that everyone should listen. When they don't listen, then you think, "Actuaries are too few to make an impact."

My friend who wanted to do something about people driving under the influence didn't say, "I'm the president, that's why." He stepped beyond his intellectual boundaries to effect change.

When qualifications for enrolled actuaries were established, it wasn't numbers that counted. The American Society of Pension Actuaries (ASPA) was much smaller than the Society of Actuaries, but it was a better communicator. When the quantification of the economic costs of AIDS was done, the assumptions that group used would have been unacceptable to actuaries, but that small group produced the report. They influenced public policy, and they received the visibility and credit that ultimately leads to more power. The issue of funding for AIDS research has been spearheaded by the gay community, which is less than 5% of the population. With very good strategizing and networking, this group has put their money into political action.

Barbara Lautzenheiser's own commitment to excellence on the issue of unisex rating was declared lost because most proponents of unisex rating wouldn't change their minds. However, small groups of people proved all wasn't lost. They obtained power from strategy, clear communication of the issue, and getting others to trust and join, and that word "persistence."

Of course, power can automatically come from large numbers, but usually it's built by planning an incremental implementation. "Success by the inch is a cinch. Success by the yard is hard." Success takes time; so, start planning early. Power can be built by multiplying your numbers, by influencing centers of influence, networking, building grass-roots support to increase your numbers and influence opposing powers.

Power can be built through communication that is clear, concise, and consistent -- and by communicating to those who don't understand, not to those who already do.

Power can be built through persistency. "I can't" is a self-fulfilling prophecy. In Japan, the word "no" does not exist. It is just as easy to believe that you can as to believe you can't. Why are so many how-to business books written each year? We are all looking for answers. The answer to "you can" is in your heart. Don't trap yourself. Keep trying. Keep looking for creative solutions. Stand up to fill the voids.

Listen to some of the great motivators:
"Some men see things as they are and say why; I dream things that never were and say why not." -- George Bernard Shaw.

"Desire is the key to motivation, but it's the determination and commitment to an unrelenting pursuit of your goal, a commitment to excellence, that will enable you to attain the success you seek." -- Mario Andretti, race car driver.

"The difference between the impossible and the possible lies in a man's determination." -- Tommy Lasorta, manager of the Los Angeles Dodgers.

Perhaps one of the more powerful statements I have heard is from a friend of mine who is one of the most successful insurance executives in the entire country. He said, "If you don't throw up twice a day doing something, then it's not worth doing." My friend is Ron Butkiewicz at Interstate Insurance. He has a very weak stomach.

I don't advocate throwing up, but I do believe that your dreams turned into reality can make a difference individually and collectively. Stand up and make a difference. Even if the whole world doesn't know, at least you will know. If more than one of you wants to influence public opinion, then together you can constitute a more powerful voice and lobby. Why should the National Rifle Association have a corner on the market?

MR. MURPHY: Our next panelist, Linda Jenckes, will address Myth Two.

MYTH TWO
Legislators just don't want to hear from professionals whose work is so technical in nature and specialized in its application.

MS. LINDA JENCKES: Basically what I'm going to say about Myth Two is that it's wrong, it's wrong, it's 535 times wrong. And that's just counting the members in the United States Congress and not looking at legislators out in the states. Legislators not only want to hear from us, they know that they need to hear from us.

As mentioned earlier, I started with Blue Cross and Blue Shield, where I was on the firing line as a state lobbyist and vice president of public relations and advertising from 1969-73. From 1973 on, I've been on the firing line in Washington, D.C., and I have never seen the need for input greater than it is right now. Two examples really show the intent of Congress to hear as much as possible from outside groups: the repeal of the Medicare Catastrophic Care Act and the almost simultaneous repeal of Section 89. These are not accomplishments for which the Congress is proud; there had only been one legislative issue before that had ever been repealed. In both these cases, members had felt that they were working on behalf of constituents when they passed the legislation. I must tell you this was in spite of the warning that the insurance industry gave them on both counts. In fact, on Medicare Catastrophic, we were the only industry in the United States that told them not to do it. And that advice was not self-interest, we knew that the new tax that was going to be imposed on retirees who had had, as part of their retirement benefits, the Medigap policies (or at least part of their Medicare supplement benefits paid for by employers) were going to revolt. All you have to do is ask Chairman Dan Rostenkowski how it felt to have elderly female constituents throwing their bodies on his car. Perhaps that was "impact" in the largest magnitude – one woman hurling herself on his car.

Well, Congress knew they blew it. I will tell you that the number of phone calls we now receive from Capitol Hill on any insurance issue has increased. There are seven lobbyists in our shop, and we get more calls from Capitol Hill than we make.

Now, I'd like to illustrate how the dynamics of Congress have changed and why you need to be active there. First, there is the explosion in congressional staff. It is incredible how the numbers have increased. A cardinal rule: Always get to know the member of Congress first, because it's he or she who casts the vote. All too many industries and professionals deal almost exclusively with staff, and that is a mistake. However, you must still complete the loop and get to know as many of the staff as possible. Let me just tell you who they are.

First, there is the administrative aide from the member's office. The administrative aide really serves as the member's alter ego, and I'm sure this is true in state legislatures as well. This is the staff person who is to be the member when the member is not there. Then there is a whole cadre of personal office staff, which now has become so highly specialized on the Hill that, even if a member is not on the issue-related committees, there will be a personal office-staff person responsible for health issues, another one for insurance issues, and yet a third for tax issues. A fourth will deal with exclusively with constituents' problems. I hate to tell you, but a great percentage of those constituents' problems deal with insurance claims. Granted, a lot of the complaints deal with Medicare and Medicaid, CHAMPUS, and veterans benefits. However, a disproportionate share increasingly relates to the small-group marketplace, our business.

The third level of staff to deal with is committee staff, they are the "smarty-pants." These people know the issues, and they are complemented by dozens of academic fellows, in fact, armies of academic fellows, from places like the Robert Wood Johnson Foundation. You visit committee staff and lined up there are 12 academicians, and guess what. The committee staff, as well as the academicians, have never practiced in the real world of business or health. Most of the medical doctors in these positions have not laid their hands on a body since graduating from medical school; yet they're the ones having a tremendous impact on public health policy.

Now, a second point dealing with modern politics is member accountability. A trend established in the 1980s, which will continue to be true through the 1990s: Members of Congress no longer have strict allegiance to either Democratic or Republican party, because voters now vote for an individual member, whether a challenger or an incumbent. Constituents split tickets, and the number of independents in this country is rising. So, to get as much support for his or her vote, a member has got to know the particular issue.

As I mentioned before, the numbers of calls to our offices are increasing. Everybody is trying to position themselves on health care reform. It is not a partisan issue, and it is not an issue exclusively for those members who are sitting on the committees that have an immediate stake in health legislation. All too often when members are at their town hall meetings, concern over the loss of health insurance is right up at the top of the list of constituents' concerns.

Carl Schramm, our president, and I have virtually spent hours with Senator Rockefeller, Senator Durenberger, and Representative Pete Stark. Most of these meetings have been initiated by the members. They want to understand why we medically underwrite. They want to understand why we can't support community rating and take all comers at the same rate. It is difficult for us. We need you to help us convey our message.

The fact is the legislative process takes time. Thank heaven. The mark of a good lobbyist is that you can state your message simply in five minutes or less. Let me tell you, most lobbyists can't do it. They "go up," as people say in the theater, and they don't even know what they want to ask the member. Instead of "Support this, oppose that," say, "Here's how it affects your constituents, and, more importantly, here's how it affects the insurance company in your state that employs X number of constituents." We forget that side of the equation all the time. We let the consumer groups go out and perpetrate absolute myths that become facts overnight in Washington.

For example, as a direct result of the report that was in the *New England Journal of Medicine* by Drs. Woolhandler and Himmelstein, every congressional office now presumes that the insurance industry's administrative costs are $100 billion. As if it were a fact that, if they got rid of insurance, they could save $100 billion. Well, that's absolutely wrong.

Now, timing is a factor when you want to influence policy. It's important to contact a member early when an issue comes up. If you can, start at home in your state, where you hold that member captive. Members will take the time to speak with you. They love to visit your companies on site. Take them through some of your exercises. Show them how you calculate your rates. Show them, perhaps, what managed care looks like. Show them your book of business, because, remember, insurance is such a complicated subject that most members simply know that they have insurance. They don't understand what their own medical benefits are unless they've had to submit a claim. The more they understand and get "touchy-feely" with you, the more they're going to relate to the consequences of some of the major public-policy decisions.

There's no time more critical for you all to come to Washington, and to your state legislators, than right now. In short, ladies and gentlemen, we are under siege. The insurance industry is in the middle of our own Desert Storm, and the issues are company solvency and how and why we calculate our rates. It's almost a mortal sin to suggest that we would want to continue medical underwriting, the underpinning of which is actuarial science. Every legislative office wants community rating. They absolutely believe that if your loss ratio is set at 60%, obviously 40% is going to profit. Oh, on the margins, they'll give you maybe 10-15% for claims payment and administrative costs.

Let me just give you an anecdote from last year. I'm testifying before the Senate Finance Committee. I am preceded by the lead witness from the General Accounting Office (GAO), who was questioned by Senator Rockefeller, who wanted to increase individual loss ratios for Medigap policies to 65%. He asked this person whether it was true that, let's say, 15% of this is going to be used for administrative cost and claims payment? Isn't the rest going to profit? he asked. The GAO witness said, for the record, "I'm not an expert, but I think you're right." So, the perception in Congress now is that all the rest of it goes toward profit.

Let me underscore the importance of explaining your views. I just mentioned loss ratios. Let's go back to the unisex rating issue and the real Barbara Lautzenheiser. Barbara and a cadre of industry people got together and figured that we were just going to have to walk the halls of Congress. Senator Packwood, who is generally considered a friend of the industry, was absolutely sure that unisex rating was going to benefit the country. We spent hours with him. After Barbara's superb performance on "MacNeil/Lehrer News Hour," Senator Packwood said that she was the toughest opponent he'd ever had, and everything she said was based on logic. He lost. Some lobbyists would say, we "rolled" him. Well, whether we did or not, we got him to understand that the way the industry was calculating its rates actually benefited quite a few women.

Today he is a friend. For the first time ever, we have the opportunity to explain to Congress how and why we calculate our rates. The experience has served us in good stead, and Senator Packwood has been a champion for the insurance industry on a number of points. He is actively pursuing tax clarifications for long-term care products. He is our Senate leader on the case against the taxation of employee benefits. All this would not have resulted without Barbara and several other actuaries coming and tackling him head-on, so that he could better understand the issue.

The other anecdote I want to mention is one from Ralph Eckert, immediate past-chairman of Benefit Trust Life; he was also active in the unisex debate. He and a University of Wisconsin professor put together an analogy for us to use when we would explain antiselection. We have scored bull's-eyes with it.

"In the kingdom of Zeb, there is a market, and in this market there are three fruit stands called A, B, and C. Fruit stand A sells only oranges and charges 20 cents each. Fruit stand B sells only apples and charges 50 cents. And C sells both apples and oranges, charging 50 cents and 20 cents. All three stands are prospering, that is, their owners are eking out a living."

"The queen of Zeb, an apple lover, persuades the king to proclaim that any stand selling both apples and oranges must charge a uniform price. So, C begins to charge 35 cents for a piece of fruit. The result is that everybody buys apples from C for 35 cents and oranges from A for 20 cents. B can't sell apples. C can't sell oranges and loses money on apples. After a short time, both B and C are out of business. No one is selling apples, and the queen blames the king."

At any rate, the analogy really helped us prove our case when we got to explaining antiselection. That's the type of simple analogy we have got to use in addressing some of the most technical issues we deal with.

Another point on community rating and a single-payer system: as I mentioned, even if it were true that the government could save $100 billion by eliminating the insurance industry, it would cost $250 billion to finance a national health insurance program for people in this country. You know what that means? A 59% increase, perhaps, in FICA payroll taxes or a 46% increase in income-tax receipts. The country can't afford it. Furthermore, I like to maintain that we don't need it.

Obviously, there are plenty of examples of situations where we can use you, the actuaries. The way I like to describe it is you're the absolute backbone and underpinning of everything that we do. We need you to break the back of some of the misperceptions that exist about the insurance industry.

Remember, Congress has been dealing with deficit reduction for the past 10 years. Congress knows what the bottom line is all about. They've had to try and eliminate the deficit and have done a darn poor job. They've also just had to deal with the savings & loan crisis. If we can give them financial-impact statements, they will be able to relate to them. So, come join the rest of us now, as the commercial goes, "so we can all have a brighter tomorrow."

MR. MURPHY: Myth Number Three: It's not really necessary to become too involved in public policymaking because what goes on in legislatures just doesn't affect my day-to-day working life.

MR. LARRY D. ZIMPLEMAN: I guess I represent the token actuary on the panel. Both speakers before me have given us a pretty eloquent call to arms in terms of reasons why we need to be involved in public policy. I want to speak to that from a slightly different perspective because my day-to-day work does not involve the kinds of things that Linda does or even the kinds of work that Mike does. I would like to reflect on the topic of influencing public policy from the standpoint of where you folks sit and discuss why you should be involved.

As Jim said, my experience has been primarily in the pension area. In practical terms, that means I deal mostly with federal folks, legislators and, increasingly, regulators who have an impact on our pension business.

In my opinion, the actuarial profession has come a long way in terms of influencing public policy. We still have a ways to go, but I think that there's some reason for optimism. Getting a collective effort going in sessions like this, by folks like yourself, is a big key to that.

There are also some other trends that are worth noting in terms of the profession. Linda mentioned the public interest groups in Washington; they play a very, very big role. I think for the first time, the actuarial profession, because of the leadership of folks like Jim Murphy and Gary Hendricks at the Academy, is now starting to understand this influence. They have networking capability with some of those public interest groups. Generally, I think that the profession benefits from that. You go back to things like Section 89 and the help that organizations like the National Federation of Independent Business were in those days, and there certainly are other examples as well.

Another trend for the actuarial profession that's very positive in terms of influencing public policy involves our relationship with the media. In the actuarial profession, "public relations" was a dirty word a long time ago. In the same vein, the actuarial profession doesn't like to think of itself as "lobbying." That's just a terrible word. Well, call these things what you will, you have to understand the media and you have to use the media to your best advantage.

Specifically, if you're not familiar with Forecast 2000, a program that the actuarial profession has put together to work with the media and educate them on some of these very important issues, take a look at some of those materials when they come across your desk. They're worth reading. You'll feel good about what the actuarial profession is doing. And, if you have an interest, you certainly ought to ask for more information and get more involved in those activities.

I may take it as a given that trying to influence public policy is important, yet I suspect many of you, and many of your peers in the profession, wonder why it's important. Well, the other speakers have explained it much better than I could, but I'll make a few comments. First, all of us know the motto of the Society of Actuaries. We've seen it many times: "The work of science is to substitute facts for appearances and demonstrations for impressions." John Ruskin may not have known it at the time, but that, in essence, is the job of the lobbyist – or anyone who's trying to influence public policy. So often, as Linda commented, we're not talking to people who are making policy changes on the basis of facts and demonstrations. They're often dealing with issues on the basis of appearances and impressions, and that's where we, as a profession, can fill a void.

If you look in your Academy *Yearbook,* you see one of the Academy's stated purposes is to represent the actuarial profession in discussion of public issues involving actuarial concepts. Now, for me the key term there is "actuarial concepts." That's certainly a broader term than "actuarial issues." As professionals, each of us needs to think in terms of actuarial concepts where we, as actuaries, can apply our skills for the public good. That's basically our challenge.

When you think in terms of actuarial concepts, rather than actuarial issues, you may get into things that are nontraditional applications, such as continuing care retirement communities, deposit insurance reform, unemployment compensation systems, and on and on. From a professional standpoint, it's quite exciting to think about the different areas of opportunity that we may have in the future, if we choose to take advantage of them.

MYTH THREE

The myth I'm addressing basically says that it's not necessary to get involved in public policymaking because what goes on in the legislature just doesn't affect my day-to-day working life. Looking at all three myths, this may be the easiest one to debunk.

Take the area that I'm most familiar with, the pension area. I know from seeing familiar faces out there that many of you work in the pension area as well. Well, when I started in the business 15-20 years ago, pension valuation work meant doing a single valuation. It also meant that, if I was the actuary doing that work, I was free to use my professional judgment and my discretion as to how the work was going to be performed and what assumptions and methods were going to be used.

Think about how different pension practice is. We do four, maybe five – I've kind of lost track of how many – different valuations for all the various publics involved. What's really scary, of course, is that in most of those cases the assumptions or the methods that you use may well be dictated to you by someone else, whether it's the accountant, the Internal Revenue Service (IRS), or the Pension Benefit Guaranty Corporation. This is an example of how public policy very much affects our work, and on a day-to-day basis.

It's not that we need to be involved in public policy because we're all going to lose our jobs. Actuaries will be employed, that's not the issue. The issue is whether the public is being served by the policy decisions that are being made in these areas.

Again, let me take pensions as an example. Not only has pension regulation confused our day-to-day working life, but, more fundamentally important, what is it really doing for the public? In terms of qualified plans, we have more objective, or restrictive, rules on who can be covered and who has to participate in these plans. Employers are less free to choose. When employers are less free to decide these things, what are they going to do? In some cases, they'll choose not to have a benefits program because the rules are simply too tight; they don't want to live with them. Employers will simply take care of the employees they want to take care of. How many rank-and-file folks do they have to take care of? That's where all of this discussion becomes very important.

Those of you in the pension area know about top-heavy rules. You know about maximum permitted disparity. We can't recognize Social Security benefits the way we used to; we're more restricted. The latest development is the Section 401(a)(4) regulation; there are three or four sessions during this meeting on that topic.

Looking at the pension area, it would be very difficult to claim that what Congress does will not have direct impact on actuaries' day-to-day work. In the health business, there are similar examples.

In the time I've been involved with the Academy and a member of its board, I've seen that our friends in the casualty business have just as many reasons to be involved with public policy issues. I think each of us, whether we work in the pension, the health, or whatever area, tend to think that somehow we're a little bit more picked-on than those actuaries in some other area of practice. It's just not so. We need to get involved collectively, as a profession.

I've created a list of five rules for influencing public policy that I'd like to share with you. Each rule has a subtitle.

Rule 1: Influencing public policy is a constant and ongoing process. Subtitle: "Rome wasn't built in a day."

You can't measure results in the short term when you're trying to influence public policy. Again, as actuaries, we sometimes want to see at least incremental change along the way, and many times this just isn't going to happen in terms of a particular public policy discussion. What you have to do (Linda alluded to this) is build a network; it takes a long time to build, but you've got to build a network of people who, over time, begin to look to the actuarial profession for information and sound advice.

Notice that I said, "information and sound advice." I didn't say that we were going to tell people what to do. You can go to a legislator and you can say we'd like to see you vote this way or that way, and that's fine. That can certainly accomplish one purpose. But (as Linda said about Senator Packwood), once you've got someone to make the decision you wanted on the narrow issue, what is fundamentally more important is to gain his confidence and help him to understand a whole other broad range of issues as well. That's when you really accomplish something that was far beyond that particular issue, and that's what we have to do. As an example of this networking concept, some of you might be familiar with a group working in the pension area called the Intersector Group; I don't know where the name came from, it's not important. In essence, it is a group of actuaries representing the different organizations involved in pension work. That would be the Academy, the Society, the Actuarial Standards Board, and the Conference of Consulting Actuaries. This group meets with the IRS twice a year for informal discussion, and I think that's proven to be very helpful.

Don't misunderstand me. I'm not saying that we've accomplished everything that we want to out of those meetings. But we are starting to build enough confidence to get comments going back and forth between us in a low-key way that isn't going to compromise anyone at the IRS.

Of course, we've got to be able to accept criticism as well as input. It's a two-way street, and when you get involved in public policy work, you're going to find that out. You're never going to have it all your way, and you've got to own up to some of the problems that are out there, and you've got to help find solutions to deal with them.

Rule two: Early is better than late. Subtitle: "The early bird gets the worm."

Again, as actuaries, we sometimes struggle with being called on to respond before we've had the opportunity to do the sort of thorough actuarial analysis that we'd like to do.

My third rule for influencing public policy: Don't judge the results too quickly. Subtitle: "Never say die."

That's very similar to my first rule about influencing public policy being a constant and ongoing process. I have found that many retirement and pension issues come around more than once. So, you need to be ready, and you need to do some advance and contingency planning to decide what your strategy will be. Linda emphasized how important strategy was to the unisex issue.

Look at the issue of employer reversions. How many times has that come around in the last five to 10 years? So, you need to be realistic about what can be accomplished. You have to appreciate the fact that in the public policy arena, it's inevitably a series of trade-offs. In the pension area, it's a trade-off between social policy, that is, providing as much in the way of benefits and coverage as we can, and tax policy. We're obviously living in a time when tax policy is very restrictive. So, you may not be able to accomplish everything you want to in terms of public policy in 1991. You have to accept that. But if these issues come around again, maybe five or even 10 years from now, we could be in a position to accomplish what we want. We just have to remember that and take a long-term view.

The fourth rule: Acknowledge competing views. My subtitle for that one is, "Honesty is the best policy."

This rule is also similar to something I mentioned before, that is, you're not going to accomplish everything you want. If you assume you can, you're going to be very frustrated in terms of public-policy work. Oftentimes, the best strategy may be to minimize the damage that could result from some bad idea rather than seek an all-out victory. This business isn't about victories. Many times it's about killing a bad idea, rather than about instituting a good one.

The last rule I have is titled, "Don't seek perfection." Subtitle: "Beauty is in the eye of the beholder."

We as actuaries sometimes have trouble with this because, by upbringing, we want the elegant or ultimate solution and may not be willing to settle for something now, with the idea that the opportunity to improve on it may come around again. So, this rule is just to encourage all of you to be willing to accept interim, less-than-perfect solutions and still feel good about what was accomplished by the profession for the good of the public.

Anyway, I think we're going to continue to see many public policy issues involving actuarial concepts in the future. Our job, and I hope we can encourage some of you to get involved in it, is to take up the mantle, be willing to do some of this kind of work. There are many committees and task forces that do this work. If you have an interest, you should certainly step forward and indicate that. There's always a need and a place for people with a willingness to be involved. Influencing public policy will take collective commitment, but I do think that we can all make a difference. I hope in this session we've convinced at least some of you to consider that for the future.

MR. MURPHY: Before moving to the question-and-answer portion, do any of our panelists want to add additional examples or otherwise expand on what's been said already about each of these myths?

We'll take them one at a time, again. The first myth says the actuarial profession is too small to influence public policymakers. We don't represent a power base.

MS. JENCKES: First, it's the weight of your arguments not the strength of your numbers that is more critical and does make the difference. We keep saying that. And let me just give you two illustrations. I don't know if any of you recall in the early 1980s a little girl by the name of Katie Beckett. I think she was from Iowa. Katie was on a life-sustaining device, and her mother begged and pleaded that she could be sent home from the hospital with this piece of equipment. Unfortunately, insurance didn't pay for that device unless she stayed in the hospital. Actually, her private insurance had run out, and she was now on Medicaid. The mother very simply wrote to President Reagan. The letter managed to get to his attention. This happened when I was at the Department of Health and Human Services, and I am telling you, that rule was changed within two days for everyone on Medicaid. So, can one person make a difference? One person can make a difference.

The second illustration relates to how we got to Section 89 in the first place. During final consideration of the 1986 tax act, in spite of a massive coalition effort by the insurance industry, labor and the AFL-CIO, the Chamber of Commerce, dentists, psychiatrists, and some other groups that normally hate each other with a passion, it appeared that we were losing the battle with respect to the tax on employee benefits. It is 1:30 a.m. Ways and Means is locked up behind the famous closed doors. It is my understanding that a staff person looked at Chairman Rostenkowski and literally passed him a note that said, "Okay, get Charlie Rangel to agree that we should prohibit discriminatory plans for more highly compensated workers." That is Section 89. That's how it happened: one staff person saying that this was the consummate compromise to keep the issue alive.

So, size makes no difference. It's the clarity of your argument. I really agree with Larry that you've also got to give the other side of the argument too; it's the honesty of your argument that will make you a credible source. Then whether you lose on one issue or not is not that important, because you will still have an opportunity to come back and talk. You will already have had a good entree and have established some friendships that will keep you in stead for a good, long time. People will always do more for a friend than they will do for a stranger.

MR. MURPHY: Any of the other panelists want to add anything on Myth One?

MR. ZIMPLEMAN: Maybe just a short comment. In his discussion, Mike alluded to the American Society of Pension Actuaries, and gave what I think was a good example. Influencing public policy is not about numbers or the relative size of the constituency. As Mike said, we would all argue ASPA was a better communicator. But the fact that they have a narrower focus allows them to be very active communicators on pension issues, and that makes them very effective. Influencing public policy has absolutely nothing to do with numbers.

MS. JENCKES: Effective lobbying in Washington is network-type lobbying or coalition-building. A single industry almost can't do it anymore. Let's just take the issues of health care reform or taxation of employee benefits, where you have other business and medical groups; still, your profession is going to be the most capable of giving the best arguments for purposes of the whole group.

MR. MURPHY: In terms of the power in numbers versus other powers, when the Academy sets out an agenda for how we're going to deal with issues, in Washington or in the states, the important thing always is that the actuaries represent a credible source of information. That is our sole source of power as a group. We're not large. We don't have political action committees (PACs), but we can be a credible source of information as a group of professionals. That is the coin that we use to influence public policy and we hope influence it for the public good.

The second myth says legislators just don't want to hear from professionals whose work is so technical in nature and specialized in its application. Any further comment on that from any of you?

MR. ZIMPLEMAN: Just that I found Linda's quasistatistic about the number of calls they get from Capitol Hill very interesting. She said that the number of calls coming over to them is greater than the number of calls they make to Capitol Hill. That's the best evidence that I can think of in terms of dispelling the second myth.

MR. MURPHY: As a profession, we are already experiencing the same thing to some extent, particularly in the health arena. The Academy has received invitations to have experts testify at various congressional committee hearings regarding health issues, and small-group issues in particular. This activity is partly a result of our continuing to work at this, following some of Larry's rules of thumb, and our building some credibility in various areas.

Mike referred to the fact that it's better to fail having tried than to not try at all. An example where we tried, Section 89, was mentioned by Linda. And on Medicare Catastrophic, when we put forth information about the cost of the prescription drug program, so did the government actuaries. They weren't listened to. One of the reasons why Medicare Catastrophic was repealed had to do with the sudden realization of the high cost of the prescription drug coverage. I think we gained some credibility after the fact by having been there with the right information, even though it was not listened to in the first place. We didn't give up because we lost the first time, and now we're still there when they're asking us for input. I hope that you can help us give that input.

Myth three states it's not really necessary to become too involved in public policy-making, because what goes on in legislatures doesn't affect my day-to-day work. I don't know if we need to say any more about that one.

MS. JENCKES: Oh, I do. I mentioned the Himmelstein-Woolhandler report before. I had the great misfortune of having to debate them, as has Carl Schramm, and they make national health insurance sound very simple. You just take this little card and you can go wherever you want, you can go to any doctor or hospital, and so on. When Himmelstein and Woolhandler were asked by someone from the audience at one of the meetings what they were going to do about the insurance industry, they said with straight faces, something like "Oh, we have in mind specific retraining programs for everyone in the insurance business with the exception of the CEOs. We just don't know what we're going to do with those CEOs, but everybody else, we'll find room for doing something else."

Another point: If the Congress does adopt federal standards on small-group reform based on community rating, I don't know if you're going to have much of a product in that area.

In terms of long-term care, a brand-new burgeoning product for the insurance industry, federal minimum benefit standards are presently being contemplated. What would that do to the future of that product for all of you? So, yes, what happens in legislatures does affect your day-to-day life.

MR. MURPHY: Now that you all agree that these myths are, indeed, myths, I would like to charge you to get involved – because you can no longer find an excuse not to. You can do so collectively, by working with the Academy or the Canadian Institute of Actuaries.

As Daphne Bartlett suggested, the Society will be encouraging your participation in the public policy area, and certainly we at the Academy will be looking for ways to use your participation as we continue to get more and more requests for input from the government, not only at the federal level, but at the state level and from the NAIC as well. There are other ways to get involved, I'd like to add. It's not really doing lobbying, so to speak (which some people think is a dirty word). It's providing valuable information that will be helpful to policymakers. That can be done directly, or through a committee. It can also be done indirectly by writing articles that get published. *Contingencies*, referred to as the journal of the profession, has a distribution of 25,000. Half of its readers are actuaries; the other half are public policy-makers, both in and out of government. If you have some thoughts about various public issues, or some articles or work you've done that might be a basis for an article, send it to the magazine. What you write may be read by somebody of importance and influence public policy in an indirect way. We know for a fact that several times the magazine has been used in legislative hearings and referred to at other times. There are indirect as well as direct ways to get involved, either collectively or on your own.

Given that you agree with us that the myths are myths, I urge you to do that. With that as a closing for our formal remarks, I'd ask for any questions that you may have.

MR. RICHARD G. SCHREITMUELLER: I have a question about the visibility of the actuary as such. It seems to me that all you folks have made the point very well that if you're speaking through an organization such as the HIAA, or the Academy, or perhaps as an individual, and if you have the right timing, connections, and energy and so forth, you can make a difference. I do think, though, that as professionals, as actuaries, we somehow do not get respect as actuaries, or somehow we don't even look for it. We almost play down the fact that we're actuaries, and say rather that we're members of some bigger group, the American Council of Life Insurance, or whatever.

In this regard, there's a gentleman up at Harvard whose name we've all heard and who has gotten a lot of publicity in the health area by publicizing some numbers. He's a college professor, which counts for a lot. He's an economist, which counts for a lot. (So, they do listen to technicians.) But the article publicizing his work never mentions that he's also an actuary. Perhaps he, or the journalist, does not think that matters. I do think it matters, and I think it ought to matter more than it does. So, what can we do about that?

MR. MURPHY: Maybe the others want to comment too. One thing I'd like to report on, which Larry alluded to, is Forecast 2000, an effort by the profession to communicate about the profession. Forecast 2000 communicates on various issues of interest to the public throughout North America and is beginning to have some successes, in terms of building relationships with the media and getting actuarial issues and the word "actuary" in front of the public.

Daphne Bartlett referred briefly to the left-handed study. It's amazing how something as simple as following up on a report by some psychologist who decided to do a mortality study and discovered that left-handers would die nine years younger than right-handers can garner coverage for the profession. We followed up with a press release that pointed out that the study was wrong, it had a faulty methodology, etc. Getting that word out has gotten more publicity for the actuarial profession than releases on some things that we might consider more serious issues.

So, as we support the profession's activities in this regard, we will further an understanding of the profession by the general public. Anybody want to add to that?

MS. JENCKES: Sending your individual views on any of the public policy issues to your local papers is very important, and indicating that you are an actuary is very important. A lot of people read these columns. This individual exposure should be in addition to the ongoing activities of the Academy. In particular, it's newspaper pieces like that that will expand the image of the industry.

MR. COREY: If somebody asks me what I do for a living, I say I work with actuaries, and almost 99% of the people look at me blankly and ask, what's an actuary? One of the problems that the profession has had relates to the whole idea of public relations. If you think about it, you have John O'Connor's very able direction at the Society and Jim Murphy's at the Academy. John O'Connor has been at the Society about 10 years. Prior to that, I don't think the Society took seriously the desire or need to have any kind of public relations describing what the actuarial profession does. With the leadership you have in people like Jim and John and others, that's changed, and it's changing fairly rapidly.

The accounting profession doesn't have the same problem. Why? Because they've had a very strong lobby and a very strong public relations thrust over the last two or three decades. I believe that not only should actuaries themselves get involved by standing up and being heard, but so should your organizations in letting the world know what actuaries do.

MR. JOHN A. HARTNEDY: Actuaries have gotten proactive and tried to do a few things. Our government relations people have dragged me unwillingly into various states to do testimony. Florida, Connecticut, Vermont, and South Dakota are just some of them. And they also drilled into me that I'm to speak for five minutes, as Linda said, which I have managed to do. But, once the legislators would get me on a stand, seldom would I be off the stand in less than 30 minutes because of questions. Frequently, the questions related to insurance generally and not to the topic that I was there to address. They may not be sure what an actuary does, but when you mention you're a Fellow of the Society of Actuaries, it makes a difference to a number of these people. They want to pump us for information, if we'll just make ourselves available. I have been quite surprised at the things they hope I'm prepared to discuss. There is an awareness of the actuary's credibility.

What has also struck me is that after I give testimony, it clearly changes the relationship I have with these people. There is a respect; however, it is also true they're often unprepared for what I say. There are these preconceived notions that Linda was talking about. They are not prepared for the facts. That's where we can do something.

Another point I'd like to make is about persistence. Again, I was dragged into giving testimony unwillingly, when my company lost a lot of money in the accident and health line in 1988 – us and about everybody else who does health. Upon analysis, we found that one of the biggest problems was the timeliness of rate increases. So, we got very aggressive about timeliness of rate increases. The efficiency of our system had required us to pretty much take most rate increases at the same time. We couldn't do it on a state-by-state basis. We changed that; we can do it state-by-state now.

In addition, we began to work on something called the guaranteed loss ratio. If we guaranteed the loss ratio, we got to file and use rates. When we first began talking about that, I think the kind people just thought we were insane, then it went downhill from there. It is now the law in five states, primarily because of our persistence. Once we could get people to sit down and listen or, more likely, once we took the time to sit with people and explain it, it could happen. So I speak to the value of persistence. I wish I could take credit for these things that we have been doing but, as I said, I've been dragged unwillingly into these situations. But now I see the results.

A third thing that I'd like to mention is my observation that when you read the newspapers, the insurance industry, and frequently the actuaries, come across as being reactive rather than proactive. I was struck by that when I was dealing with our agents in Michigan. We were fighting some legislation there concerning some mandated benefit, and the agents were very concerned that we were against it.

Well, I brought up Webster's definition of insurance, which defines insurance as having to do with risk. In other words, if you're already sick and need health coverage, it's not an insurance issue, it's a social issue. I was saying this to our brokerage managers, who are experienced with insurance. When I defined insurance in this way for them, it was as if it were a whole new world to them. There was the realization, "Oh, we're really in the risk business. If someone is already sick, it's a problem that has nothing to do with insurance; rather, it's an issue of social policy." With that, they had a basis for going out to stir up the agents, to educate them. They also could contact their legislators and know what they were talking about.

I've made a tape on the subject for our company, and I'm trying to get our marketing people to use it in educational programs for agents. The tape defines what insurance is, so agents will know why we do risk classification. Webster's definition of insurance also talks about equitable charges. Well, if you're going to have equitable charges, then you need risk classification. These are such basic insurance principles, that I'm shocked at the number of people in insurance that don't understand them.

So, we can begin with education. And we can start very much with our own home office people and our brokers, because they're the ones talking to the public.

Jim, I think it was the Academy that did the slide show on risk classification for the NAIC. Excellent! I thought it was top-grade stuff. At the meeting, they put it on, and I'll bet you there weren't even 60 people there. That was tremendously disappointing, because the quality of what you folks did was absolutely excellent and the NAIC people need that kind of education.

MR. MURPHY: You mentioned our getting involved in a proactive rather than reactive way. Obviously, sometimes we have to react, but we are doing more things, like the risk classification presentation. This is an example of taking an educational approach that is proactive. It is one way for more of you to get involved.

Another way that Academy staff in Washington is proactive is by getting to know the people who are making the decisions and speaking with them often. In this way, we can know what they're thinking about. And, if we know what congressional staffers, for example, staff in Pete Stark's office, are thinking about, then we can bring our people in to talk with them and educate them.

We did show the risk classification presentation, by the way, to a large group of congressional staffers, at their request. So, we can get in there and talk to policy makers in advance of the issues, and you can help us to do that. Academy members wrote that risk classification script; that wasn't done by staff. We just implemented it.

MS. GRACE L. MALLOY: As an individual voter, when I write to my representatives in Congress, or when I speak at a public forum, I hesitate to identify myself as an actuary. I hesitate, partly because I realize people may not know what I'm talking about, but mostly because I'm worried that something I will say will be a difference of opinion between myself and some stated opinion of the Society or the Academy. I don't want to impair the profession's image if I don't have the complete story on something. Nevertheless, I have opinions, and I want to speak out. Do you have any guidance about identifying yourself as an actuary and when it is appropriate?

If I were, for example, to write a letter to my congressman and say I support national health insurance, it sounds like I may be doing something that is at odds with what the HIAA is trying to do. Yet, I have a right to my opinion, and I am an actuary.

MR. MURPHY: We try to encourage members of the profession to get involved in influencing public policy, whether as individuals, or collectively through the Academy or the Canadian Institute of Actuaries. I think the guideline is, if you have something to say that relates to your professional expertise and would therefore gain some credibility by identifying yourself as an actuary, I think you should.

When members of the Academy make statements before government bodies, they don't generally purport to represent the profession as a whole. In our testimony and public statements, we purport to represent the best consensus that we can get among members of the profession on an issue. When we offer factual information or basic actuarial knowledge, certainly we expect to be representing most actuaries. Other times, we are in a position where we need to express an opinion based on that knowledge, and we'll have disagreements. In those cases, we'll present minority opinions in our report.

So, we certainly don't want you to feel that you shouldn't get involved as an individual, just because what you are saying might conflict with what the profession is saying. On the other hand, do read the material we put out, *Contingencies, The Actuarial Update*, and the *Enrolled Actuaries Report*, if you're a pension actuary. Keep up on what the profession is saying, because we do publicize our statements. That way you will at least know what's being said. Anybody want to add to that?

MR. ZIMPLEMAN: Just a short comment about being hesitant to say, "I'm an actuary," because maybe what you're going to say is at odds with what the profession is saying. You can deal with that one fairly easily just by qualifying your remarks. Say, "I'm an actuary, and I'm expressing my own views, not necessarily the views of the profession or its organizations." That's sort of the standard legal disclaimer, but it's also true. That might help you deal with any reluctance to identify yourself and become involved.

Again, influencing public policy is not about having all of us say the same thing. There are different views out there, and we certainly would encourage them. Even on the Academy committees, there are those differences of opinion. One thing that I have done when chairing a committee is deliberately to go out and seek people who I believe are likely to have different views. Then, when you work together on a project, you will have discussion back and forth before arriving at some common ground.

I hope that in the future you will at least try to gain some credence for the profession by saying you are an actuary, even when stating your own personal view.

PANEL DISCUSSION

MR. KEVIN M. DOLSKY: Maybe this could be considered yet another myth, but some think that if you're not on the list of political contributors to a legislator, you don't have access to their office to give your views. Perhaps, Linda could comment on that.

Second, I'm in the health insurance business, and I see a number of the legislative proposals that make things like community rating look like child's play to me, because they're so dramatic. The proposals would either fundamentally change our business or, perhaps more correctly, put us out of business. Yet we find we're involved with legislators who represent such positions, and perhaps the HIAA is also a contributor to some of those who would eliminate private health insurance. In effect, we contribute to our opponents, if we consider them opponents in a war.

So, presumably we have to get involved with these legislators in order to shape public policy, and we have to contribute to them because there's no other way to get into their offices.

MS. JENCKES: Political action committees should be viewed as better government funds. PAC contributions may help with access, but it's absolutely a myth to assume that if you have not given a member dollars that he or she will not let you in the door. In fact, probably the best campaign contribution is the $10 or $15 personal check that you might send in to a member, when compared to anything that would come out of an association or corporate PAC.

Second, no association or corporate PAC could ever "buy" a member. There are absolute limits on the amount that you can contribute, and it's $5,000 in a primary campaign, and it's $5,000 in the general-election campaign. And, given the cost of political campaigns – whether it's Nebraska, Idaho, or New York – that's probably a minimum of $2 million. So, even if a PAC were to contribute money to both the primary and the general election, $10,000 doesn't make a dent. And the vast majority, probably 99% of the PACs, never give the maximum to either a primary or a general campaign. In terms of its being a better government fund, a PAC will allow you to come in and discuss and debate your views with a member who doesn't necessarily agree with you always. Again, the best example is one that I mentioned before, when we worked with Senator Packwood. He opposes the insurance industry on unisex, supports the insurance industry on taxing employee benefits, and advocates tax clarifications for long-term care. The point is, he's very forthright, and at least we have had the opportunity to present the industry's case. He acknowledges that we still have differences, but he appreciates our being there. I'd rather have that type of member reelected than someone who absolutely will not let you in the door and never agrees with your position.

In short, I think some of those decisions are difficult ones. What we always do is check with the people back home first, in that state where the member resides, and see if the member is talking out of both sides of the mouth. Again, PAC contributions will give people the opportunity to come in and present their views, but you can't buy anyone, and you can always get in the door, whether you've given them a penny or not.

MR. MURPHY: I am living proof that you don't need to contribute. I have gotten in the door, with the help of staff. One of my staff is here, if I might recognize David Bryant at the back of the room. David is the Academy's assistant director of government information; before working for the Academy, he spent several years on the Hill.

Last year, I met with a number of senators and congressmen to talk about the profession and our interest in finding out what issues the members were looking at that we could help them with. I will do more of that later this year. I have found that members are interested in hearing from the profession. They are interested in the expertise we have to offer.

I said earlier, if our coin is a good reputation for being a credible source of information in a number of technical areas, that coin will get us through the door. We don't need to give dollars and cents. We don't need to have a big voter block like the American Association of Retired Persons does. We just need to maintain our credibility. Sometimes that means we have to say things that our employers might not necessarily say. We do that through the Academy. We have to maintain an identity as a profession, separate from the identity we have related to an industry. So far, we're maintaining that independent identity when we work with policymakers. With your help, we can do even more.

MR. DAVID L. ELIAS: Larry's comments about public policy having day-to-day impact on our work sparked a thought on the new tax on deferred acquisition costs – not a pension topic, but one concerning individual life insurance. Could someone comment on what information that the actuarial profession was able to give to Congress on that and also on the effect that these myths that we're talking about may have had on the final outcome of that policy?

MR. MURPHY: The Academy didn't comment on that issue. Unfortunately, I think the profession has been hamstrung, in the same way that the industry trade groups have been hamstrung to some extent, by this ongoing difference of opinion about the taxation of life insurance is between stock and mutual companies. We have members who feel strongly about the philosophies underlying both sides of the issue, and there was no way that we as a profession were really able to come up with a position or information that would help policymakers.

A little anecdote: I was listening to a congressional staffer speak at the Home Office Life Underwriters Association's meeting recently. He spoke to them about a number of issues, one of them was taxation. He acknowledged that those in the insurance industry may be upset at being pinpointed for a tax increase in a recent bill, when so many other industries weren't. He then said that it wasn't so surprising, considering that the insurance industry had been advertising certain products as tax shelters. It's as if the industry were pointing out some ways it could be taxed, at the same time that the stocks and mutuals were debating ways to reduce taxes. Taxation is a real problem for the industry, but it's a difficult one for the profession to help with at this time. We keep monitoring the issue to see if there's a way, but we have not done anything in that area as of now.

MS. JENCKES: I think that situation really shows the importance of the industry and its respective trade associations trying to form consensus where possible. Because of the current stock/mutual situation, Congress presumes that it can drive a truck through most of our issues, because the industry is, in fact, divided.

Let me tell you something that has helped with the deferred acquisition cost tax and some other taxes, in terms of an argument on our administrative costs. Even the Health Care Financing Administration agrees that our administrative costs are probably in the neighborhood of 13%, not the 20%-plus that everybody else is saying they are. We maintain the costs are closer to 11%. However, 4% of that is due to already existing state and federal taxes, even before adding the deferred acquisition cost tax. So, we are saying, "Hey, these taxes are out of control, and you gave us yet another hit last year. You're trying to shoot the messenger who's trying to pay the claims from some of these increased hospital and medical bills. Let's just put it in perspective, because a lot of our cost is generated by you people and the tax hit."

MR. SCHREITMUELLER: I was very much impressed by Linda's discussion before, and the apples and oranges analogy for antiselection. I had not heard that before, and I think that's a very creative way of explaining a very difficult subject, albeit one that almost anyone could understand if you led them through it a couple times.

One of the great opportunities that we have as actuaries is to put together little things like that -- not just analogies, but numbers. For example, 12% of the gross national product for health: that's a very powerful number. It captures a lot of what's going on, just that one little number of 12%. There's all sorts of numbers that people recognize and use. The Dow Jones is a good example. Not a very good number, but everybody uses it. Everybody has to know what it is, even though an expert would say it's not a very good number. Because it's the best one around, it's widely used. So, there are many gaps, so to speak, to be filled in the public policy area, where somebody needs to invent a good number to convey some truth. I think actuaries are better equipped than anyone else to do it.

MR. TED L. DUNN: I just wanted to comment on being able to go and talk to your legislator or congressman. Not only did I not contribute to a senator who was very helpful to me, I was the campaign manager for his opponent. Nevertheless, when I needed some help (and the problem had nothing to do with insurance) and would come to HIAA meetings in Washington, D.C. (as I did many, many times), I would go by Congressman Brock's office.

I got a lot of help out of those people in his office. I think he was trying to get me to vote for him the next time. So, I would urge you to go see your congressman, your legislator. It does not matter whether you've been for or against them previously, they can really be very helpful.

MS. DEBRA L. FULKS: We've been talking a lot about the big issues and the obvious issues where we can have input. I think there are a lot of less obvious issues and crises, ones that might be closer to home, that we, as actuaries, can have a lot of valuable input on. For example, the educational crisis. To the extent that actuaries get involved and do things like serve on boards of education, help solve those problems, and create local public policy, I think these contributions are substantial.

Boards of education don't just deal with curriculum issues. They deal with demographics and population projections and retiree and health benefit issues that are gouging their budgets. They do a lot of financial projections; they make a lot of decisions to solve current problems, without contemplating the future contingencies that they're creating. I think there are a lot of different kinds of things that actuaries can do, if we just look to see where our talents could make a difference.

MR. MURPHY: Really, that's a very important statement to make. We've got to remember that we have an expertise. We are a group of people that know how to look at the future and think about it from a financial perspective. So much policymaking, whether at the local level or the federal level, is based on short-term thinking. Part of the problem is that policymakers don't have anything else to go by. One of the things that we can do is bring some long-term thinking to the table and help them. And they do want to hear from experts very much.

MS. ALICE ROSENBLATT: Just as we were talking before about the division between stocks and mutuals on the issue of taxation, could you comment on whether there is a division between HIAA and the Blue Cross/Blue Shield system on the issue of small-group reform and what that split might be doing to our ability to influence public policy?

MS. JENCKES: I might mention, first, that HIAA and Blue Cross probably agree on 99% – well, maybe 90% – of the issues.

There's the overall taxation issue of companies. As Pete Stark used to say, if you walk like a duck and quack like a duck, you ought to be taxed like a duck, but he took care of that in 1986. But Blue Cross is trying to change all that again, at least for a limited number of Blue Cross plans.

I am pleased to say that Carl Schramm, our president, and Barney Tresnowski, president of the Blue Cross and Blue Shield Association, are trying to resolve our differences. We realized, the minute we had our proposal together, and, in fact, I think you all realized the minute you had your proposal together, that the states are going to take the opportunity to modify it. Therefore, the NAIC is even studying options. We're hoping that we can all, in the areas where we still take issue, entertain options so that the local marketplace in that particular state can make the decision as to which way to go, so that we will not be in opposition but in lock step. And we intend to lobby the issue together on Capitol Hill, if we can resolve those few, slight differences.

MR. MURPHY: I hope you all go out there and get involved, either on your own or through the Academy or, if you're a Canadian actuary, through the Canadian Institute of Actuaries. We could certainly use your help. Get involved, it's important.