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## NONTRADITIONAL CAREER ALTERNATIVES

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- Actuaries who have been successful in nontraditional roles will discuss the process they went through in their career decisions -- how they adapted to change and what they did to achieve success. Why did they choose to broaden their horizons and how did they set about it? What advice can they give to other actuaries -- actions to take, pitfalls to avoid? What other nontraditional opportunities do they see emerging on the horizon? This will be a session on practical career planning

MS. BARBARA J. LAUTZENHEISER: Our first panelist, John Hartnedy, will share his experiences as to how, why, and where he was, and where he is now, and maybe he even knows where he's going.

MR. JOHN A. HARTNEDY: I will tell you that I bring the token seriousness to this group. There's a book called *Trail* written about Lewis and Clark. It was very interesting to read this and watch as they basically climbed out of bed each morning and looked to the horizon to see what they thought might happen that day, and they really never knew. They were going to the unexplored territory west of the Mississippi and, regardless of what they ran into, they were willing to cope with it, get up the next morning, and continue on. I feel in a lot of respects this describes how I've gone through my actuarial career. I haven't really known what's over the hill or what's going to come, but I've managed to face the horizon and continue on.

My first job was with Allstate Life, and I was doing work mostly for casualty actuaries for about the first two to three years. Then they hired a life actuary who called me in and said, "You really don't know very much about life actuarial work. I suggest you look elsewhere for a job." That's not a real subtle hint and I even picked it up and joined the Aetna, and there I did statement and federal income tax type work and learned an awful lot of the basics about what a life actuary did. I got an opportunity then, or an offer, to go to work for American Bankers and I think the prime reason I did that is I wanted to prove to myself, at least, that Allstate had made a big mistake.

I joined American Bankers as their chief actuary and was very involved with a conversion. To show you how long I've been in the industry, we were converting to 62-CFO. After we completed this conversion, one of the things that I discovered about American Bankers is they viewed the actuary at that time as a necessary evil, with the accent on evil. I was unable to staff to do what I thought was a proper job and, in fact, things that they agreed that I needed to do. There was basically no way to get them done. So when an opportunity came to go to CNA, I took it and told American Bankers what the problem was. I notice that their actuarial department has grown and I hope, in a way, I really helped American Bankers -- not just because I left, but the reason that I left.

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At CNA, I got involved with special markets and Valley Forge. I began to deal with people. I dealt regularly with agents and we tried to prepare products that they could sell to the marketplace. Now I needed to communicate to other people the knowledge. It was a wonderful learning experience for me to learn basically how to communicate what we have studied in businessman's language.

Valley Forge was absorbed into Continental Assurance Company and, I was now in the big superstructure. So when an offer came from National Investors Life Insurance in Little Rock, Arkansas, to be their chief actuary, I decided I would like to do that. Now I became an annuity expert. After about four years, they were bought by a company known as Baldwin United. I see I don't have to describe that company to this group. After another few years, Baldwin United made the very shrewd purchase of Mortgage Guaranty Insured Corporation (MGIC). They spent \$1.2 billion for that, they didn't have the money to do that, but that did not delay them from making that purchase. Of course, they couldn't pay for it, and you know the story. They went bankrupt. In their generosity to share this experience, we had some affiliated investments, all within legal limits at the time. One, for example, was \$180 million of Baldwin preferred stock, which was not disproportionate on an asset base of \$2.5 billion. But when they went bankrupt, that stock went to zero. Our surplus was not, at the time, \$180 million. Of course, after they went to zero it was a whole lot less.

Arkansas and other states moved to take over National Investors. The role I then found myself in as an actuary was very interesting. Of the seven senior officers of National Investors, I personally knew of at least five of them who had medical problems in going through the stress of this thing. The other person, who was 60, basically told me he stayed for one reason. It was his pension, and he was very seriously trying to stay to protect his pension and to get slightly more vesting before he retired or had to retire, or whatever was going to happen to us. He stayed and the other five left, which was good for their medical problems.

I stayed and I did not have any medical problems. I will tell you, as an actuary, why I did not. After I had gone through the experience of making a few changes to prove to myself whether, in fact, I could do actuarial work, I did reorient my priorities. At the time, they were very much where they should have always been – God first, family second, and then my job – and they hadn't always been that way. What that allowed me to do at National Investors was still, since I was able to pay attention to my God and support my family, I did not have to leave. I had another reason. I was very concerned about those policyholders. With the people that had left, the most knowledge about that business and about that company was basically left with me. I feel that I did a lot and had a very unusual role helping in the basic shutdown with as much success as you can give to that sort of thing at National Investors. I thought I could make a real contribution, particularly because of my knowledge and because I am an actuary.

My role began to wind down there. Basically they had shut it down and they put it in a three-year hiatus. Baldwin United was going to move me to Indianapolis to work with some of their other companies. I considered that to be a rather dubious pleasure, to move my family for the benefit of working for a company that is in receivership. I hadn't sought another job, but I accepted an offer in Little Rock to go to work for First Pyramid Life Insurance Company. They seemed to not have a lot of

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direction, were not doing well, so after less than a couple of years I resigned. Within an hour of my resignation, the holding company called me and asked me if I would consider being president of the company. I talked to them and said there's a few conditions for this. One of them was a detailed financial study. Our records had been in shambles, and I think I'm giving it the benefit of the doubt. We had spent some time cleaning those up, and we now had reasonable records. I said one of the conditions is an independent, detailed financial study of this company. You don't know what you bought, we don't know what we're supposed to be running, and nobody knows what to expect.

They agreed and found out it was going to cost \$70,000. That also tells you how long ago that must have been. They tried to talk me out of it. I said no way. The financial study showed that, for that size company, we would be deeply insolvent in less than two years. That created a different role for an actuary – not only to be a president, but now I've got a very unique problem. I've got policyholders and I've got employees and we're headed for insolvency. I chose a little bit different route here and told the insurance department in detail everything that was going on. I did a second thing – called the people in that worked at the company and told them everything that I knew about what was happening to us. We did put together a plan. We eventually ended up selling the company for its tax losses, stripping most of the business out of it, and giving it to Security Benefit Life. Policyholders were well taken care of and insolvency was prevented.

What I primarily did was, if you will, take care of the people – the policyholders and the people who worked there. At least every two weeks I called them in and filled them in on what was going on. My knowledge as an actuary allowed me to field virtually any question they might ask about our business, about our company, or about the future; those that, as far as the future, I could read, that I knew an answer to, and I was probably the best informed person that they could talk to. It was really reaching out and caring about people. The knowledge that I had allowed me to give them good answers. I remember one time I was asked why aren't there any rumors flying around here. If you've ever been in lay-offs or shutdown, you know the place is rampant with rumors. One of the employees answered, "Why would there be rumors? John tells us everything that's happening. We know everything that's going on." I became aware of the fact how people-oriented our business is and that is what we need to do – a whole new horizon for me about genuinely caring for people and touching them in our business.

From there I went to Anchor National Life. I became the chief financial officer of their life company and a chief financial officer of their broker/dealer – a whole different role for me to play. I completed all the National Association of Securities Dealers examinations within six months of arriving at the company, which means I got the results right about the time they announced a total shutdown of all the Phoenix operations. So this is now my third consecutive shutdown. If I sound a little paranoid, I only want you to think that that's the case because I'm really not a little paranoid at all. I'm substantially paranoid. Basically, the point is that with the knowledge, with the experience and studying, I could become a chief financial officer of a broker/dealer.

From Anchor National, I joined Golden Rule Insurance Company. This was about 3.5 years ago, so I've become a life expert, annuity expert, and now, by definition,

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definition being where I work, I am now a health insurance expert. I became a spokesperson in many ways for Golden Rule. I worked with the AAA committee on liaison with the NAIC and eventually became a member of that committee as we worked to establish objective standards for health rate regulation. I worked with members of the life and health actuarial task force about adopting something I call guaranteed loss ratio, basically an objective standard. I want to point out that I think too few of us are addressing the problems that regulators have in our industry.

I've become aware of that through stumbling into this type of role for myself. In Michigan, I testified on rate authority and on their attempt to stop us from using legitimate risk classifications. Barbara Lautzenheiser also testified at that hearing about the value of risk classifications. An administrative judge found in our favor. It was good for the insurance industry that they found as they did. Our company has helped sponsor studies. For example a study by Milliman and Robertson, Inc., called the "Public Policy Survey," indicated that of the top 25 states most successful in penetrating the uninsured market, only and have rate regulation. In the bottom 26, those doing a poor job of penetrating the uninsured market, 14 have rate regulation. Does that tell you something about the impact of rate regulation? Who should be doing those studies? We have gotten involved with that type of work. Very bluntly, we have beaten Florida twice in front of administrative judges on things that they were doing that we honestly believe were not in the best interest of the policyholders that we have.

I regularly visit legislators and testify at their hearings about good insurance regulation and good insurance law. I visit regulators and work with them on the ways to have good regulation and good laws. I was testifying in South Dakota and, as you might imagine, there aren't a whole lot of actuaries that go to the South Dakota legislature to testify. They must have had me on the stand for an hour. The answer to the questions that they asked began with, "Well, that is not relative to the bill I came to testify on, but . . ." It was an opportunity for them to talk to an insurance expert -- not because I'm John, but because I am an actuary. It is a very valuable contribution that you and I can make. An attorney told me he loves to have actuaries on the stand, whether they're on the same side he is or another side, because he will get an honest answer from an actuary. He says he's never seen the likes of it in his experience. He will get an honest answer from an actuary -- something you and I can be very proud of.

Our company has developed a national agenda on health insurance. The reason we have done this is it's time for us to be pro-active, not reactive. We need to educate. We are trained very well, and we know more about insurance than probably anybody out there, including those who are in the insurance industry, and we need to spread that knowledge. I was speaking to our Michigan agents one time about the reason we were objecting to a particular law. It was those that sounds real good, and you're the bad guy when you object to it. You could see they were containing their enthusiasm for our company position extremely well. I gave them a very simple definition of insurance out of *Webster's Dictionary*. Then I told them, "Do you see that what we're being asked to do is not insurance? What is the problem you run into out there? Affordability? This will raise the cost. Does that mean we should be doing it?" Then I got the answer, "No, we shouldn't." These were our brokerage managers, our agents. They did not know what insurance was -- a very simple

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message. We have been using that definition in the training of our agents. The idea has now been published in *For Brokers Only*, and if you write to them you can get a copy of this. They saw the tape that we did on it, and they've gotten hundreds of inquiries. These are people who know insurance, a very simple thing. It's the kind of thing that we can do to educate people.

We cannot solve all the social problems through insurance. That's very simple. But with actuaries' knowledge, we can tell someone how to solve some problems and what we can solve through insurance. We can be credible by working on legitimate solutions to insurance and to social problems. I'm really saying that we're the ones that take care of the orphans, the widows, the people too sick to earn an income, the people too old to earn an income, the people who will go to the hospital with huge bills. Who takes care of that? We do. We should have an excellent reputation out there and the reason we don't is I don't think we've educated enough the people that we deal with; and that is a role that we have got to start to play, and you and I have the knowledge to do it. To be credible, we've got to be working on the social problems. Are you involved with your community? Are you involved with your church to try and take care of the people who have needs that can't be solved by insurance? So that you not only know it up here, but you've had the experience of helping people; because that's what our business is really all about. We care for these people.

Then, when you speak, you will speak with great credibility because you know what should be solved by insurance and you know what should be solved as a social problem. You become very believable. I didn't intend it this way. I have five children, five sons, and four of them have gone through their teenage years, which, if I strike you as slightly strange, that might explain it. I have an eight-year old at home. He is adopted and we've had him for five years. We adopted him because nobody wanted him, and he was learning disabled. Two of my older sons were learning disabled and so we took him in and he's one of the boys. He's one of the gang now. When asked about my life and my sons ages 21-25, and if the 8-year-old is a surprise, I reply, "No, he's the only one that was planned." It leads to more comments.

I didn't really mean to take advantage of this, but what has happened is it has definitely changed my credibility. I am trying to do something. It's only one little kid, and I'm only one family, and it isn't going to make a difference in how the world turns. But in one small area it's making a difference, and it has changed my credibility. It has enhanced my credibility. Most of the jobs that I have been in, some of which we call nontraditional in the sense that I'm not doing technical actuarial stuff, I didn't see them coming. I wish I could tell you that I had chosen these things, that I had made wise choices. I have stumbled into most of them. I think my advantage is that I've been willing to look at it and, with my knowledge as an actuary, capitalized for the benefit of people. I've ended up in conversions, a chief financial officer of a broker/dealer, a president, and now an expert, if you will, in health. I've discovered we are really in the people business. I think we need to discover what our business is, and we need to become pro-active. You need to be active and speak out as actuaries not only among professional actuarial societies, but you've got to share your concern for people, because of our business, by touching the people that are in your lives.

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MS. LAUTZENHEISER: You can tell he doesn't like his job. New horizons was John's message, triggered not always by something he specifically did. But I think it's important to note that he took that change that occurred to him and translated it into something that he specifically did, and it has fit with his life. Our next prophet is John Fibiger.

MR. JOHN A. FIBIGER: John mentioned Lewis and Clark and I couldn't help thinking about someone I had met at an ASTC Meeting. Now, this doesn't refer to the nickname of some school, but rather to the Association of Science and Technology Centers. I was there as a delegate from the Museum of Science in Boston. I met a man by the name of Jim Fenner. Now, I don't know if the name Fenner makes any sense except to some of us older members of the profession, but there used to be an organization called Merrill, Lynch, Pierce, Fenner and Beane. It became Merrill, Lynch, Pierce, Fenner and Smith. Now Beane and Pierce and Fenner and Smith are all gone and it's Merrill Lynch. So I'm amazed that Clark was able to keep his name going for something like 180 years because normally by now it would have become the Lewis Expedition.

I was introduced to Jim Fenner and, indeed, he was the son of the Fenner of Merrill, Lynch, Pierce, Fenner and Beane. He hadn't had much of a career change. He was now in his brokerage company, Jim Fenner and Associates, in Orlando, but his other true interest turned out to be the Orlando Science Museum. We had a very interesting evening and have exchanged correspondence since then.

Why tell this story? I think there are a couple of points that are relevant. First of all, you just never know what is going to happen, even if you think you've put something in place that's going to last for a long time, as his father did. Second, there are a lot of advantages to flexibility.

Let me go back in time to tell my story because this is what we're supposed to do at this session. How did I get to where I am now? I found out in the report of the actuary of the future task force, which presented a plan to develop nontraditional opportunities for actuaries, that I am now working in a nontraditional field as a chief financial officer. It may be a nontraditional field, but with a more traditional employer than the institution I was working for a year ago, which was the Museum of Science in Boston.

Back to college. I had a summer job. The summer job was obtained for me by Hugh Wolfenden, who was an actuary, whose wife was the sister-in-law of the woman who lived across the street and three houses up the block. You can already see a lot of planning in my career. I had wanted to have a career that made a business use of my mathematical ability. I had thought of accounting and then I took an accounting course. There was a major problem for the semester which involved doing the books for a small company. Rent in that period was \$1,110. It was copied by me on one side of the T-equation as 1,100 and the other side as 1,110. Subsequently, everything was \$10 off.

This was not the era of pocket calculators or anything like that. Five hours of searching for the missing \$10 and then packing it in and going back to first principles

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and doing it all over again convinced me that what I really didn't want to do was become an accountant.

My mother was talking to Mrs. Schultz across the backyard fence and she introduced me to Mr. Wolfenden, who introduced me to someone at a local insurer. I got a summer job and began working there. During the third summer that I was working there, they acquired one of these new electro-mechanical computing devices and the actuarial department was putting out a new rate book which involved spread sheets. This was not Lotus 1-2-3. This spread sheet was a big accounting pad. It seemed like you would always make a mistake in something like the sixth column of the second line and then have to take a clean sheet of paper and paste it over the error, which is why the older generation of actuaries didn't need to take drugs, because they got high on sniffing rubber cement that you would use to hold the new paper covering the erroneous columns. If you had a really bad day, you'd peel off the sheets just to see how many mistakes had been made underneath and then you could take that rubber cement and roll it up into a little ball and throw it at a co-worker. This is the way that we'd try to make the long overtime hours go by rapidly.

They now had this new device with plug boards, and the actuarial department had done the rate book at 3%. The agency department thought that they were being too conservative and they wanted a rate that was different by 5%. Now, that didn't go to 8%, but rather it was 5% of the 3%, which was 3.15%. For those of you who had those big, old blue books of compound interest tables, there were no numbers at 3.15% and so they needed some tables. They gave me the instruction manual for the computer and said, "Could you come up with some compound interest tables at 3.15%?" Well, what do you know? The machine worked and we were able to produce it overnight and use it in the recalculation. I don't know how the agency-actuarial fight came out, but I know that I then got a reputation as a computer expert, which sort of followed me around.

I got drafted. I actually was one of the lead Army people, even though I was a PFC, on the team that bought the first digital computer that the Army Chemical Corps ever had. Previously, we had a computer which used octal arithmetic and we then took the results of the metal tape that came out, put it on paper tape, and converted the octal to decimal. So this decimal computing was really pretty exciting. I've actually had the experience as a PFC of having to cancel an appointment with an IBM vice-president because I was on KP that day.

I realize now in preparing for this talk that I was already following the rule that, if I had done something for awhile, it was time to do something else. When I was released from the service in 1959, I chose to go to another company because they didn't have a computer and I had already spent seven years dealing with computers for two insurance companies and for the U.S. Army. I realized that I was deficient in actuarial work experience as I was about to become an FSA and I thought I should have at least a little experience in doing actuarial work.

Well, I did actuarial work at this new company for 10 years. For several years, I did the annual expense study, which the company president didn't turn out to be much interested in – the one that says we've got so much percentage for first-year expenses in the price of the product, but the actual expenses are greater. All of you,

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I'm sure, have had the experience of what I call an actuarial "how about that study," when someone looks at your work product and says, "How about that?" You then leave the office and "how about that" goes into the round file because the chief wasn't really about to change either the assumption in the price of the product or the amount of first-year expenses that the company had.

One of the things I commented on to the company president, which he turned out to be interested in, was a warning that we might be heading for trouble in group and, indeed, we were. The president actually came down to my office and I had a very dramatic career change, which went something like this. "You turned out to be right, and there's going to be a vacancy at the head of the group department. If you're so damned smart, why don't you run it." I asked for the alternative and it was my resignation, so I said, "Meet your new head of group." Happily, by the time I took over there was a clear focus on profitability rather than on expanding market share, and so the profitability turned around.

I went to another company in 1973, as head of the group department because they had a similar profitability problem; again, part of it being somewhat of a lack of focus. So I really turned, in 1970, from traditional actuarial work, which I had been doing for 10 years, into management, which is a fairly traditional career path, at least for a number of actuaries. I became executive vice-president for home office administration after about a year and a half at the new company and then became the company president and was president there for about nine years, with total service with the company of 17 years.

One of the things that happened, which does tend to happen to people in a management position, is that you get involved in some extracurricular, community activities. I think this is a fairly traditional path, again, for company managers. In the Boston area, I had been involved in several activities. One of them was the Museum of Science, which I first got involved with when I was asked to give a quotation on an early retirement benefit because my company was the pension carrier for the Museum. Again, you see how these planned career changes take place. I got involved with the institution. I had always been interested in science and mathematics and became involved in the board and ultimately became chairman of the board. I just want to say that if you pick an institution and get involved with it, there are some experiences that you will find very rewarding and there are others that you won't.

Two more examples. I was also a trustee of a major teaching hospital. It was fascinating to look at the whole health care issue from the perspective of a provider of health care, because I had been so involved on the insurer's side. That was, and continues to be, a rewarding experience. I was also an overseer of the Boston Symphony Orchestra, and that was probably a little less rewarding for me. I do have to tell you, though, that I became an expert in at least one field. We lived in a town that did not have town sewers. We built a home in which the only area appropriate for the leaching field was about 300 feet uphill. We constructed a septic system that would last for a four-day power failure and other disasters. I think it would have served the whole town had they ever put in town sewers.



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We also had a summer home in another state. Naturally, what happened during this period was a septic system failure. So I was already becoming quite an expert on this. When I became an overseer of the Boston Symphony Orchestra, I was put on the Building and Grounds Committee. Do you know what? If you've ever been to Tanglewood, you probably don't think very much about the septic facilities at Tanglewood. However, somebody had to worry about them and it turned out to be me. Should we put sanitary engineering on the syllabus? Obviously not, even though my actuarial career led to my expertise in this field.

Actuaries are frequently asked to be treasurers of organizations and you get placed on administration and finance committees. Roger Nichols, who was a very visionary person, did a great deal of building at the Boston Museum of Science. He didn't often have a whole lot of admiration for administrative and finance types, but we got along very well. I think I was asked to go through the chairs of the museum board because I was an administrative type that Roger would listen to. Well, unfortunately, Roger, who was a jogger and a physician, died unexpectedly of a heart attack, leaving somewhat of a void at the museum. When I became chairman of the museum's board we had an interim director and a need to renew the search for a permanent director.

I was finding much more satisfaction personally from outside activities than I was from my company activities. Happily, I was in a position to do something about it, so I retired early. I was able to take early "retirement," and I wanted to, and those were the two determinants. I began serving the museum on a much more active basis, acting CEO, because there was a need for continuity there that was difficult for anyone carrying an interim title to provide. I had some wonderful experiences. I had some not so wonderful. Among the not so wonderful were trying to raise funds in a very tough economy in Massachusetts and finding that, because corporate contributions and the contribution from the commonwealth fell off dramatically, we really couldn't do anything about having two rounds of layoffs. One of the other tough things that we did was to consolidate our debts. We were \$19 million in debt with some high-interest rate construction loans, but we developed a bond issue that paid off all the construction and previous loans by combining them into one issue.

Among the very wonderful experiences that I've had was in connection with an exhibit of space artifacts from Russia when I hosted a luncheon for the 19 top people in the Russian equivalent of NASA. They were coming over here because the Russians were trying to market their satellite-launching capabilities. I have been in the basement storerooms of museums in London and Paris when we were putting together an exhibit on gemstones. I had the opportunity to negotiate with the Forbes family to get the loan of one of the Faberge eggs. One of the objects worth mentioning is in a drawer in a museum in Paris wrapped in the kind of paper that you would use to wrap something when you were moving. It was a sapphire that Louis XIV owned, which I've held in my hand, an inch by half an inch by half an inch, mounted on a pure, solid gold fleur-de-lis. The curators question -- "Would you be interested in that for your exhibit?" "Would you be interested in some relics that we've got of Louis IX?" I had many fascinating experiences like that.

After I "retired" I spent an equally active year involved in the museum. Our family plan had been retirement with summers in New Hampshire, winters in North Carolina

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and the tax home in New Hampshire. We had built a home in North Carolina. In fact, we were proceeding to put the last of the California wine in that wine cellar when the telephone rang, and it was Dave Carpenter telling me that it was now time for me to consider coming out to California to become his chief financial officer.

There were a couple of negatives to that. One is I had thought I had structured my life pretty peacefully, and the other one was I really wasn't sure I knew how to be a chief financial officer. As I had said, I had one accounting course. I had four years on the Advisory Committee of the Financial Accounting Standards Board which provided me with a quick course in accounting, but also another reinforcement of why I wasn't cut out to be an accountant. The upshot of it was I really couldn't think of a good reason to say no to Dave, so I'm now the chief financial officer of the Transamerica Life Companies -- a traditional employer, but a job labeled as nontraditional, at least temporarily. I don't think of it as a nontraditional job and more and more you're going to find my type of responsibilities considered as traditional. I'm having some wonderful new experiences and I'm having a lot of fun. I'm dealing with security analysts, which I've never done before. I'm worrying about raising capital, and dealing with rating firms. I'm in a new part of the country and a new part of the industry, but for the first time in 20 years I'm doing things that closely relate to my professional background. It's very nice to know that I could go back.

I very much appreciated the SOA meeting in New Orleans just before I started work. I was able to find out some of the things that were going on in financial reporting, so I didn't stumble all over myself when I arrived at the company. We're doing a lot of new, interesting things. One of the actuaries in the company within the next couple of months is going to be named to a so-called nontraditional post, reporting to me, to focus on asset-liability management. Is that nontraditional? The report says it is. Should it be considered nontraditional? No, I don't think so.

To sum up, what are some of the lessons that you in the audience might take away from this talk. The first thing is that I have gotten into nontraditional or different areas because of my own interest and my own desire to be involved in a lot of different things. I don't want to narrow myself. I would much rather keep up my interest in a lot of different things. That's something that's been characteristic of me in the past, but I think it's going to more and more have to be of all of you. We've had the presumption that the past is a predictor of the future. It may no longer be true if you look at the dynamic events of the last couple of years; it really is a call for flexibility.

In order to effectively keep your interest in a lot of things, whatever you're doing, work hard at it. Be sure that, whether you accept an outside position or are working for your employer, you do the work well. Try to take something very definite out of each experience. I found that I liked the Museum of Science better than I liked my career as a septic overseer for the Boston Symphony Orchestra. It told me something about myself and my interests and where I was effective. Use some of your analytic skills to look at yourself and look at your own career and find what is suitable for you.

Another point -- try to be right in the right way. We all try to be right. As actuaries, sometimes we're right more often than we should be. Know when to be right. If you're right all the time, know when to let the rest of the world know you're right. Make sure when you're dealing with others in other organizations that you deal with

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them on their terms, not yours. Don't just say I'm an actuary and, of course, that makes me an expert. If you're in front of a state legislature, be right for the right reasons. Make sure other people are comfortable with your being right so they ask you back to help them again. I have found that there are right ways to be right and there are wrong ways to be right. If you really are interested in broadening your horizons, make sure that the people you're dealing with are comfortable with you and the way you're presenting your information. By the way, it's good advice on the job, too.

The last thing I would say is that if you've been doing the same thing in the same way for the last 10 years, first of all ask yourself why, second, ask yourself if you aren't limiting yourself and, third, look over your shoulder because there may be somebody wanting you to change. If there is one message, it's flexibility, so you are prepared to deal with the random occurrences in life, take advantage of them and learn from them. Above all, try to make sure that what you're doing is fun, and if it isn't, think hard about making your job more enjoyable or else finding something new to do.

**MS. LAUTZENHEISER:** Are you beginning to hear some threads? Change, opportunity, fun, interest, doing something different than you've done before, and keeping a bit of that spice in your life.

**MR. ROBERT M. KATZ:** You know, I think I've made a mistake here. I thought we'd be talking about careers for nontraditional actuaries, but it looks like we're talking about actuaries in nontraditional careers. Well, I'll try to make the best of the situation by being creative, which is the message of my presentation anyway. If we're looking for career alternatives, we need to be creative in the development and deployment of our skills, and in the identification and development of employment situations. So I'll just shuffle a few pages here and see if we can't talk about nontraditional careers and at the same time let me bring in a few thoughts on how being a nontraditional actuary may just be the key to finding a nontraditional career.

In fact, my own career started in the most traditional fashion. Many years ago, far more than I care to contemplate, I spent summer and Christmas vacations from college working for an old-line life insurance company in the actuarial department. I don't recall too many of the details of what I did, but I do remember distinctly getting exposed to many of the operational areas of the company, not just the actuarial functions. After college and graduate school in the U.S. Army, I returned to the actuarial department and began the journey that has led to my becoming a nontraditional actuary in a nontraditional career.

I wouldn't dare to suggest that anyone follow the path that I did. But I would be quite remiss if I did not emphasize that many of the opportunities that I was fortunate enough to have could have been cultivated by a properly prepared and motivated individual. So please indulge me while I spend a little time talking about those opportunities. Because, as you will see, there are some lessons to be learned about creating opportunities. And if you survive the travelogue along my career path, then we can turn to the practical side of how we, both as individuals and a profession, can take a few bold steps forward into the new, improved, FDA-approved actuarial career stream.

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Once upon a time a young college freshman needed summer employment to help defray the cost of his education. The lad's father, an enterprising sort, contacted the local life insurance company with which he had taken out a mortgage to finance his home. Lo and behold this company had a summer actuarial program. So the lad's father directed his son to seek employment there, which the lad cheerfully did. After all, where else could one earn the princely sum of \$305 a month in air-conditioned comfort? And the rest, as they say, is history.

So with no idea of what I was getting myself into, I launched my actuarial career in the old-fashioned way, working in a summer program, doing a lot of clerical tasks. Those were the days when automation as we know it now was only a concept. So the industry relied on large masses of clerical staff who sat at their desks all day with the forerunners of desk calculators performing the tasks that now are so routine they're probably forgotten. Actually, it was a wonderful introduction to the actuarial profession. Because it gave me an opportunity to learn a lot of fundamental principles from scratch, using the most basic building blocks. Believe me, when you manually calculate commutation functions -- and, yes, I know they're out of fashion now -- you gain a great appreciation for the use they serve. And a very good understanding of the underlying theory.

Now that computing equipment is so efficient, it is interesting to see us returning to first principles to perform calculations the same way we used to manually. Here's a question for our profession: how many of our students could perform those calculations manually? Have we become so dependent on computers that we have lost sight of fundamentals? I am very thankful for having had the opportunity to work in the environment I did and to learn the basics firsthand. And without going into a lot of detail, that opportunity included learning computing from the ground level up, both at work and in school, starting with drum memory machines with two instructions. We automatically assume that everyone now acquires computing skills. I think there is great value in learning the fundamental logical underpinnings of modern computing. It helps focus the mind and aids in the solution of problems.

However, it occurs to me that I may be sending a wrong signal. I'm not advocating a return to the old days in terms of operations. But I am absolutely advocating the continuing study of fundamental principles for any discipline. And I think it's really critical for the actuarial profession. If you'll let me jump ahead for just a second, I'm going to give you a sneak preview of one of the messages I'll soon deliver. The solution to most business problems is not to be found in the high-tech world of slick computer packages, which are only tools, not the solutions. The real solutions are to be found in thinking through a problem, reducing it to basic concepts, and applying fundamental principles to it.

Let me put it another way. When you go to the doctor with a symptom, you expect the doctor to treat the symptom. But if he doesn't treat the underlying disease, he's not doing you much good. I think we do a lot of symptom treating in our profession without thinking about the underlying disease. One of the reasons is that we have very powerful tools to treat symptoms. But it takes brain power and that magic word, *creativity*, to solve the underlying problems. If our pension client can afford to fund only a limited amount to his plan this year, we can probably figure out several ways, some of which may even be legal, to produce the desired result. But did we

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look into the cause of his funding problems? Don't tell me it's not our job. It is our job. Why? Because if we want our profession to continue to exist in today's and tomorrow's business world, we had better make that our job.

Oh, my goodness, I've gotten way off track. I'm supposed to be giving you the travelogue along the path that led to this individual ending up in a nontraditional career. I think I got caught up in thinking about my objective. Of course, that's not such a bad idea. Good communication, you know; more on that soon.

One of the advantages I had in working for the life insurance company was a chance to explore more than just the actuarial side of the business. That was due in no small measure to the fact that the actuaries were frequently used as resources by other functions to help solve problems requiring the skills of actuaries, which in our case included computer skills. There is a lot more attention paid to computer training now; but in my youth, there was none. I literally learned on the job. In our profession, computer skills, and particularly the kind of thinking that leads to the efficient use of computers, can be a valuable resource that we should apply in all situations, whether they deal with automation or not.

One of the applications I got involved in early on was the investment area, where the investment folks were discovering a new form of life insurance investment: deep-discount, sinking fund bonds. They were an ideal investment vehicle, only nobody knew how to value them properly, or determine the current yield and yield to maturity. So I got the golden opportunity to develop an automated system for performing those calculations. Since there were no alternatives, I had to go back to first principles to accomplish the task. And by golly, we got ourselves a nice little system. Of course today, we'd simply pull out our pocket calculators with all the built-in programs, enter some raw data, and insto-presto: results. For a practitioner, that might be acceptable. For a student, it's not very helpful if the aim is to understand how to value a bond. For me, it was a great chance to do an interesting project that also served to further my education. But it also enabled me to see how the creative use of skills could serve a new purpose.

Another golden opportunity arose in supporting the sales folks through the production of automated sales illustrations and related materials. We all take them for granted now, but they had to start somewhere. The design and programming were fascinating, and I enjoyed working on those kinds of projects immensely. But what was far more important was getting exposed to sales. Don't groan. In today's business world we are all salesmen. We sell our ideas, our solutions, ourselves. Think about what you do in a job search. You sell yourself. If you know how to sell, you can do a much better job of selling yourself. Getting exposed to sales was the first major influence on my career development. And the second was getting exposed to marketing. Yes, there's a difference, a big difference. Stay tuned.

We're now a little further along in my career with the life insurance company. I've been out of the Army for a couple of years, working full-time, getting exposure in the company. Two big events occur. The company decided that after a hundred years in the business, it was time to create a marketing function independent of the sales function. And I broke my foot playing basketball. What actually happened, I'll probably never know for sure. But the company brought in a lot of high-powered

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talent to start up a marketing department. Shortly after the new vice-president for marketing arrived, I happened to be walking, actually hobbling, down a hallway and he held a door open for me. I thanked him and welcomed him to the company. The next thing I know he's calling to see if I'd like to join his department. I've got to believe he was aware of my work on sales illustrations, and he had probably checked out my work record; but he claimed that he was impressed by the fact that I broke my foot in a recreational basketball game. Hey, I'm not complaining; when opportunity knocks, you don't turn it down.

My job in the newly formed marketing area was formally manager of market research. In reality, I think I was far more of a liaison to the rest of the company, since so many of the staff, and almost all of the management staff, were newly hired. I did some market research, which is not a bad discipline in itself, but far more importantly, I got exposed to marketing. What, you ask, is marketing, as opposed to sales? Don't look it up in the dictionary. The dictionary I looked in didn't distinguish between them. The difference between marketing and sales is simple. It's the difference between offering a product or service to a potential customer, which is sales; and determining what product or service the potential customer needs, which is marketing. I can't help but throw in my standard message to pension consultants at this point, which is simply that there should be a shift of emphasis from sales to marketing. And for us as actuaries, that means new job opportunities. Because when we find out what our clients need, and if we're willing to develop the products and services to satisfy those needs, then I know we'll be creating new job opportunities.

I've talked about two major events that influenced my career, those being the introductions to sales and marketing. There was a third event, which also occurred while I was in the marketing department, and that was being introduced to the science of management. In fact, I had the great experience of attending a LIMRA course on agency management. And since my boss, the vice president for marketing, had come from LIMRA, he practiced what they preached. Management, whether it's of a project, or a staff of people, or an office operation, is a critical skill for all business people, which makes it applicable to actuaries. You'd be surprised how often you can refer to principles of management in your day-to-day life, not to mention your career. I have found the knowledge of management principles to be invaluable and would encourage our profession to continue and enhance its efforts to include management skills in the inventory of required skills for actuaries.

There's a related subject, which I want to throw in without spending too much time on it, although this is probably the single most important subject for us and everyone else to master. I'm not going to discuss it in depth because first of all, it should be obvious; and second, there are far too many other forums in which this subject is presented. What I'm talking about is communication. Success in business requires good communication. Success for an individual is more likely to be dependent on that individual's ability to communicate than on any other skill he or she possesses. If you're the world's most technically competent actuary, but you can't communicate what you know in such a way that someone can use your knowledge, then you will not be successful. Let me simply say that there is no business circumstance I can think of where good communication is not required. I would like to tell you, at the risk of raising a large number of eyebrows, that in my opinion, the ability to speak and

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write well is more critical to our jobs than any other skill we may have. There will always be another resource to answer a technical question you cannot answer; but if you cannot communicate with your clients or your management or whomever you are in contact with, then you will not be successful.

We've strayed a bit off the beaten path, so let's go back to the travelogue through my career. Of course, the reason I digressed was to talk about the seminal influences on my career, the influences that have been responsible for my becoming a nontraditional actuary in a nontraditional career. Anyway, there I was, still in the infancy of my career, being exposed to four disciplines that were not in the slightest way related to my actuarial training or the job stream I could anticipate entering. Boy was I lucky. *Because the next event in my career really changed it. After completing my stint in the marketing area and returning to the actuarial department, I left the life insurance business and entered benefits consulting. I won't bore you with the gruesome details, but the way I got a consulting job was not necessarily atypical, although it was somewhat out of the ordinary. I ran into a friend at a local actuarial club meeting and casually asked how things were going at his company. His response was to ask if I wanted a job. Why not? It was worth exploring in any event.*

But what transpired was not at all what I expected. Because instead of taking a traditional first-step job doing pension calculations and supporting senior staff, I ended up becoming involved in the start-up of a defined-contribution consulting practice. To my good fortune, my friend recognized my unusual skills, like systems and sales, and passed me on to talk to the people in the firm who were beginning to establish a defined-contribution practice. Talk about the proverbial match made in heaven, this was it. At that time, long before pretax contributions and discrimination testing and all that regulatory baggage, defined-contribution work was totally reliant on systems development and administrative services. That's true now, no doubt, but it's a lot more complicated. There weren't lots of packages back then, especially ones that could be installed on PCs, which also didn't exist. So we had to design and develop customized recordkeeping systems for our clients. No problem, I had the requisite systems skills for that.

And as to developing business, that was an even better fit. First, I had learned the requisite sales and marketing skills. Second, I was able to learn the business application, which, as I said, was a lot simpler in those days. And third, I loved to do it. In fact, that was my favorite part of the job. At first, we tried a somewhat canned approach to introducing ourselves and the services we offered. But once we had gained some success, I abandoned that approach and went to a strictly free-form approach. When I called on a prospective client for the first time, all I asked was that anyone with any interest in the project be present to ask questions and express concerns. I introduced myself and the company for about 30 seconds, then threw open the discussion for questions. And do you know what happened? People asked questions and expressed their concerns so I could direct my responses to their needs. They didn't care how great our systems were or how wonderful the company was. They wanted to know if we could meet their needs. Just good old basic marketing.

However, again I stray a bit from today's topic of nontraditional careers. You have probably already figured out that I was a nontraditional actuary at this point. Because here I was working in an area that actuaries hadn't penetrated yet:

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defined-contribution plans. Unfortunately, our actuarial education system hadn't recognized the existence of defined-contribution plans at that time so I had to learn everything on the job. But to me, there was no inconsistency in taking my actuarially trained mind and applying it to a new area. It probably made my learning easier and contributed to my ability to master a new field. The bottom line is that I was willing to be *creative*, that magic word again, in applying my skills to a new field. And, I then remained in that field and made a career out of it for seven years.

Which brings me to the final change in course, at least up until now, in my career travels. There was an intersection in the road presenting me with two totally different new directions. One was to join another, smaller consulting firm in a senior position, with concentration on business development. The other was to join the World Bank as an internal actuary, systems person, technical resource, whatever. It was not an easy decision, but with the help of family and friends, I eventually concluded that the opportunity at the World Bank was a once-in-a-lifetime kind of thing, so I selected that branch in the road. My expectations were not large -- I figured on spending a year or two and then moving on. But here I am eight-and-a-half years later in the same place.

Now that we've reached my current place of employment, let's talk about what I do that makes this job different. First of all, you need to know a little about the World Bank, which is a large, multilateral international organization devoted to development. From my standpoint, it's nice to be working for an organization that is devoted to reducing poverty and fostering economic development, but my job has nothing whatsoever to do with building roads or digging sewers. My domain is principally the staff retirement plan for World Bank employees and to a lesser extent, almost any other benefit, direct compensation, or tax issue on which I can be a technical resource. But that doesn't mean just actuarial work, which does occupy a certain percentage of my time. I am involved in plan administration; communications with participants; legal, tax and accounting issues; investments; relationships with other international organizations regarding pensions; and oh, by the way, supervising all the pension systems work and staff.

Keep in mind that being a resource doesn't necessarily mean that traditional actuarial work is involved. What it means is applying problem-solving skills and discipline to any area, only sometimes I have to be the one to point out that I can be a resource because no one else would have considered it. As a matter of fact, over time, my colleagues in other areas of the Bank have recognized the utility of my participation in various projects outside the pension area, affording me the opportunity to make contributions in those other areas, while broadening my own horizons and making for a very satisfying job.

Returning to the bread and butter area, there are a number of unique features in the World Bank pension scheme, reflecting the objective of the scheme to satisfy the benefit needs of an international staff. Although the World Bank is located in Washington, D.C., three fourths of the staff are non-U.S. nationals, who, for the most part, are prohibited from participating in their home country social security and insurance schemes. So our staff retirement plan must combine traditional retirement income along with other benefits more commonly found in social security schemes. For example, we had surviving spouse annuities for death in active service long before



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anyone in the U.S. had ever thought about them, let alone mandate them. Two provisions that are unheard of in the U.S. but that are staples of our scheme are full indexation of all pensions and the option to receive pensions in the currency of the country of residence. However, the absolutely most unusual provision by far in our scheme is the use of notional gross remuneration derived from the net-of-tax salary paid to staff. The use of a gross remuneration for pension purposes is due to the fact that while salaries are not taxable to non-U.S. nationals, pensions are taxable in most countries.

I would love to describe to you the immensely complex problem of paying salaries based on a net-of-tax scale, while paying pensions that are subject to tax, but my time is limited to today only. Our solution since 1974 has been to create a pensionable gross remuneration using a formula, that is a provision in the scheme, to convert net salary to pension gross. What I do want to talk about, though, is the fact that there is no actuarial training to prepare one for this kind of provision. You can bet your bottom dollar, however, that no one else in the organization is going to touch it with a ten-foot pole. We completed a major study of our scheme in 1990, which resulted in making significant modifications to many of the provisions, starting with a complete revision of the grossing-up formula.

I can tell you without hesitation that the new grossing-up formula used in our scheme is a product of my handiwork. There were lots of underlying policies for establishing the gross, and a lot of politics as well, especially since the formula is used by both the World Bank and our sister organization, the International Monetary Fund. We had to be particularly mindful of the impact on staff, especially at lower pay levels, since the new formula produced much lower grosses, with resulting reductions in benefits. But the final product, the amounts of gross at various salary levels and the formula to derive them, came from me. How did I do it, you might ask. I was creative. I looked at a business problem; I looked at the objectives of the various parties of interest; I used every bit of skill and inventiveness I could summon; and I created a formula. And while it was a compromise, everybody walked off happy that the results achieved were acceptable if not ideal.

If there is one example I could cite to illustrate how creativity creates job opportunities, this would be it. As I said, no one else was going to do this job. It was a job that no one could be qualified to perform based on traditional training. But it was I, the actuary, who was called upon to do it and who gladly did so. Yet, if I were to take this job out of context and ask you if an actuary would be involved in using a combination of international tax rates and exchange rates to create a notional gross salary from net salary, you'd probably say no. And my point is that it is an actuary's job. And the fact that we haven't done it before doesn't mean we can't do it when we have to. We just have to be creative.

I want to come back to some of the points raised earlier. I consider myself to be a nontraditional actuary because I say and do things revolving around the use of marketing and management techniques, because I believe that good communication is the essential ingredient to the solution of any problem, and because I refuse to be constrained by whatever formal training I may have received in applying myself in my job. I don't think there is anything an actuary cannot do. We just have to apply ourselves and be creative. Put another way, there's a lot of work that needs to be

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done that no one thinks about because no one was trained to think about it. Well I think actuaries should think about these things and apply themselves to situations that can benefit very well from the perspective and problem-solving ability we bring to our jobs. It's just that the motivation to do so is not going to come from anywhere else but ourselves and our profession. We've got to open our eyes to new and different situations. And by doing so, we're going to develop nontraditional careers that can be even more rewarding and more satisfying than the traditional ones we were all raised to follow.

Let me conclude by issuing a challenge to our profession. Let's get away from the notion that the only qualified actuary is the one who can master the most technical material, much of which is never applied on the job. Let's adopt the notion that writing and speaking skills are critical for all professions and, therefore, for ours. Let's beef up the management training and add some ancillary fields, perhaps of individual choice. Let's create actuaries who fit the mold that I consider myself to be in; namely, a businessman who has an actuarial background; or a business problem solver who applies actuarial discipline in his work.

I was asked to come up with the one word that projects the message of my presentation. That was quite easy, because that word is "creative." I became a nontraditional actuary in a nontraditional career because I was and continue to be creative. If we want to be successful in the business world; if we want to find employment in the future; if we want to assure that our profession will continue to be fruitful and multiply and offer rewarding careers, then we must be creative: creative in our education and training; creative in the identification and pursuit of job opportunities; and creative in developing the common sense to recognize that our future success depends on our being creative today.

MR. ROBERT L. BROWN: I'd like to ask for an audience participation feedback if I could. The first question is how many of you believe that you spend more than 50% of your active business time doing technical actuarial work? The second question is, how many of the people here believe that the job that they are now doing as actuaries has never been done by an actuary before or is not being done by another actuary today? I think there's a message there. First, the majority of actuaries do not spend most of their time doing technical actuarial work. Second, if we define nontraditional careers as careers that have not been done by actuaries before or are being done by actuaries today, then we've got a lot of work to do. I heard President Bartlett speak to a group of students, and she suggested that they should go out of their way to try some nontraditional positions. Now, she said it in a politically correct fashion, but the students understood what she was driving at.

We've had a lot of energy and hard work go into this panel talking to us about nontraditional careers, and we have a committee expending energy and time to look at *nontraditional careers*. I'm wondering if this is the right audience. I believe our skills in terms of putting economic values on future contingent events and explaining them to lay people in a business way are strong and unique. Perhaps the audience that this panel should be speaking to would be gatherings of bankers, airline corporation executives, hospital administrators, and environmental activists -- to show those people where an actuary belongs in these nontraditional careers.

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What we're tending to do is work on the supply side and tell our young people to go out and seek nontraditional careers, which they're going to have to do. But you can't send a student out to a hospital to say, "Hi, I'm an actuarial student and you need to hire me." We need to go to the hospital association and educate them on the role of actuaries so that they will then go and look for the students.

MS. LAUTZENHEISER: I'll just make a quick comment and that is, I agree with you. You have to do both sides and I would suggest you read the report of the task force of the actuary of the future, because the emphasis is there as well. It needs to have both sides.

FROM THE FLOOR: I think it is possible to go into nonactuarial careers, and I have a lot in common with the speakers. One thing I find is this now-or-never opportunity. The day I was offered my nontraditional job, I was 44 years old and it was now or never and it was not going to come back again.

MS. LAUTZENHEISER: I agree. What you're saying is that this profession prepares us well for doing almost anything that we've made up our minds to do.

MR. RALPH I. PENCE: It seems that one of the central themes here is to change jobs, but I'm tied geographically and I like Nationwide. How can you accomplish the diversity of experiences without changing employers?

MR. JOHN W. HARDING: I have a quick reaction to that and something that Roger said also. The way I had to learn turned out to be through the changing of jobs, but I don't think that's necessary at all, and it did teach me something. One of the messages that I really wanted to convey is that with the knowledge that we have, the point is not to change your job, but to share it. Share it with legislators, share it with regulators, share it with your agents. You know a whole lot more as an actuary than they do, so share it with your consumer. We have a great business, but we aren't perceived that way. I'm not promoting specific nontraditional jobs, but I think we have to do things that we haven't done and that's very much share the knowledge; be a teacher to the people who need to know more about the kind of business that we're in because it's such a social-oriented business. That you can do at Nationwide.

MS. LAUTZENHEISER: You will also notice that all of their goals involve satisfaction, and that is personal and can come with your changing the job so it produces that level of satisfaction.

