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## New Case Study: A Change in Plan

by Frank Grossman

*This article is the second in a series describing a hypothetical workplace dilemma, and inviting SOA members to submit their comments and suggested solutions which will be summarized and published in the following issue of The Stepping Stone. All member submissions will be received in confidence, and any identifying details removed prior to their inclusion in the discussion of the case.*

**K**ate the FSA works part-time as the in-house benefits actuary for a manufacturing firm, reporting directly to Susan the VP of HR. Kate also has an indirect reporting relationship with Henry the CFO. The firm has roughly 1,000 employees and Kate is the sole actuary on staff.

The firm sponsors a contributory defined benefit pension plan with a career average earnings benefit formula. The pension plan's investment strategy is fairly conservative, and the fund is invested in fixed income instruments and stocks. The plan trustees have become increasingly apprehensive about the plan's funded ratio, particularly given the financial market turmoil over the past couple of years. Kate saw an opportunity to estimate the pension plan's

shortfall risk (i.e. the chance that the plan's funded ratio would deteriorate, requiring additional future contributions) using stochastic techniques. Henry agreed with Kate's view, and asked her to undertake the necessary work and write a report for the senior management team, copying the plan trustees.

Kate completed her work, which confirmed that there was appreciable shortfall risk. The plan trustees welcomed her analysis, and after some debate they concluded that the plan's investment strategy was still appropriate from a long-term perspective, but recommended a modest increase in future contributions. Senior management agreed, and proposed that the contribution increase be shared by both the plan sponsor and plan members. Kate participated in several employee town hall meetings with Henry and Susan, during which the case for increased contribution rates was outlined and Kate presented a summary of her findings (with copies distributed to attendees). During these meetings, Henry stated that the higher contributions would "more fully fund" the plan benefits—even though Kate wasn't keen on this jargon and had previously mentioned this to Henry.

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# the stepping stone

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# Ready, Set, Interview!

by Kevin Leavey

**Y**ou are in need of some assistance, and miracle of miracles, you actually received approval to get some help. In corporate-speak you've been told you can "add a body," "expand your human capital," "increase your headcount" or, my personal favorite, "go up one FTE (Full-Time Equivalent)." Doesn't that just make you feel all warm inside?

What you need is a person. Are you ready to be the interviewer instead of the interviewee? Do you have all the tools necessary to make a good decision? In the January 2010 issue of *The Stepping Stone*, I discussed the importance of making "Smart Choices". Hiring an employee is one of the most difficult and important choices you will ever make as a manager. In this article, I hope to assist you with steps you can take to improve your ability to succeed.

## GET READY

Know precisely what help you need. You should identify at least three must-have competencies. These are the minimum. Keep your expectations reasonable. Just like using a search engine online, more criteria means fewer results. The flip-side, of course, is just as bad. If you target all FSAs with a heartbeat, you'll get too many. If the candidate does not possess your chosen minimum skills, abilities or attributes, you should not move forward with him or her. To aid in your decision making, identify two or three nice-to-have competencies. Use these to compare candidates. If you need help getting started, the SOA has developed a great competency framework to give you some ideas.

## SOA COMPETENCY FRAMEWORK

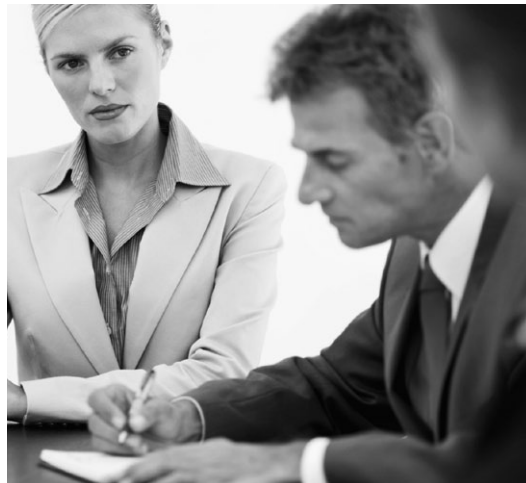
COMPETENCIES	DEFINITION
<b>Communication</b>	Demonstrating the listening, writing and speaking skills required to effectively address diverse technical and nontechnical audiences in both formal and informal settings.
<b>Professional Values</b>	Adhering to standards of professional conduct and practice where all business interactions are based on a foundation of integrity, honesty and impartiality.
<b>External Forces &amp; Industry Knowledge</b>	Identifying and incorporating the implications of economic, social, regulatory, geo-political and business changes into the design and delivery of actuarial solutions.
<b>Leadership</b>	Initiating, innovating, inspiring, creating or otherwise acting to influence others regardless of level or role toward a common goal.
<b>Relationship Management &amp; Interpersonal Collaboration</b>	Creating mutually beneficial relationships and work processes toward a common goal.
<b>Technical Skills &amp; Analytical Problem Solving</b>	Applying the actuarial knowledge, skills and judgment required to provide value-added services.
<b>Strategic Insight &amp; Integration</b>	Anticipating trends and strategically aligning actuarial practice with broader organizational business goals.
<b>Results-Oriented Solutions</b>	Providing effective problem solving that addresses relevant interests and needs.



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For more information on the SOA Competency Framework, check out this article from the June/July issue of *The Actuary*. <http://soa.org/library/newsletters/the-actuary-magazine/2009/june/act-2009-vol6-iss3-framework.pdf>

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Pull together the questions you want to ask each candidate that specifically address the competencies you've identified. Make sure you have a good mix of situational and behavioral questions.

Situational questions allow you to discern the candidate's ability to think on his or her feet. The questions can provide you with some insight into the candidate's knowledge and judgment. I recall many exam questions that started with, "You're the chief actuary of a small life insurance company ...". You can easily use a similar lead-in. For example, "You're the new product actuary here and you've been asked to peer review a recently completed lapse study...

- What will you do?
- What questions would you want answered?
- How long do you think it would take?"

Behavioral questions will give you a fuller picture than just the candidate's résumé. They will give you examples of how a candidate actually exhibited the competencies you desire.

- I see from your résumé that you ... (insert fabulous résumé-building experience here) Tell me about the difficulties you faced and how you managed them.
- Tell me about a time you were asked to present technical information to senior management.

**Situational questions allow you to discern the candidate's ability to think on his or her feet.**

- Describe a time when you persuaded others to do things your way.

## GET SET

I will conveniently skip over the difficult process of actually finding candidates. My purpose is to focus on you as the interviewer.

Make sure you set the stage appropriately. Think about interviews you've been on that went well. Most likely a lot of planning made it so. Things you want to consider:

- Schedule with multiple interviewers.
  - o You get multiple perspectives, improving your decision-making.
  - o You get to see if the candidate interacts differently with you vs. peers vs. HR. This proved to be invaluable to me earlier in my career. I had interviewed someone I thought was an outstanding candidate: Polished, knowledgeable, motivated. It turns out he alienated all the other actuarial students, made fun of marketing and treated our HR representative like dirt. He was a completely different person with my boss and me, and that added perspective from others saved us from making a bad choice.
- Plan on 45 minutes per person. Often I've seen companies schedule just 30 minutes per person, and the pitfall to that approach is one decent conversation can throw off the entire schedule.
- Avoid windowless conference rooms as much as you can. They foster an awkward atmosphere and severely limit the chance of an open and relaxed exchange.
- Do your homework! Thoroughly review the candidate's résumé prior to the interview. You want to maximize your time with the candidate.
- Get an interview schedule and contact information out to the candidate prior to interview day.
- Be prepared to answer their questions:
  - o Why is this position open?
  - o What skills are needed to be successful?
  - o What will they be doing the first 3-6 months?
  - o How will their performance be evaluated?

o How will your company assist them in their pursuit of professional development?

## INTERVIEW!

I always try to be the first and last person the candidate meets. I like to greet him or her, give an overview of his or her time with us, discuss any changes to the interview schedule and bring him or her to the first interview. Then I like to have my interview last, wrap up and discuss any next steps.

Your number one goal is to get the candidate talking. Do what you can to put them at ease. Remember that all interviewees have their “interview” face on. You want to go deeper, get past the well-prepared answers to really see who this person is. You will have to exercise restraint and stop talking so they can talk. Admittedly, that’s not my strongest skill. If they give you short answers, ask them to elaborate. You will be very pleased with how much information you get from “Tell me more about that ...” and 10 seconds of silence.

Take notes, preferably during the interview, but if that is not possible, then immediately thereafter. You want everything down on paper while it is fresh

in your mind. If you are fortunate enough to have many candidates, you will need to remember the finer points of each interview.

Don’t rush to judgment! Don’t be ready to get the hook or plan a victory parade too soon. You will get a gut feeling regarding the person in the first few minutes. Suspend that judgment. Your job on interview day is to gather information.

Finally, be consistent. Ask essentially the same questions to every candidate. It will be the best way to quantify the differences you see between candidates. When you are all done interviewing, you should have the information you need to make the best decision.

This all seems like a lot of work, and it is. However, this process has been very good to me, and it has allowed me to hire several outstanding employees over the years. Good luck! ●

New Case Study: A Change In Plan | From Page 1



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At length, however, senior management rescinded their decision to increase the plan's contribution rates, citing a return to more tranquil market conditions. Preparations for a second round of employee meetings are now under way, and Henry has requested that Kate help explain why the proposed contribution increases are no longer required.

What should Kate do?

*Send your suggestions before April 19, 2010, to [Craigmore54@aol.com](mailto:Craigmore54@aol.com). The discussion of Kate's dilemma will be published in the July 2010 issue of The Stepping Stone. ●*

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# 1-2-3

# Responses to “Mortality Study Conundrum”

by Frank Grossman

## THE CASE STUDY

Jack the FSA’s mortality study conundrum was presented in the January 2010 issue of *The Stepping Stone*. Briefly stated, Jack summarized findings of his company’s first individual life insurance mortality study in a report for his manager, George the FSA. George requested two modifications:

- 1) Spiral-bind the report for wider distribution, including a title page with both their names as authors.
- 2) Adjust the actual-to-expected [A/E] ratios to exclude amounts exceeding the company’s retention limit.

Jack knew that the A/E ratios for a couple of products were significantly lower when calculated net of cessions, and he suggested that both gross and net ratios for those products be included in the report—or, at least, that the report’s introduction disclose that claims exceeding retention were ignored. George disagreed, stating that, “everyone who reads the report will know that it’s net of reinsurance.”

## READER RESPONSES

You suggested Jack’s next move, ranging from clinical references to the SOA Code of Professional Conduct to somewhat more “spirited” replies. Responses have been edited for space considerations.

### On Disclosure

George may be right that everyone on the report’s distribution list will implicitly know that the A/E ratios are net of reinsurance; however, Jack does not know that. As the report’s author, he has the responsibility to disclose that the ratios are net of reinsurance in the report per the SOA’s Code of Professional Conduct [COPC].

COPC Precept 4: An Actuary who issues an Actuarial Communication shall take appropriate steps to ensure that the Actuarial Communication is clear and appropriate to the circumstances and its intended audience and satisfies applicable standards of practice.

George should, on reflection, accept Jack’s request to modify the introduction for the straightforward reason that there is no harm in the net of retention notice, especially if everyone already knows! Jack might also mention the COPC’s prohibition of misrepresentation, and ask how George can be absolutely certain that someone who does not know that the study was based on net exposures will eventually read the report?

COPC Annotation 1-4: An Actuary shall not engage in any professional conduct involving dishonesty, fraud, deceit, or misrepresentation or commit any act that reflects adversely on the actuarial profession.

George ought to accommodate Jack’s ethical concerns.

COPC Annotation 1-2: An Actuary shall not provide Actuarial Services for any Principal if the Actuary has reason to believe that such services may be used to violate or evade the Law or in a manner that would be detrimental to the reputation of the actuarial profession.

COPC Precept 10: An Actuary shall perform Actuarial Services with courtesy and professional respect and shall cooperate with others in the Principal’s interest.

Another reader echoed the point above concerning COPC Precept 4, with reference to the Actuarial Standard Board’s Actuarial Standard of Practice [ASOP].

ASOP 41 (Actuarial Communications) §3.1.2 Form and Content (in part): The actuary should take appropriate steps to ensure that the form and content of the actuarial communication are appropriate to the particular circumstances, taking into account the intended audience. ...

A third stated that Jack’s primary counter-argument to George’s position is simply that “if this is, in fact, the first time an A/E mortality study has been done, then it cannot be a true statement that everyone who reads the report will know it’s net of reinsurance.” Another emphasized the risk of unintended consequences: “If Jack believes that the results on a

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retained basis may have a material adverse impact on their intended use, then Jack must not release the report without first clarifying that: i) the results have been calculated on both gross and retained basis, but ii) only retained results are being included in the report for brevity’s sake and as instructed by George.”

One actuary observed that there is nothing wrong with presenting the results on a net of retention basis so long as this is noted clearly in the report. George’s request may simply be rooted in the understanding that the financial impact of the company’s mortality experience is measured on a net basis. “However, it is good practice in most cases to show both direct and ceded because if the ceded claims are that much worse than the direct, then the reinsurer(s) may be unhappy, and management should be aware of potential reinsurer relationship problems.” This reader also noted that striving for clarity in presentation could forestall potential problems should the report be read by individuals not in George’s intended audience, per ASOP 41 §3.5.1 and the following example.

ASOP 41 §3.5.1 Use of Actuarial Communications by Others (in part): An actuarial communication may be used in a way that may influence persons who are not part of the intended audience. The actuary should recognize the risks of misquotation, misinterpretation, or other misuse of such communication and should take reasonable steps to ensure that the actuarial communication is clear and presented fairly. ...

“If Jack’s report presents net results and doesn’t note that they are such, someone in another area of the company might well present this report to a reinsurer as evidence that mortality is fine and dandy. This especially seems to be a risk given that the report will be bound and distributed in such a way to make it something that ends up on people’s shelves.”

Another actuary observed that George is repeating a common mistake among actuaries—failure to understand the audience for the information they’re communicating. It is Jack’s responsibility to present a

compelling case to George, using concrete examples of the possible repercussions that may result from misuse of the report. “Jack could describe what may happen if a valuation actuary misinterpreted the A/E ratios and it resulted in a material error in externally reported reserves, which might affect earnings and have other financial consequences.” It is important that Jack maintain a professional tone when making his case to George, and Jack should be firm but cordial in this discussion.

Several readers urged Jack to include others in the discussion about the disclosures. A knowledgeable and independent third party (“Bob the FSA”), at the same level as George, could be conscripted to act as a judge, with his opinion agreed to be binding. “Jack could try to pull together a broader team of actuaries (including George, of course) to discuss and attempt to arrive at a consensus opinion.” An internal peer review would be helpful.

Others made these succinct recommendations, “Bottom line: Jack needs to pull out his ASOPs and prove to George that the reinsurance should not be shown net without being identified as net. That is a no-brainer.” “I would show net and gross (A/E ratios) and just override the boss.”

### On the Wider Audience

One actuary noted that Jack must have originally had some idea of who would receive the report, and George’s wider distribution means that Jack must now review the report to ensure that it’s appropriate for those additional recipients.

COPC Precept 8: An Actuary who performs Actuarial Services shall take reasonable steps to ensure that such services are not used to mislead other parties.

This was identified by another as particularly relevant.

COPC Annotation 8-1 (in part): ... The Actuary should recognize the risks of misquotation, misinterpretation, or other misuse of the Actuarial Communication and should take reasonable steps to present the Actuarial Communication clearly and fairly ...



An actuary (who is also an FCIA) wrote that he “would immediately point to Rule 6 of our (CIA) Rules of Professional Conduct” which is generally consistent with SOA COPC Precept 8.

One reader suggested that Jack try to learn more about the intended audience for the report, and any prior understandings that George may have with them. “If it appears that showing the ratios on retained basis is not likely to affect the intended use of the report, Jack may go ahead as instructed by George but spell out the intended use of his report and mention that the results may not be relevant for any other purpose.”

Another suggested that Jack bear in mind the needs of the report’s intended audience, citing the prior passage from ASB ASOP 41 §3.1.2, and then cogently observed: “George’s instructions to publish the report spiral-bound with a card stock cover for wider distribution nullifies any argument that ‘everyone who reads the report will know that it’s net of reinsurance.’ Such a wide distribution indicates Jack couldn’t possibly be sure that the report is clear for its ‘intended audience.’” Touché.

### On Dual Authorship

One reader observed “The whole thing smells. George needs to put his name on Jack’s work?”

*COPC Annotation 4-1: An Actuary who issues an Actuarial Communication shall ensure that the Actuarial Communication clearly identifies the Actuary as being responsible for it.*

A number of readers made suggestions along this line: Jack should propose that the title page identify Jack as the “author” and George “as the ‘project sponsor’ or ‘reviewer’ or some other title that is more accurate”. One went further and noted that “Because George is reviewing the report and making changes, he is in effect adopting it and becoming a contributor and author. So, I don’t have a problem with his name being on the report.”



Two actuaries didn’t mind co-authorship: “I am not bothered by a request for someone to act as co-author even though his review did not result in any substantive contribution. The co-author’s endorsement of the work might well increase its credibility and profile thus increasing the value of my contribution.” “Sometimes, having a higher-level employee send a report out can attract more attention for the report than if the lower-level employee sends it out.”

Another stated, “Jack needs to understand why George thinks it necessary to put his name on the report. There might be more reason for it than it sounds like at first blush.”

Another suggestion: “put both names on the cover but Jack’s name in 24-point font and George’s in five-point ....” Ouch!

### On Rounding All the Bases

One reader expanded the issue, noting that a potentially valuable piece of management information would be whether the products with poor experi-

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**“In the long run, losing one job is not as detrimental to your career as losing your professional designation.”**

ence above their retention limits had facultative or automatic reinsurance arrangements in place. “One might argue that Jack and George are being negligent if they don’t explore this before presenting their report.”

Another suggested that Jack make arrangements for oral communication to accompany the written report—presumably by a face-to-face presentation or a webcast—particularly given that this was the first time the analysis was undertaken. This would also be an opportunity to reinforce that the A/E ratios were net of reinsurance.

#### **Where’s Jack’s Hill?**

One actuary saw a silver lining in George’s feedback: “The fact that George did not make substantive comments or revisions (to the report) is simply a credit to Jack’s good work.” Yet, it’s vitally important that Jack decide just how far he is willing to be pushed by George—that Jack know on exactly which hill he is willing to die.

Several emphasized the importance of discussing the situation with George, though one conceded that “not every employee will be comfortable with the situation described or be confident in resolving it.” That actuary continued that, before locking-in his position, Jack should try to understand George’s reason(s) for changing the A/E ratios—giving due consideration to George’s greater work experience, as well as any industry conventions that Jack might otherwise be unaware of.

If George is adamant that his approach is appropriate, then Jack might offer to let George take responsibility for the report as the sole author. In the unlikely circumstance that George insists that Jack sign the report on George’s terms, Jack should ask George to put this in writing; while at the same time looking for new employment. “In the long run, losing one job is not as detrimental to your career as losing your professional designation.”

Another actuary observed: “Jack is an FSA and even though he reports to George, Jack needs

to have confidence in his position and defend it tenaciously. If George is a responsible FSA and manager then he will respect this ....” Taking a slightly more pragmatic stance, however, the actuary went on to suggest that if conclusions or recommendations were not materially affected by the differential A/E ratios then it might be better to let the issue go and not spend too much political capital on it.

One reader noted that an actuarial trainee might be expected to defer to an FSA, and consequently make the requested change if the manager took ownership of the report and removed the trainee’s name. An FSA’s obligation is clearly greater and therefore Jack should: i) label the supporting tables “net of retention”; ii) remove any references to the A/E ratios in the report’s introduction; iii) include only George’s name on the report; and then iv) let George know (in writing) that his (Jack’s) name should no longer be associated with the report. “Depending on George’s reaction, Jack should also either report this to George’s management in writing and/or find another employment opportunity, preferably both.” Another echoed this, suggesting that after discussion, if George is unwilling to sanction the “net of retention” disclosure then “Jack ought to suggest the report be in George’s name only and look for another position.”

Another reader suggested that if discussing the situation with George failed to produce a mutually acceptable result, then “Jack should probably discuss the situation with a colleague or other supervisor to get additional guidance.”

One actuary encouraged Jack to explain to George how his request violates the COPC, and “try his best to convince George that ignoring pertinent data and publishing the report in a formal manner puts them both at risk.” If Jack has a good working relationship with George, appealing to George’s sense of professionalism and citing the COPC and ASOP 41 should pave the way. “However, the mere fact that Jack is in this position indicates their relationship

is not solid." Even failing to attempt to resolve any apparent violation transgresses the COPC.

COPC Precept 13 (in part): An Actuary with knowledge of an apparent, unresolved, material violation of the Code by another Actuary should consider discussing the situation with the other Actuary and attempt to resolve the apparent violation. ...

Another mentioned that Jack may consider reporting the issue to the appropriate actuarial body to seek advice.

COPC Precept 13 (in part): ... If such discussion is not attempted or is not successful, the Actuary shall disclose such violation to the appropriate counseling and discipline body of the profession, except where the disclosure would be contrary to Law or would divulge Confidential Information.

### No-No's

One actuary cautioned about three things Jack should *not* do: i) gossip behind his manager's back; ii) fail to communicate how he feels about the project with George; and iii) sign off on a report that he feels is misleading.

Another advised: "What Jack should NOT do is remain complacent and comply with his boss' request. He cannot put his professionalism at stake."

### In the Beginning ...

One actuary noted that with the clarity of 20:20 hindsight, Jack really should have discussed expectations with George *before* beginning the mortality study assignment. Who was the mortality report's intended audience, and was it expected that Jack and George would be co-authors?

COPC Precept 5: An Actuary who issues an Actuarial Communication shall, as appropriate, identify the Principal(s) for whom the Actuarial Communication is issued and describe the capacity in which the Actuary serves.

## CONCLUDING THOUGHTS

A sincere thank you to all who offered their thought-

ful comments and suggestions for Jack. The contents of this article should not be construed as a definitive interpretation of the various actuarial guidance documents referenced within the article. This hypothetical case study and its discussion are intended for the personal use and (possible) edification of members of the Management & Personal Development Section. ●



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**"What Jack should NOT do is remain complacent and comply with his boss' request. He cannot put his professionalism at stake."**

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# Battling Cognitive Bias

by Mary Pat Campbell

**W**hile often in actuarial work we find sub-optimal behavior on the part of policyholders (an understatement sometimes ... one can find all sorts of crazy behavior in transaction records), we assume that we, as actuaries, do not suffer many of the irrationalities one finds in the general public. In our own fields, at least, we follow good decision-making and problem-solving procedures, right?

To this I say: *what makes us think we're better than scientists?*

Time and again, one hears stories where a commonly seen effect is ignored by scientists for years as “noise”, “coincidence” or “irrelevant”. Only later, other people without these built-in preconceptions can make real breakthroughs.

For example, in the article, “Accept Defeat: The Neuroscience of Screwing Up” author Jonah Lehrer recounts the story of Arno Penzias and Robert Wilson, who had been trying to make a detailed map of the Milky Way. They had built a very sensitive radio telescope, and in tuning it up, discovered some “noise” wherever they pointed their telescope. Their original assumption was that there was something wrong with their setup or their equipment, and thus spent a long time troubleshooting something that wasn't actually trouble.

But that background radiation never went away.

For a year they simply ignored that “noise” to make the measurements they had set out to make. Luckily, they did decide to really look into it, and considered the “noise” to be a very real signal—this “noise” was evidence of the Big Bang, and Penzias and Wilson later shared the Nobel Prize in Physics because of this discovery.

How often has this happened to you—you entirely miss a solution to a problem, because you have already decided on an answer and ignore all signals outside of your expectation?

Being aware of the biases built into our brains can help us combat them. One can't fix what one doesn't know is broken. Given there are so many biases, I will concentrate on two, and possible remedies for them.



## CONFIRMATION BIAS

**Definition:** the tendency to seek evidence that confirms one's preferred explanation or solution, and avoid evidence that contradicts or disconfirms it

Though science has some processes that are supposed to prevent this, it happens all the time. One may prematurely hit upon an explanation and solution, and then one actively seeks further evidence that cements one even more strongly to that position. Alternative solutions are ignored or discounted.

Confirmation bias doesn't necessarily mean explicitly ignoring contradictory or disconfirming evidence. Usually, all that is involved is not deliberately seeking out anything that would show flaws in the predetermined decision. Kevin Dunbar, who studies how scientists actually do science in the lab, had found many times that scientists would go to a certain point to explain away anomalous results, but would simply label such results as outliers or throw them away and not publish them. Imagine if Penzias and Wilson kept masking out that universal background radiation?



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Another example of this bias can be found in Professor Michael A. Roberto's study of the 2003 Columbia space shuttle disaster. Managers at NASA had already decided that foam strikes weren't dangerous to the shuttles, and set up a system that would keep confirming that decision while not seeking out anything that might show those strikes to be dangerous.

Launch cameras weren't maintained properly, so they couldn't get a good estimate of how much damage had occurred to Columbia upon launch. Previous foam strikes didn't end in disaster (but they were much smaller than the strike that ultimately destroyed Columbia). One engineer did think there was a danger, but he was actively ignored by the mission managers, while an expert who didn't think the strikes were a problem was consulted.

They didn't want to hear there was a problem, and thus there was no problem.

Then the shuttle disintegrated upon reentry. That's a problem that's hard to ignore.

## SUNK COST EFFECT

*Definition: the tendency to take into account investment (of time, effort, money, other resources) already spent in deciding whether to continue a particular course of action. The previously spent resources are the "sunk costs"*

Of all the cognitive biases, you would think this one would be the easiest for the economically literate to battle. We know that if resources have already been spent, we cannot go back in the past and un-spend them. So any decisions about our future efforts should ignore what has been done in the past. Our cost/benefit analyses should include only those costs that have yet to be paid (and, likewise, the benefits that we haven't already received).

However, this is extremely hard to battle, because oftentimes one's ego is bound up in a past decision. Ignoring those sunk costs may make it more likely to make a rational decision to walk away from

something that is a poor bet going forward, but then it would also mean admitting that a previous choice made was wrong. How often has one seen a project limp, bleeding money to the bitter end because someone had made a big bet and couldn't admit it hasn't panned out?

Consider the tragedy on Mount Everest in 1996, which ended in death for many climbers due to a bad decision influenced by several cognitive biases.

One of the safety rules formulated by expert climbers was that if one couldn't get to a certain point on Everest by a certain time in attempting to summit, you were to return to camp. But the climbers had worked so hard and paid so much to get to the summit, they felt they couldn't turn around even though they'd overshoot the time deadline by two hours. They ignored their own safety rule due to sunk cost effects.

There were other biases also at play, such as the recency effect, where the climbers were biased by recent weather experience on Everest, and overconfidence, where the lead climbers had so many successes, they underestimated the chances for trouble. For further explanation, check out Michael A. Roberto's lectures on "The Art of Critical Decision Making."

## POSSIBLE REMEDIES

All is not lost—there are ways to lessen the effect of cognitive biases in our own work.

### 1. Awareness

As noted before, if you aren't aware these can be problems, you're not going to be able to combat them. One method is to look at examples of these biases from famous cases, as one isn't personally involved in them and can cast a more rational eye on them.

### 2. Review the past

This may be a harder step. This involves reviewing your own past work and decisions, and trying to seek out these tendencies. Not everyone is as equally affected, and finding out which biases are

your particular weaknesses can help you focus your efforts in the future.

### 3. Change the people

Sometimes, the only way to have an impartial review of a project or decision is to bring in other people who were not involved in the original decisions. The sunk cost effect is easy to avoid if one wasn't the person who sunk those costs to begin with. Bringing in outside consultants can be useful, but again one needs to be careful that those hiring the consultants and deciding on their pay (and whether said consultants will be hired for future projects) aren't going to influence the consultants to come up with a foregone conclusion.

### 4. Change the group dynamics or composition

As opposed to taking outside people to replace the ones who made the decision, sometimes it's enough to mix up insiders with diverse areas of expertise and experience.

In researching scientific problem-solving, Kevin Dunbar noted a difference in two labs, both of which had the same experimental problem that needed solving. One of the two labs solved their problem much more quickly—the lab that had a more diverse composition in terms of expertise. The faster-solving group had biochemists, geneticists, graduate students, and molecular biologists; they all had different training and different perspectives going into the problem-solving process. The slower-solving group was composed solely of *E. coli* experts; they shared the same assumption sets and the same training.

It's hard to suffer confirmation bias when group members have different positions they're trying to confirm. Individually, people may have problems, but as long as they're not all aligned in the same direction, the diversity of thought can help solve problems better.

### 5. Check assumptions and actively seek disconfirming evidence

Perhaps you are not solving in the group, but alone. Your perspective is all you've got, and so some of the above fixes may not be open to you. However, if you turn your implicit assumptions into an explicit list, and actively try to see if your assumptions are wrong, you can combat confirmation bias. It does require active discipline and a willingness to find your assumptions flawed.

The above recommendations come from the material in Lehrer's and Roberto's work. I have my own recommendation in dealing with sunk costs, though not easily implemented. What really helps in treating sunk costs as sunk is having had to cut one's losses in the past for something really big. If you've had to change course—change a career, drop out of graduate school (the decision I made after six years of graduate work)—doing it a second time becomes that much easier, at least in my experience.

While it's less painful to learn from other people's mistakes, learning the lesson directly makes it more likely to stick. ●

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Sometimes, the only way to have an impartial review of a project or decision is to bring in other people who were not involved in the original decisions.

# Use a Strategic Plan to Grow Your Business

by David Wolfskehl



David Wolfskehl is president and CEO of The Practice Building Team, a member of the DGW & Associates Family of Companies. To learn more, please visit <http://www.tpbteam.com>.

**The first thing to be said about creating a strategic marketing plan is that everyone who is expected to participate in plan implementation should be involved in plan creation.**

## INTRODUCTION

- If you were asked to evaluate the risk to the future of your own firm by continuing your current practice development strategies, would the result be encouraging or discouraging?
- What steps are you taking now to continuously grow your business into a secure and successful future?
- Are you among the unusual professional and financial services firms that are implementing a unified and sustained strategic plan to grow your business?
- Or are you like most firms in relying on the haphazard marketing and practice development efforts of whoever sees a need to do something?

My guess is that your firm is probably somewhere between the two extremes—you have some brochures, a Web site, a Yellow Pages ad, and memberships with some local business organizations and ads in their publications. How would you evaluate the benefit and the future revenue increase if your firm instead had a sustained, long-term, multi-faceted strategic marketing plan that was being implemented by everyone in the firm? Could that create a steady flow of new clients generating both greater revenue and security into the future?

## WHY USE A STRATEGIC PLAN?

There are several advantages of using a strategic plan to grow your business. The most obvious advantages are that it can:

- Achieve a shared vision
- Create shared responsibility for attaining the vision
- Build and define accountability for results across the firm
- Limit or budget costs

There are other equally important benefits your firm can derive from creating a strategic plan to grow your business. It can:

- Lay the groundwork for extending a high-performance culture to your practice growth efforts
- Define goals and key practice growth activities
- Create and build systems to support a process for plan implementation
- Craft metrics for evaluating marketing strategies
- Design metrics to define ROI on specific marketing strategies
- Focus the entire firm on the most effective and cost-efficient marketing strategies
- Establish a timeframe for key activities
- Institute evaluation criteria for each member of the firm
- Create shared definitions of key target market segments and ensure targeting of the right market segments
- Assess skills and knowledge and provide needed coaching or training of firm members
- Set up an objective measurement of success for the firm.

## CREATING A STRATEGIC PLAN TO GROW YOUR BUSINESS

The first thing to be said about creating a strategic marketing plan is that everyone who is expected to participate in plan implementation should be involved in plan creation. The reasons are simple: involvement builds consensus and buy-in, and people support what they help to create. If people are involved in plan creation, they are at least somewhat invested in the success of the plan. Getting everyone on board and invested in practice development is the first huge step in successful plan achievement.

Second, your strategic marketing plan needs clear and actionable goals. Your goals should also be very specific about who is expected to take action and how the success of those actions will be measured and evaluated. The goals also need to indicate how accountability will be measured and applied.



Third, your strategic plan needs to provide a budget and a plan for training and/or coaching of people to whom goals are assigned. All business training is not equal. Some members of your team will not have adequate background in such areas as client needs assessment, key marketing tactics for practice development, how to choose prospective clients, how to use technology to greatest advantage in practice development, how to become a rainmaker, and how to expand service offerings.

Fourth, your strategic plan needs to build upon a process. Without a clear process, accountability, success measurement, and even marketing activities will be inconsistent, sporadic and unevenly evaluated. It is the process that will drive the bus for you. You will also need appropriate systems support for the process to keep everyone on the bus all the way to the destination. The systems will “keep people in their assigned seats during the bus trip” by providing reminders, outlining tactics, managing budgets, managing feedback, and conducting appropriate ongoing analysis of ROI, tactical effectiveness and cost-efficiency.

Fifth, your strategic marketing plan needs to specify key marketing strategies, budgets available to individuals, firm-wide marketing efforts, shared responsibilities and who will represent the firm in key organizations, industries and networks. You will also want to define key growth areas and target markets, as well as the most desirable and profitable clients.

Finally, the process and the action plans must be managed consistently and regularly. Scheduling brief, regular status meetings with all accountable individuals will help to keep everyone on target and on schedule for successful plan achievement.

## THE ROLE OF THE ACTUARY

Several recent studies have indicated that the need for actuaries and the role of actuaries will grow significantly during the new decade. Clearly, an expanding role or set of roles will create additional need for skilled professionals. Not only did *The Wall Street Journal* list actuary as the best job, but



*U.S. News & World Report* (in 2006) included actuary in its list of the 25 Best Professions expected to be in high demand in the future.

There is also clear indication that the role of the actuary will expand beyond the insurance industry to a much larger role in making business decisions across all industries, as well as predicting events, evaluating costs and risks of political, social and other programs, and defining assets and liabilities in a host of organizations and situations.

What better skill set for a key role at the center of every strategic planning initiative?

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**Several recent studies have indicated that the need for actuaries and the role of actuaries will grow significantly during the new decade.**

# The Four Legs of an Effective Career Search

by John Hadley



I do a lot of speaking on what separates effective from ineffective career searches. And, by the way, I call it a career search for a reason—if all you are doing is looking for a job, you are already headed down a slippery slope unlikely to lead to your best career options!

The analogy I generally use for an effective career search is the three-legged stool:

1. Your Passions
2. Your Skills
3. Your Life/Compensation Goals

**The mistake I see people making all the time is to start their search by focusing on the third leg, instead of the first.**

Passion is critical—it provides the energy required for success, to sustain you through the hard work and frustrations of any career search, to give you the drive to work on any skills (the second leg) you may need to develop to be successful, and to open your mind up to possibilities you had never before considered that let you achieve your life/compensa-

tion goals (the third leg) while doing something you are really excited about.

Think back to your experience with the actuarial exams. That was a grueling process, and when I took them, generally only one in four who started out ever followed through to achieve their FSA. It took a lot of commitment, and a lot of excitement about what the FSA would do for you, to keep putting in the effort required over five or more years.

If you start out by focusing on leg number three, you are very likely to rule out some of the most interesting and fruitful prospects for career and personal growth. This is the core of brainstorming techniques—throw everything out on the whiteboard without any judgments, so that ideas feed on each other and lead to a bigger whole, before ever starting to filter them out by practical considerations.

This is how I ended up starting a successful systems consulting practice without any of the traditional credentials, and then six years ago went in a completely new direction and started a career coaching

practice from scratch. I listened to my passions, and where I wanted to be headed in the future, instead of focusing on skills and goals that had driven me in the past.

**There is a fourth leg that is critical to a successful search, and is a natural outgrowth of that focus on passion: Confidence.**

**If you don't project confidence in yourself, why should I believe in you?**

As a hiring manager, I'm seeking someone who can help me achieve goals that are really important to me (or my company), and who will produce critical results. If you struggle to present those confidently, or even just to express results clearly, then I'm not going to take a chance by entrusting such vital issues to you.

Confidence is closely related to the first leg of the stool. The more passionate you are about an issue, the more you tend to project natural confidence when you speak about it.

On the other hand, even if you are supremely confident in your abilities to produce in a certain role, if you have become blasé, if you're yawning while you present yourself, or if you seem bored, I'm going to take a pass. You may be great at it when you apply yourself, but I'm going to wonder if you really will put in the level of effort I need.

**Confidence is a funny thing, though. Sometimes just acting confident re-stocks our supply.** I learned this in elementary school. I found that if I was in a bad mood, I could either act that way, or choose to act as if I was in a good mood. If I started to 'pretend,' pretty soon I felt better and then was no longer pretending.

**The same can happen with confidence. You can wallow in a lack of self-confidence, and let it feed**

**upon itself, or you can choose to act decisively. The more you act like you have confidence, the more you will project it, and the more you will see positive reactions that create a feedback loop, helping you to feel more confident.**

This is much more difficult to do in an area in which you lack passion. People can sense that you are just going through the motions, and then you don't get the positive reaction you seek.

So what do you do if your passion is for something in which you have little experience or formal education? Unearth the commonalities between what you've done or studied and that passion. Make the strongest case you can for why you would be a good candidate, and let your passion show. People are much more willing to listen if you seem excited. And when they listen and brainstorm with you about something you are really passionate about, they are likely to give you ideas you haven't even thought of as to how to achieve at least a substantial part of what you want to do.

Listen carefully to the feedback you are receiving, but don't just accept it at face value. Seek critical input to see how you can make a stronger message, what gaps you might need to fill in around your background and accomplishment stories to be more believable, and whether there are alternate approaches that might make the path a bit easier.

**Just don't give up! Keep pressing to get to a role you are passionate about, even if it means temporarily choosing Plan B, so as to fill in some of the critical gaps that enable you to pursue Plan A in another year or two.**

And if you are really ready to take your career search to the next level, try filling out this short survey and see where you fall on 11 activities critical to an effective search: <http://www.TinyURL.com/CareerSearchSurvey> ●



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**The more you act like you have confidence, the more you will project it, and the more you will see positive reactions that create a feedback loop, helping you to feel more confident.**

# The Successful Presentation

by Jeff Stock



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**A**my is a recent FSA working in pricing at Transaction Insurance.

## 7:00 AM – ALARM CLOCK GOES OFF

“I am sure looking forward to today.” Amy says. “I’ve prepared all week, and today I’ll share my experience study results with all the senior leaders. The analysis shows that a policyholder who consistently pays premiums on time has much better mortality and persistency than a policyholder who pays late. I’ll be recommending that we adjust our premium increases to reflect this finding.”

## 9:00 AM – PRESENTATION TO FIVE SENIOR LEADERS

Amy presents her analysis, “So, you can see clearly in this data that the members who are consistently on time with premium payments are more profitable and stay with us longer as customers. We should use the data as underwriting criteria for renewal premium adjustments.”

**Senior leader1:** “Interesting! Did you run this by the billing department to see if they can give us a monthly billing feed with payment timeliness? Also, who else will this impact?”

**Amy:** “No, I haven’t spoken with billing. I’ll ask them about the billing feed and provide you with an update.”

**Senior leader2:** “Amy, can you also expand this analysis to look at the results by age and gender? I wonder if the impact is more prevalent in older or younger individuals.”

**Senior leader3:** “Also, if we implement this, we’ll have to build this into our pricing tools. Amy, can you work with John to update the pricing tools accordingly?”

**Amy:** “Absolutely, I’ll add an analysis by age and gender and will set up the tables for filing with regulators and for updating our pricing tools.”

**Senior leader4 (Amy’s Manager):** “Amy. Good work on this study. Have you calculated how much additional profit this pricing enhancement is worth? Is the benefit more than the cost to implement? Also, when’s the earliest we could implement this?”

**Amy:** “I haven’t calculated the benefits or costs. I wanted to first run the idea by everyone before going into the details too much.”

**Senior leader5:** “Also Amy, your study goes back only 18 months. Have you looked at any time periods further back?”

**Amy:** “Not yet, the data was easily available for 18 months, but I can go back further.”

## 1:00 PM – MANAGER GIVES FEEDBACK TO AMY ON HER PRESENTATION

**Amy’s manager:** “Hi Amy, I’d like to give you some feedback on your presentation. Your analysis was excellent and it will make our company a lot of money; however, in the future, I think you’ll benefit from being more prepared for presentations.”

**Amy:** “Yeah, there were a lot of questions and aspects of the project that I hadn’t considered. Next time, I’ll prepare more in advance and anticipate the questions.”

**Amy Thinking:** “While I agreed to prepare more next time, I really felt I was prepared. What happened? How can I present similar recommendations more effectively next time?”

## CREATING A SUCCESSFUL PRESENTATION

Here are the questions I want to answer in this article.

- 1.) What happened?
- 2.) How could Amy’s presentation have been more effective? What are some strategies for Amy’s next presentation?
- 3.) Did management effectively encourage Amy to continue to share ideas?

## WHAT HAPPENED?

Amy's work could have easily distinguished her as a highly valuable employee who goes above and beyond to contribute to the success of the organization. Even though she had a good analysis, she came across as being somewhat unprepared. She fell into the common mistake of simply presenting findings. To succeed further, there are several additional steps she could have taken before presenting her findings.

What are some effective strategies for Amy's next presentation?

### A. Set the expectations before or at the beginning of the presentation.

Clearly lay out each step in the process and identify when each step will be accomplished. The audience should know if her work was expected to be "preliminary findings." If so, all the recommendations, next steps and time frames should still be clearly laid out at the time of the presentation.

### B. Cover the Who, What, Where, When, Why and How questions.

By addressing these questions in the presentation, Amy would have appeared more prepared, as if she had already anticipated questions. Most of the questions the leaders asked were about who would be impacted, how much impact and when the recommendations could be implemented. Amy could have foreseen these questions and impressed her audience by asking and answering them in her presentation.

### C. Select the best analysis.

Amy chose to use 18 months of data. It's a good idea to talk about the data that is used, and why that data was selected and other data that's potentially available. It's also a good idea to talk about potential next steps and future enhancements.

### D. Collaborate with others

Before presenting findings, Amy needs to show that she's collaborated with other people. When identifying who is impacted, she should reach out to the potentially impacted groups and determine if there are any barriers to her recommendation.



If she can get one of the groups to also advocate her idea, she'll appear much more prepared. She'll demonstrate that she's done her due diligence.

In addition, if her recommendation is potentially controversial or likely to have some of the leaders cautiously opposed, it would behoove Amy to share her findings with one or two of the key decision makers before the presentation. That way, she could make sure that she has at least one voice supporting her recommendations with her.

### E. Calculate the costs and benefits of each recommendation as well as the pros and cons.

Calculating an expected benefit (or range of potential benefit) has two advantages. First, it creates more urgency around the recommendation. Second, it shows Amy's senior leaders the value that her ideas are adding to the organization. By identifying the pros and cons of the recommendation ahead of time, Amy can effectively anticipate and deal with potential concerns and

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objections. Also, listing the cons can help identify the risks. If there are risks, Amy should list ways to reduce the risks or the negative impacts to show initiative.

**F. Identify the next steps and follow-up items for full completion.** Think of additional innovative enhancements and implementations.

Rather than letting the senior leaders decide the next steps and potential enhancements, Amy should have this already mapped out. For example, she could have said, “On page five, you can see I’ve identified talking with the billing area as a next step, do you all agree?” When the leaders say yes, not only are they agreeing to the next step, they are also implicitly agreeing with the recommendation. By suggesting potential enhancements (such as the analysis age and gender) Amy will be both providing options and flexibility and demonstrating creativity.

**G. Discuss the data quality and provide any caveats.** Peer review work for the highest quality standards and make it easy for the next person who

uses the study by documenting all work and keeping the analysis simple and effective.

Did management effectively encourage Amy to continue to share ideas?

Amy was very motivated to contribute to the team. While the leaders appreciated her ideas, she might have been left feeling that her hard work was underappreciated. It’s possible that next time, Amy could feel discouraged and stall before sharing her great ideas. As managers, consider how your reactions impact employee motivation.

How could Amy’s manager have given feedback in a way that delivered the message, but still left Amy feeling proud of her contributions and wanting to contribute more? ●

# Mastering Conflict Resolution

by David C. Miller



**B**ecause I believe that relationships are everything in business, I wanted to write an article on conflict prevention and resolution. Much of this material comes from my associate, Brian Middleton, and was developed in the work we do with family-owned businesses. These principles apply to leaders whether you own your own business or work for an organization as an employee. If you deal with other human beings, you need to know how to handle conflict.

## INTRODUCTION

**Conflicts in business are inevitable.** To succeed in business and in life we need to develop the skills that lead to effective conflict resolution. This includes conflict with clients, colleagues, superiors and direct reports. Many businesses and organizations have failed because they have lacked a clearly defined and agreed-upon process to resolve conflict.

**We must also overcome the false notion that conflict is inherently bad.** On the contrary, conflict when properly managed strengthens and improves the quality of our relationships.

As leaders, the best approach to creating a business culture where those around us effectively resolve their conflicts is to personally model conflict resolution skills. This article will provide you with time-

tested and proven tools that will lead you to effective conflict management and resolution.

**Principle #1:** *Leaders who effectively resolve conflict respect the unlimited power of their words.*

The guiding principle from an ancient proverb is “Death and life are in the power of the tongue.”

Do our tongues really have the power to administer “death” in others? Well, yes, in the sense that our words can destroy the reputation of another, divide the unity of a group, poison the attitudes of others and wound the spirit of another for a lifetime.

However, our words can also bring encouragement, affirmation, approval, appreciation, hope, healing and restoration to others. So recognize that your choice of words, when in conflict with others, will lead to life or death.

**Principle #2:** *Leaders who effectively resolve conflict practice preventative maintenance in their relationships.*

**The most effective means of conflict resolution is the practice of “conflict prevention.”** In other words, the best way to resolve a conflict is to prevent it from occurring in the first place.



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Defining roles, responsibilities and expectations of one another is the critical “first step” in relational preventive maintenance.

The essential “second step” is consistently reviewing our behaviors with one another in mutual accountability.

The same principle of “preventive maintenance” that we apply to our physical health, automobiles and equipment must also be applied to our relationships.

**Principle #3:** Leaders who effectively resolve conflict follow “The Four Rules of Communication.”

Here are the four rules you want to memorize and practice.

### **RULE #1 - BE HONEST**

**Guiding principle** - “We are to speak the truth to one another in a spirit of love and respect.”

To practice this principle effectively, **we first need “to speak”**. No one can read our minds, nor can we read the thoughts of others. Yet how often do we **assume** that others know what we’re thinking and that we understand where they’re coming from? The answer is most likely, “all the time”.

Since resolving conflict is actually communicating (not assuming) with each other, we must resist the temptation to be silent. Refusing to speak and address the issue can be equally as destructive as exploding in anger.

Secondly, we need to **“speak the truth”**. What does this mean? Several things are involved here:

- We refuse to lie, deceive or distort reality in our interaction with others.
- We express our feelings as well as our thoughts.
- We speak with congruency (How we communicate is congruent with What we communicate).
- We refuse to sugarcoat or speak in innuendos that mask the real message or intensity we want to send to others.

Thirdly, to be effective we want to communicate in a **“spirit of love and respect.”** This means that when we speak, we place the needs, concerns and well-being of others in high regard. To do this we must pay attention both to our words and how we express those words (e.g., volume, tone, facial expressions, body language, etc.).

### **RULE #2 - KEEP CURRENT**

**Guiding principle** - “We must refuse to allow the sun to go down upon our anger or any form of unresolved conflict in our lives.”

“Keeping current” with one another means that when a problem or conflict enters the relationship, we **immediately address it without hesitation or delay**.

The longer we fail to address a relational problem, the more difficult it becomes to resolve. This is because unresolved conflict:

- **Opens the way to bitterness and resentment**, which in turn limits our ability to listen. Relational walls result.
- Causes us to lose objectivity with one another, fostering distrust and eroding credibility.
- Causes us to “push problems under the rug” which creates emotional baggage. This baggage accumulates and clutters up relationships.

### **RULE #3 - ATTACK PROBLEMS, NOT PEOPLE**

**Guiding principle** - “When we find ourselves in conflict, we must attack the problem, not the person.”

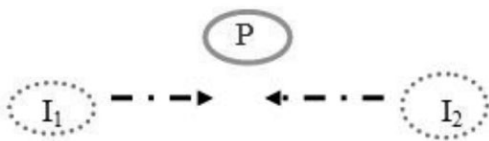
We must clearly identify, separate and distinguish the problem from the people involved. Separating the problem from the person helps to objectively identify the issues.

When we attack others rather than the problem, we usually:

1. **Bypass the conflict**, missing the real issues.
2. Engage in **character assassination**, limiting our ability to objectively address the issues.
3. **Incite retaliatory responses** that attack others, creating additional problems.



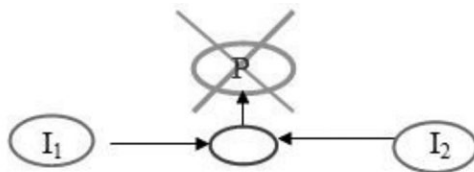
This dynamic can be illustrated in the following diagram. The “P” represents the problem while “I<sub>1</sub> and I<sub>2</sub>” represent two separate individuals. *Note: The problem is not addressed when people begin attacking each other!*



When we attack problems rather than people:

1. This **focuses on the conflict**, creating the “possibility” of resolving it.
2. We are challenged to **examine our own responses** rather than focusing on the failure of others.
3. Fixing the “problem” becomes the mutual focus of both parties, **creating hope that the problem will be resolved.**

This dynamic can be illustrated in the following diagram. Both parties unite, drawing upon one another’s experiences, gifts, talents and resources with the goal of solving the problem.



When we attack problems, we become “**solution oriented**” which leads to positive attitudes and behaviors. Alternatively, when we attack people, we become “**problem oriented**” which leads to negative attitudes and behaviors.

The reason so many conflicts begin and often fail to be resolved is because one or more partners choose to attack the other person rather than the problem.

#### RULE #4 - ACT! DON'T REACT!

**Guiding principle** - “We must assume personal responsibility for our attitudes, words and responses in any conflict.”

If we’re honest, we find the temptation to act like a “victim” in conflict, shifting the blame away from ourselves, while pointing the finger at others. The truth is that no matter how irresponsible the other person may be, **we must assume responsibility for ourselves.**

The paradox is that effective leaders win the respect of their followers when they’re willing to take responsibility for their failures.

The reason so many conflicts begin and often fail to be resolved is because one or more parties fail to assume responsibility for their behavior.

### BECOME A MASTER AT HANDLING CONFLICT

Mastering conflict can be one of the highest-impact skills you can develop in life and in business. Here are some tips on how you can utilize this article to develop these skills:

1. Re-read this article on two separate occasions with the goal of absorbing the material.
2. Post a copy of the “Four Rules” in a prominent place in your work area so you can refer to it frequently.
3. Practice “Monday Morning Quarterbacking” when you have episodes of conflict. Reflect on which of the rules you succeeded at implementing and which ones you struggle with the most.
4. Keep working at getting better at handling conflict. Don’t be discouraged by setbacks. Remember, it’s a process of growth. Be patient with yourself.

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The reason so many conflicts begin and often fail to be resolved is because one or more parties fail to assume responsibility for their behavior.

# Leaders Who Listen

by Nick Jacobi



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**T**hink about the people you know who have quit their jobs. Then think about why they left. Odds are they left because they didn't like their boss, and odds are they didn't like their boss because he or she didn't listen to them. In today's world, the leader who lasts is the leader who listens.

As a supervisor at any level, there are many ways to stop listening to those around you. Some of my favorite incidents are:

- A supervisor, in an attempt to teach his employees, lectures them but interrupts as they try to ask questions.
- An employee who uses AIM/Sametime/MySpace/LinkedIn/Facebook/Twitter is paired with a boss who checks e-mail once a week.
- A boss asks for status reports on a particular project twice a week, but never reads them.
- An executive requests research constantly, but never takes action based on the results.

There are so many ways not to listen to each other that it can be difficult to remember why we should. When you're in charge, the chief reasons to do so are:

## YOU DON'T HAVE ALL THE ANSWERS.

There was a famous king named Akbar whose chief advisor was called Birbal. One day Akbar tripped on a rock in his garden and ordered the gardener's arrest and execution. As a last wish the gardener requested an audience with the king. Birbal advised him to spit at the feet of the king when brought to the throne, which he did. Birbal then stepped forward and said, "There could be no person more loyal than this unfortunate gardener. Fearing that you ordered him to hanging for no crime, he went out of his way to give you a genuine reason." The Emperor realized his mistake and set him free.

Great leaders have great advisors—people who keep them honest—and they listen to them.

## YOU WANT TO AVOID THE BIG MISTAKES.

You will fail. There is plenty of defeat these days for everyone. The key to preventing a company- or career-threatening problem is to see it coming. You're going to want to listen, if only to hear when something goes wrong before it gets out of hand.

## YOU WILL LOSE YOUR IMAGINATION.

This happens to a lot of great executives over the years. They can foresee the future but can't imagine it happening. "Yes, it's possible that our share price could drop to \$1 and we'll have no cash, but that is akin to a meteor strike; it's deep in the tail" or some variation are the typical last words. The more leaders listen to their people, the more in touch with reality they tend to be.

## SHOW—AND GAIN—RESPECT

And finally, probably the biggest reason to listen to your people is because it is the easiest way to show respect for someone. If you do it often, people may start respecting you in return and may even follow you.

Remember that as long as your mouth is moving, you're not learning anything. ●

# Why You Should (or Should Not) Use a Recruiter

by Steve Glaeser

**A**n insurer in a great location seeks an actuary with your exact qualifications and it would be a promotion. They offer a salary above your current level, superior benefits and they will relocate your family. You apply, and after several interviews, they make a generous offer. You should accept, right?

Wrong. In this case, it would be a career train wreck.

What they didn't tell you (and you forgot to ask) is that the incumbent quit when they insisted that he post fraudulent figures. If you take the job, they will ask you to do the same. Then, after uprooting your family, your choices are ugly: post fraudulent figures and risk going to jail (and destroying your reputation), quit and show a short employment term or post accurate figures and wait for the company to fire you for insubordination. Any way you look at it—you lose.

Recruiters in the industry know this company, but you applied on your own.

Farfetched? Unfortunately, I'm working with the actuary who left because he was asked to falsify figures.

**Few actuaries spend their entire career at one company. Moving from one company to the next involves a new résumé, interviews, offers and uncertainty. Companies that need talent need to acquire the best leaders efficiently. The question for both: should you work with a recruiter?**

## JOB BANKS VS. RECRUITERS

Résumé warehouses collect résumés that are available to anyone who subscribes. You, as a candidate, should know that if your present employer subscribes, your résumé is likely to surface in a search. Once they see that you're "on the look," you can forget about the next promotion.

Companies who subscribe to databases and take résumés via their Web site run the risk of "fishing in a small pond," and missing the cream of candidates.

## WHAT RECRUITERS CAN DO: FOR CANDIDATES

First and foremost, recruiters can tout your abilities louder than you can and not sound arrogant. Industry specialists speak the hiring manager's language and may have provided quality candidates in the past so the hiring manager knows the recruiter's recommendations are worthy.

Competent recruiters will help you craft a professional résumé or put you in touch with someone who will. The operative word here is "competent." One recruiter crafted an ASA's résumé with two grammatical errors in the first sentence. When the ASA sent it to over 80 companies, it was rejected until he discovered the error.

Additionally, recruiters can:

- Target your search for positions that truly match your competence and work style.
- Present you to the right hiring manager directly. (No more canned e-mails from the HR computer saying: "We'll look over your résumé—if you don't hear from us in two years ...").
- Schedule interviews and prepare you for that company's interview style.
- Ask tough questions about the company, its plans, policies, culture and the like.
- Vet references and prepare them for screening by the hiring manager or HR.
- Follow up with the hiring manager to discover why you're not hired.
- Negotiate salary, benefits, relocation packages and timing.
- Help you gracefully leave your current employer.

## WHAT RECRUITERS CAN DO: FOR COMPANIES

Would 30 percent more revenue to your bottom line get your attention? According to Bradford Smart, Ph.D., companies with "A" level players produce 30 percent more revenue. On the other end, his research shows that bad hires can cost a company four to 10 times the incumbent's salary.



Steve Glaeser is an executive recruiter who works with actuaries from his office in Colorado Springs, Colo. He offers a free Career Map for Actuaries and can be reached at [steveglaeser@juno.com](mailto:steveglaeser@juno.com).

**According to Bradford Smart, Ph.D., companies with "A" level players produce 30 percent more revenue.**

CONTINUED ON PAGE 28



Whether you call it “human capital” or “people resources,” your team members are not a commodity to be ordered or requisitioned; indeed, they are your greatest asset. If phrases like: “We need to fill a position,” or “Find a replacement” are common in your company’s HR or hiring manager’s vernacular, it is likely your staff is populated by B or C players who will hire other B/C players.

Recruiters can make “A” level talent available to your company. Top recruiters represent only the top talent because they know those professionals will be hired by top companies and they will earn their fee. Surprisingly, many companies rely on in-house staffers or a cartel of outside recruiters and thereby restrict their talent pool—dangerous in challenging times.

Recruiters are ethically restricted from recruiting from companies where they place candidates. In other words, if a recruiter has placed a candidate with one of your competitors, they are ethically prohibited from taking a candidate from that company to work for you. For some recruiting firms, the restricted list can be as high as 40 percent of your competitors. Be sure to check their restricted list!

The solution is to be totally candidate centered: allow all responsible recruiting firms to present candidates from the widest possible sources, and hire the top candidates. Hold recruiters responsible to bring you “A” level talent and have them provide a guarantee to replace the candidate if they leave in less than one year.

In addition to the above, a recruiter can:

- Shorten the time-to-hire cycle.
- Vet references on a more confidential basis (recruiter calls raise fewer suspicions).
- Ask candidates tough questions.
- Present a wider slate of talent because they are essentially free of non-compete restrictions.
- Utilize negotiating strategies normally unknown to in-house recruiters, e.g., placing a spouse in a new job, etc.

## CANDIDATE’S GUIDE

The best recruiters work exclusively: they will not represent you if another recruiter has your résumé or if you are posted with an online job bank like Monster or Career Builder. They communicate with you often, know your skills well, and only present you for positions that further your personal and professional goals. You should always know where your résumé is presented.

You should not work with a recruiter if:

- You’ve been in your position for two years or less.
- You don’t plan to take an acceptable offer or your spouse won’t move with you.
- The recruiter “blasts” résumés indiscriminately.
- You plan to retire in two years or less.

## COMPANY GUIDE

Ideally, your company has “A” level players in every position. If that is not the case, Smart’s book and system, *Topgrading*, combined with an open system of competent recruiters can make a turnaround in a short time. While it might not be practical to use

recruiters for all positions, those with salaries over \$100,000 warrant a wide recruiter network.

You should not work with a recruiter if:

- Your company can not afford the recruiter's usual fee: you'll only get B/C candidates
- The recruiter doesn't really know your industry.
- You won't hold recruiters accountable for mis-hires.
- You don't have a plan to upgrade B/C players or move them out.

- Your company is already 100 percent "A" level players. (How do you know?).

Challenging times are opportunities for leaders to replace B/C talent with "A" level players and position themselves to take market share from companies who do "business as usual." Top candidates recognize that challenging times are opportunities in disguise. When a recruiter does his job well, companies get the talent they need, efficiently, and candidates get the job they want, promptly: everyone wins. ●

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# Adopt “Good Enough” Thinking Now

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by Dr. Doreen Stern



Dr. Doreen Stern is a motivational speaker, writer and business coach in Hartford, Conn. She is currently working on a book entitled, *Change Your Life in 17 Minutes!* She can be reached at [Docktor@DoreenStern.com](mailto:Docktor@DoreenStern.com), or at 860.293.1619.

**D**o you ALWAYS try to do your best? If so, you may be shocked by what I’m going to propose: be willing to accept “good enough.” Good enough at work, at home and even in your personal life.

How could someone who has earned a doctorate and two master’s degrees offer such heretical advice? Someone whose middle finger on her right hand is bent out of shape from gripping the pencil so tightly as a child? Trying to do her VERY best, of course.

My recommendation is based on award-winning research.

In the 1950s, Nobel-Prize winning economist and psychologist Herbert Simon introduced the term “satisficing.” It refers to settling for something that’s “good enough,” without worrying that there might be something BETTER out there.

“Satisficing” doesn’t mean you jettison standards and criteria. But your standards aren’t sky-high or impossible to meet. Thus, you’re generally pleased with the results you achieve and the choices you make.

Here’s an example: hundreds of thousands of American high school seniors receive acceptance letters every April. Do they—and their parents—celebrate their acceptances, or do they instead lament their rejections? Sure, Harvard would be terrific, yet Berkeley might provide a wonderful experience, too. Especially since research indicates that students who think they’re in the right place get far more out of a particular school than students who don’t.

Those who choose to lament may be “maximizers”: folks who seek and accept only the very best. “Maximizers” want to feel certain that every choice they make is the best one possible. And every piece of work they complete is top shelf.

What’s the problem with being a “maximizer”? You’re rarely happy with the results you obtain. Or

the choices you make. On balance, “maximizers” experience less satisfaction with life along with less optimism and less happiness. Also more depression.

How can you identify whether you’re predominantly a “satisficer” or a “maximizer”? Take the short quiz<sup>1</sup> below, rating yourself based on 1 (completely disagree) to 7 (completely agree). Add up your points. Then read below how you can increase your “satisficer” score.

1. Whenever I’m faced with a choice, I try to imagine what all the other possibilities are, even ones that aren’t present at the moment. (1 – 7)
2. No matter how satisfied I am with my job, it’s only right for me to be on the lookout for better opportunities. (1 – 7)
3. When I am in the car listening to the radio, I often check other stations to see if something better is playing, even if I am relatively satisfied with what I’m listening to. (1 – 7)
4. When I watch TV, I channel surf, often scanning through the available options even while attempting to watch one program. (1 – 7)
5. I treat relationships like clothing; I expect to try a lot before finding the perfect fit. (1 – 7)
6. I often find it difficult to shop for a gift for a friend. (1 – 7)
7. Renting videos is really difficult. I’m always struggling to find the best one. (1 – 7)
8. When shopping, I have a hard time finding clothing that I really love. (1 – 7)
9. I’m a big fan of lists that attempt to rank things; such as the best movies, the best singers, the best athletes, the best novels and the best teams. (1 – 7)
10. I find that writing is very difficult, even if it’s just writing a letter to a friend, because it’s hard

<sup>1</sup> Maximization Scale and ratings, courtesy of American Psychological Association, included in *The Paradox of Choice*, by Barry Schwartz

to word things just right. I often do several drafts of even simple things. (1 – 7)

11. No matter what I do, I have the highest standards for myself. (1 – 7)

12. I never settle for second best. (1 – 7)

13. I often fantasize about living in ways that are quite different from my actual life. (1 – 7)

Total points \_\_\_\_\_

Key: Scores of 40 or below: Congratulations! You are a “satisficer.”

Scores of 65 and above: You are clearly on the maximizing end of the scale. Be sure to review the suggestion below.

## HOW CAN YOU INCREASE YOUR “SATISFICER” SCORE?

“Choose when to choose,” suggests Dr. Barry Schwartz of Swathmore College. Sometimes doing your very best is worth every ounce of effort you put in. Yet sometimes it’s not. Consider a recent project you worked your hardest to complete. Itemize the steps, time, research and anxiety that went into finishing the project.

Remind yourself how it felt to do the work.

Ask yourself how much your final product benefited from your laborious efforts.

Write a paragraph describing what you might do differently next time. If you’d care to share your paragraph, e-mail it to me: [Docktor@DoreenStern.com](mailto:Docktor@DoreenStern.com).



# When Actuaries Hit the Slopes

by Heather Hokamp



Heather Hokamp is an actuarial consultant at Aetna. She can be reached at [hokamph@aetna.com](mailto:hokamph@aetna.com)

**T**o snowboard or not to snowboard?

That is the question I had been asking myself for almost two years. I moved to New England to start my actuarial career and my first winter here was awfully cold. I decided I had to find a way to enjoy the weather. Being an active individual, snow sports was an easy answer. It seemed like people usually ski or snowboard, but not both. And since snowboarding seemed edgier than skiing, I decided that would be my sport of choice. Plus, several of my friends wanted to learn too, so it was a perfect opportunity to practice together.

My first time out, I rented a board and boots and hit the slopes. My attempt was futile. I spent most of the afternoon just trying to stand up. But I was determined! Soon, all of my friends bought equipment and told me how much better it was when you have your own gear, so I jumped on that wagon too.

I had my board, bindings and boots and I thought, “Ok, let’s do this!” I got better instruction my second time at a mountain. I felt like I was starting to understand the physics of the board against the snow and mastered the heelside stance. But the toeside stance still eluded me. How would you feel if you had to slide down a steep slope—*backwards*?

Summer came and went and it was cold again. I said, “I’m going to learn to toeside this winter!” I thought it was time for some professional advice. I took a lesson and my toeside improved. I was gaining more confidence and trying to get over my fear of falling.

So when we went to snowboard in Massachusetts, I was really excited. We got to the top of Mt. Butternut, and I realized that it was a much more menacing mountain than the name would lead you to believe. I fell—hard—several times on the way down and decided to start on the bunny slope. A few shaky bunny runs later, I braved the top again.

It had gotten colder and windier. I hit some ice and fell on my back. I sat there a minute recovering and told myself, “I have to get down to get out of this weather.” A few more painful wipeouts later, I made it to the lodge and told my friends, “I’m done for today.”

I got home, bruised and swollen. Feeling defeated and embarrassed, I pressed my face against my best friend’s fur and whispered, “I think I might not like snowboarding.”

I wasn’t giving up yet, though. I went back to a local mountain. I told myself, “Don’t get scared! Just do it!” I had some killer runs ... and some rough crashes. Afterwards, I talked to my coworker Jason. He said he used to ski but switched to snowboarding.

“Why did you switch?” I asked.

“Cause I want to do tricks!” he replied.

Hmm. I didn’t really care about doing tricks.

Recently, my friend Gaia said she wanted to ski, and I said, “I’ll take a lesson with you.” We went the next weekend. There were lots of people learning to snowboard, and only a few learning to ski. I felt like a dork. All the cool kids were boarding. But once the lesson started, I saw their fallen bodies and tender egos littered across the slope.

I picked up skiing quickly. After one day, I already felt comfortable on skis. I only fell once, and it was a soft, easy landing. No bruises. No pain. I went much faster than I ever did snowboarding, but it wasn’t as scary.

Snowboarding is the popular thing to do right now. It’s new and exciting; everybody is doing it! The payoff oozes status: “She snowboards!” they’ll say with admiration. Sounds enticing, right? I’ve observed, however, that popularity is negatively



correlated with edginess. It's also a lot cooler to be zipping by upright, than struggling on the ground.

I had a decision to make.

My snowboard is so nice—and pretty too! It has pink and coral leaves and birds on it, and it supports breast cancer research! My boots are amazing! I don't even have to tie them, I just twist!

I love my equipment. But I hate snowboarding. I hate falling. I hate not improving. I hate being scared. I am not interested in doing tricks. I don't even like going really fast—in anything! I *always* drive at or below the speed limit. When skiing, I didn't hesitate to “pizza.” I don't think I will ever go back. The learning curve to snowboarding is too steep to be fun. It's only discouraging. On the other hand, skiing is a blast!

How does my decision relate to the insurance industry?

Recently, the economy and proposed government regulation have sent shivers and cheers through the financial community in a manner unseen for decades. As an actuarial consultant for a health insurance company, I hear health reform news on a daily basis. People are quick to assume that the lat-

est rumors coming out of the legislature will become law. The debate has taken many turns over the last year—and health insurance stock prices have reacted at each.

As a citizen of this world, I have witnessed the financial system near collapse after the introduction of trendy new financial instruments. The new derivative markets were poorly regulated and their implications poorly understood. Proposed government intervention in response has sent the market soaring and crashing.

My company has weathered what seems to be the worst of the crisis, and by maintaining our focus on our core values and using sound, tested actuarial practices, we are set to emerge stronger as the economic climate improves. During these turbulent and uncertain times, we focus on keeping our customers at the center of what we do and delivering value to our constituents.

I see winter sports in a similar way. Shortsighted goals—like credit default swaps, subprime mortgages and snowboarding—may seem expedient at the time, but long-term success is not necessarily found by following the crowd. In work and in life, do we ever try to snowboard when we could ski?

**I love my  
equipment.  
But I hate  
snowboarding.**

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