

# ACTUARY OF THE FUTURE

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## The Personal Actuary: A New Star in the Universe of Financial Advisors

by Paul T. Richmond

*Editor's Note: This article was originally published in the August edition of The Actuary.*

**Are you ready for a new role that could financially benefit many people, including yourself? If so, the role of personal actuary may be exactly what you're looking for.**

The American public is beginning to discover that it has a need for practical financial advice. Until recently, the average Joe thought financial planners were for millionaires, sports stars and Hollywood types. However, as members of the baby-boom generation approach retirement, they are discovering that they may not have planned as carefully as perhaps they should have, or their parents didn't plan sufficiently and now need assistance with day-to-day affairs. A Personal Actuary, an all-encompassing provider of comprehensive financial advice to individuals, and an emerging discipline within the actuarial profession, may be just the answer needed to address the multitude of challenges looming ahead.

The graying of America along with the continuous pruning of older workers by the corporate world, has resulted in many 50-somethings being forced into phased retirement. The high paying jobs they worked while in their 30s and 40s are no longer available to them. They have the skills, the ability and even have the stamina, but they no longer have the youth that is perceived by big business to be so vital to its success. Consequently, the middle generation is becoming employed in jobs that require less skill and, as a result, provide less pay. For the first time, members of this generation are under-employed and must confront a future that isn't as rosy as they had anticipated. Additionally, they are

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Actuaries

The Best-Kept Secret in Business™

## ACTUARY OF THE FUTURE

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# Chairman's Corner

by Joseph Paesani

I can remember as a kid wondering why the days and weeks sometimes seemed to drag on and on. It seemed like tomorrow, next week, next month—*Christmas!*—would never get here soon enough. I don't wonder that anymore! Days and months pass quickly, often too quickly, and I'm amazed at just how quickly this year passed for me as Chairman of the Actuary of the Future Section Council. It has been a pleasure to serve our great section in this role and I am very excited by the momentum we've continued to build over the past year. I thank you for the opportunity to serve.

I was privileged to serve on the original AOF Task Force, which concluded its work in 1991 with its report to the SOA Board of Governors titled "*A Plan to Develop Non-Traditional Opportunities for Actuaries.*" From that report, approved in whole by the BOG, the AOF Section was created, and since that time the section and the SOA have embarked on several initiatives aimed at carrying out the other recommendations from that plan to strengthen our brand and broaden our opportunities. Change and progress often evolve slowly, sometimes too slow for our liking, and it's no exception for our profession. But we continue to evolve, and as long as there is ongoing development and improvement, our profession will continue to get stronger. The AOF section has always tried to take the lead in many of these initiatives, and it's very gratifying to see the impact we've had in promoting and developing nontraditional roles and opportunities for actuaries.

This newsletter includes articles highlighting our progress during the year. Our section council focused on six primary areas for the year and we've made significant progress in each. I've summarized progress made on our strategic plan elsewhere in this newsletter, and other articles discuss aspects of these in more detail. These include the continued growth of the Personal Actuary initiative and the launching of the Younger Actuaries Network—two very important initiatives that we believe will have substantial impact on the continued growth and prosperity of our profession.

The Personal Actuary initiative continues to grow. We've now received additional support and funding from the SOA for more research and development; Jim Brooks's article summarizes this progress. Paul Richmond, a full-time personal actuary, also shares his perspective on this emerging area of practice. The Younger Actuaries Network launched earlier this year under Joanna Chu's leadership, and they're off to a great start. Joanna's article summarizes the group's goals and plans. Troy Holm, a member of the Network's leadership team, discusses a mentoring program, one of their key initiatives. We look forward to the continuing development of these two important initiatives.

Dorn Swerdlin's article provides an interesting perspective on evolutions in our profession. A former Chairman for the AOF section council, Dorn now serves on the Marketplace Relevance Strategic Action Team (MRSAT) and has seen many AOF initiatives take root and grow. Andy Dalton recaps our work with the Pioneer program; Joanna and Teresa Winer recap the terrific sessions we ran at the spring meetings. These articles highlight much of what we have accomplished this year, and I thank all of our authors for their contributions.



I'd also like to thank my colleagues on the AOF Section Council this year in executing our plan. Andy Dalton, our vice-chairperson, was a tremendous help to me throughout the year keeping us on track, offering great ideas, insights and leadership, as well as being a good sounding board. Sudha Shenoy was our secretary/treasurer. Perhaps as important, as chairperson for the M&PD section, she also provided us with insights that will hopefully lead to continued synergies with that section. Jim Brooks assumed leadership of the Personal Actuary Task Force and did an outstanding job leading the presentation of this to the IAC in securing additional support to keep it moving forward. Joanna Chu eagerly took the lead for launching the Younger Actuaries Network and has done an outstanding job of defining a mission and plan for its continued growth. Marketplace relevance is an important aspect of our initiatives and Paul Bruce, who serves on the MRSAT, provided perspectives to help ensure that our actions were aligned with theirs.

Few plans, if any, are executed without hitting some snags. Unfortunately, three council members resigned during the year for various reasons, but we were very fortunate that two others eagerly stepped up to fill their roles during the year. Janet Deskins took over leadership for our continuing education, and Kim Dwornick took the lead for our Web site redesign and other communications initiatives. I

thank them for coming aboard and providing their expertise and enthusiasm. Teresa Winer served as our BOG partner, and I thank her for her assistance and wisdom throughout the year. I also thank Meg Weber and O'Shea Gamble from the SOA staff for their support. Election results are in, and we're please to welcome Pritesh Modi, Manish Patell, Chris Raham and Sue Sames to our section council. I thank them for their willingness to serve our section, and am very confident that our new team will keep the AOF moving forward next year.

The future is bright. Certainly we'll face some challenges, but our opportunities are plentiful. Our section has an outstanding opportunity to continue being a leader in forging future directions for actuaries and the profession. My challenge to the new Section Council: Keep the ball rolling forward! Stay focused on the things that will have the most impact, recognize the role we can play, and leverage other sections and groups within the SOA to develop the future's possibilities into realities. My challenge to the members of our Section: GET INVOLVED! The future is coming and you'll probably want to be part of it. Recognize the impact you can have, and share your time, talent and expertise, whether it be on one of our projects or running for council next year. We need your help. Carpe Diem—but always with an eye on the Future! 🚀



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beginning to seek professional help to identify their individual financial resources and needs and to create a realistic vision of what their lifestyles may be over their remaining years.

Unfortunately, no clear pathway exists for the general public to find the right advice, or advice that is appropriate to the need. The public at large erroneously believes that insurance salespersons, sellers of mutual funds, financial advisors, financial planners, stock brokers and investment advisors are all capable of giving financial advice. The public is generally unaware that financial occupations fall into two broad categories—those who can sell financial products (mutual funds, stocks, bonds and other securities, insurance and annuity products) and those who are permitted to give financial advice for a fee.

The general public and sometimes even financial professionals themselves have difficulty distinguishing between those who may sell product and those who may give advice. Complicating the issue further is the fact that many who are properly credentialed to give advice also sell product. And many who sell product give advice without being properly credentialed. About the only ones who really understand who is allowed to sell product and who is truly permitted to give financial advice are the regulators, the NASD, and perhaps, and/or hopefully, those who market themselves using these terms.

The crux of the matter is the definition of “financial advice.” Does a person who sells product for a commission give financial advice? How can he or she not give advice? How is such a salesperson distinguished from a person who sells advice for a fee? Well, the SEC, the NASD, and the state and federal regulators provide guidance and an examination/credentialing process, so hopefully, the financial professional knows what he or she can and cannot do. Unfortunately, the public is not as well informed.

Let me cite a personal example. I have worked in the financial arena as a pension actuary for many

years and now am in the midst of redirecting my career toward assisting clients with financial and investment planning. I have passed exams that permit me to sell mutual funds, life insurance and annuity products. I can give information about the products and receive a commission upon completing a sale. But I cannot give any financial advice. I am required to inquire somewhat about my client’s financial health and stability, but not too much. I can sell mutual funds with a limited knowledge about their needs, but am precluded from doing an in-depth analysis unless I am willing to do the work and not charge for it. My clients perceive me as a “financial advisor,” but I really am not. The questions I must ask lead my customer to believe I am seeking the information so that I can advise them. As a result, I am perceived to have much more knowledge than what I actually have been tested for, and I am perceived as being qualified to give advice.

Seeking appropriate and competent financial advice is a challenge. In spite of the advertisements on TV and other media for the large mutual funds, insurers and other financial institutions, there are no branded advisors.

Branding associated with the fast-food industry is very clear. When I want a hamburger, I can go to McDonald’s, Wendy’s, Fudrucker’s, or Dave’s Lunch down the street. At McDonald’s, I know that the hamburger served to me will be mass produced and slapped together with ketchup, pickle, onion, and mustard. I don’t even have to ask. At Wendy’s, I get a better quality burger and more condiment choice. At Fudrucker’s, I will get an even bigger burger and an even higher quality and quantity of toppings. What do these hamburger joints have in common? A recognized national reputation that provides continuity of product no matter where you are. However, Dave’s Lunch does not have a national brand. I just know that I will get the best burger ever—big, greasy, tasty and prepared just the way I want it. I know this because I have eaten there many times before, and it was good. Any

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maybe even better yet, the only ones that know about Dave's burgers are us locals.

Branding associated with financial services is not nearly as simple. The public in general doesn't know the basics. Individuals may know they have a need, but they don't know how to define the need, or to discover who can help them with the need without assistance. The major national names—The Principal Group, Nationwide, Ameriprise, Fidelity, Putnam, etc.—have a sophisticated menu of products and have posted their menus on their Web sites, but the general public doesn't have a clue about how to apply these products toward solving their problem(s). They don't know whether to buy a mutual fund, an annuity contract or a CD. They don't understand the mechanics of the financial instruments. They do not understand how these products are used as building blocks to achieve financial security. Nor do they know where to go to obtain answers to these questions.

The following example is a simple illustration of the challenges a person can face. Florence is 55 years old and has just received an inheritance of \$200,000 from her mother who recently passed away. She goes to a bank for financial advice. She first speaks to a teller who directs her to the branch manager. The manager listens as Florence describes in basic terms that she wants to use the money for retirement, but the bank officer is busy and doesn't really have time to ask the questions that he needs to ask in order to fully understand Florence's situation. And to be fair, he may not even have the training to ask the appropriate questions. However, the manager does have an incentive to steer customers to high-margin products, so he recommends that Florence purchase CDs. The manager is happy because he has made a sale.

The tragedy of this story is that Florence went to the bank because she wanted financial advice on how to best deploy her inheritance to facilitate her retirement. She expected the branch manager would help her identify life goals and objectives

and then direct her to investments that would help her achieve those goals. What she received was a salesperson who sold her CDs because it was an easy sale and because the manager had a monthly quota of CDs to sell. In a few minutes, Florence was back on the street wondering, at best, "What just happened?" or at worse, thinking, "I have just secured my future."

Over the next 10 to 20 years, the need for qualified financial counselors and investment planners will expand rapidly. This trend creates significant opportunities for those inclined toward financial professions, but also significant risk for the general consumer of financial services. Considerable opportunities exist for ethical people, with a high degree of analytic ability, to perform these services, proving a valuable public service, while at the same time being rewarded handsomely. Unfortunately, the growth of this industry will attract even more charlatans and will require an even greater level of policing than currently exists.

In light of this, financial services industry needs to embrace the actuarial profession. And it is time for the actuarial profession to raise its hand and demonstrate how it can help. Opportunities for actuaries have been diminishing over the past several years. The need for pension actuaries has diminished substantially over the past decade as corporate retirement plans have been converted from defined benefit to defined contribution. The average pension actuary is well over age 50. The number of pension actuaries under age 50 at the last Enrolled Actuaries meeting could have been counted without having to take off your shoes and socks. Similarly, the need for life actuaries has also declined. Insurance company mergers have made many actuarial positions redundant.

On the other hand, the financial services industry is experiencing substantial growth and will continue to do so in the foreseeable future. Because of the aging of America, we will see growth in the

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financial sector that will outpace the number of qualified financial professionals willing to serve with integrity. Who can fill the void? Personal actuaries, derived from the ranks of pension and life actuaries, who have already been substantially trained to address the emerging needs. All they need is a clearly defined pathway that will promote an effective transition from their former disciplines into the financial services arena. Support from the governing actuarial bodies, such as the Society of Actuaries, is also needed to help create the appropriate channels and remove barriers.

Actuaries should not expect the financial industry to welcome them onto their turf. Nevertheless, given the compelling need for advice, and the skills and integrity that actuaries offer and can provide, the time for change is now; the opportunity to transition into the financial service sector has never been better and perhaps never will be.

To illustrate how an actuary can be an effective financial analyst, consider Marjorie's case. Marjorie entered the workforce during World War II as a secretary and clerk. Near the end of the war, she joined the Army and served stateside for about two years. Upon her discharge, she obtained employment at a local state university where she worked continuously as a secretary/clerk until she retired in 1984. She also enlisted in the Army reserves during the Vietnam War period and served an additional three years as a "weekend warrior."

Marjorie never married. She lived with Mom and Dad until they passed away in the 1970s. Her life was stable and routine. Her work responsibilities and hours were well defined. She used public transportation to get back and forth from work each day.

Marjorie never made much money. Her needs and desires were small. Mom and Dad cooked for her each night. After her parents died, Marjorie began to eat out more frequently because she never learned to cook. She enjoyed hobbies, attended church and participated in church activities. She acquired a few intimate friends over the years and

became very comfortable with her small circle of family and acquaintances. She lived comfortably, but modestly. She didn't travel. She spent within her means.

Marjorie retired in 1984. She received a very modest pension, about \$300 a month. Social Security provided another \$600 a month. Her living expenses were modest because she had inherited her parents' duplex. Rent from the apartment provided another \$400 a month.

One of her close friends became a millionaire, even though she lived as modestly as Marjorie. Her friend died about four years ago and left Marjorie about \$100,000. Marjorie used these funds to supplement her retirement income and provide for her retirement needs.

Marjorie is now 85 years old. She is in excellent health physically. She takes no medications. However, she is beginning to show signs of Alzheimer's, and it is obvious that she cannot safely live alone much longer. She has almost entirely consumed the \$100,000 inheritance, donating most of it to every charity that happened to send mail to her. Her current assets include the duplex worth about \$175,000 and about \$10,000 of stock. She has supplemental health insurance, but no life insurance. She has two relatives, a brother who is 88 years old and although in good health is only marginally able to manage his own affairs, and a 55-year-old niece who is married and has many family issues of her own to contend with.

Needless to say, Marjorie has some major problems and no one really able to help her with them. Readily identifiable issues are summarized below:

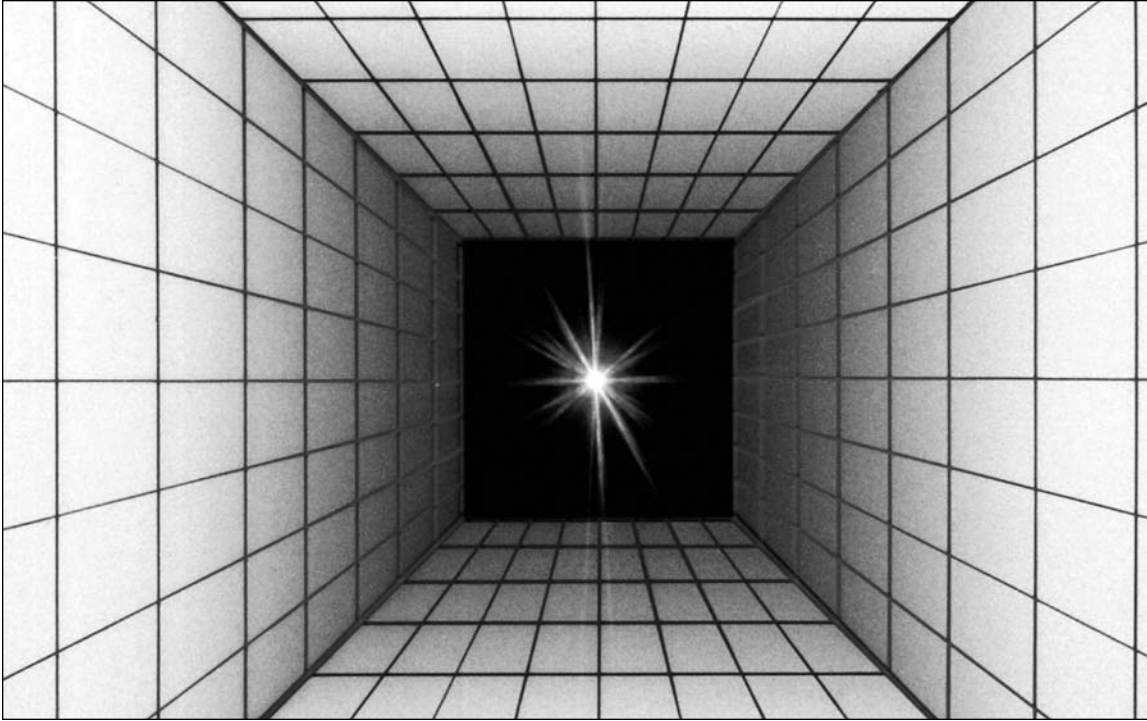
1. Who does Marjorie turn to for help? Her brother is not able, and her niece is too busy.
2. Who will decide when she should enter an assisted-living facility? Her decision-making ability has already been compromised and will

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continue to deteriorate. How does she find an appropriate facility, and how will she pay for her residency?

3. What Social Services—Medicare, Medicaid, Veteran’s benefits, etc.—are available to her?
4. Should she sell the duplex and use the proceeds to pay for the assisted-living facility? How long will her money last?
5. Should she continue to own the duplex and rent out both apartments? Will this provide enough income to support the monthly cost of assisted living? Who will manage the duplex for her?
6. Is she eligible for Veterans benefits, and if so, how much will she be entitled to on a monthly basis? Will this benefit change if she should sell the duplex and have cash assets?
7. Who will manage her day-to-day affairs—pay her bills, complete and file her tax returns, assist her with required interactions with Veterans Affairs, Medicare, Medicaid, the IRS, her health insurance provider?
8. How should she invest the proceeds from the sale of the duplex? CDs? Mutual funds? Annuities? Other? As a practical matter, she will be consuming about \$30,000 of these funds a year. How does this limit her investment options? Would stochastic asset/liability modeling provide useful information about the effectiveness of alternative investment strategies?
9. When will Marjorie run out of money? And what will happen to her at that time? Ideally, she would spend her last dollar on the day she dies. But what is the likelihood of that occurring? What is the likelihood of her running out of money? When may that event occur? What will happen to her then? What is the tradeoff between the consumption of resources and

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quality of life? Should she diminish her current quality of life to make sure she doesn't outlive her resources? Will her quality of life in five years be so diminished that resources will have little effect on her quality of life?

10. How much are her two relatives willing and capable of doing for Marjorie? Can they be relied on? Will they be willing to use Marjorie's resources to pay for advice and assistance?

Marjorie is unique, and yet she is not. Her particular set of circumstance are obviously one of a kind. It is unlikely that you will find another person with the same fact pattern. However, the underlying issues are not unique. They occur and reoccur in various permutations and combinations throughout your own community, state and country. The facts are:

1. Senior citizens are living longer and many are now approaching a time when they must make a major transition from independent living to assisted living of some type.
2. Baby boomers not only have to manage their own financial future, but the financial future of their parents as well.
3. A strong correlation exists between the financial health of individuals 50 and older and their physical health. Poor lifestyle choices have undoubtedly contributed to the incidence of chronic maladies. However, medical advances have enhanced the ability of these individuals to live longer, although with diminished physical capacity. This has led to financial stresses on Medicare, Medicaid and insurance companies and will eventually lead to reduced benefits and greater underwriting requirements to qualify for health insurance. Ultimately, the individual will bear the cost of the benefit shortfall. Many individuals could

see their retirement nest eggs completely wiped out with a very short period of acute illness.

4. Senior citizens need considerable assistance addressing financial, healthcare, and housing decisions associated with aging and yet do not have the knowledge to do so.
5. Numerous senior citizens do not have close family members nearby to assist them with their financial needs and other concerns.
6. Baby boomers with parents are frequently too busy with their own lives to spend meaningful time helping their parents with these financial matters. They are not equipped to address these issues themselves and do not know where to turn for answers. They are willing to pay for assistance as long as they retain the decision-making authority.
7. The financial community has been constructed to sell product, not to resolve problems. The primary objective of financial organizations is to accumulate assets, not to provide advice.
8. Many "financial advisors" are willing to sell product to senior citizens without making any attempt at understanding the need. The important thing is the sale. "Setting the hook" is the focus of much of the corporate training given to the sellers of financial products.
9. Our senior citizens and the baby-boom generation are very vulnerable to unscrupulous "financial advisors."

A tremendous opportunity exists for actuaries to assist senior citizens and baby boomers with these issues. Actuaries, who have been schooled in financial modeling, probability analysis, risk

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MEDICAID AND  
INSURANCE  
COMPANIES...**

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## We've Redesigned Our Web site — Check it Out!

Targeted for release by the Annual Meeting, the first phase of the AOF Web site redesign will make our site more user-friendly, deliver more useful information to the homepage and increase the value to our members. Highlights include:

- Council member names and contact information
- Our Mission and Strategic Plan so you can view more quickly and easily our activities and progress
- New segments updating the Personal Actuary initiative
- Means for getting members more involved

Future phases will develop additional content, functionality and versatility and we need your feedback! So take a look and let us know what you think. Comments and suggestions can be sent to our Communications Coordinator, Kim Dwornick at [Kimberly.Dwornick@us.ing.com](mailto:Kimberly.Dwornick@us.ing.com). 📧

management, financial analysis, financial products, demographics, actuarial mathematics, and the American social safety net, have a skill set that is not generally available with any other profession. The ability of actuaries to provide this assistance is only further enhanced when combined with the reputation for integrity that actuaries have earned throughout the years.

In light of this:

- Are you ready to become a Personal Actuary?
- Is the Society of Actuaries ready to help actuaries make the transition?
- Will the financial community accept actuaries as “partner” advisors or will actuaries be viewed as competitors?

The time is right for the emergence of the Personal Actuary. The Society of Actuaries has already begun to investigate the role of the personal actuary and how to provide meaningful

support. The financial community may very well provide resistance, but the opportunity is so great that the entry of the actuarial profession into this arena will have a negligible effect on opportunities available to other non-actuarial financial professionals.

For further information about Personal Actuaries, please contact Jim Brooks, the chairman of the Personal Actuary Task Force, or Paul Richmond, the author of this article. They may be reached by reference to the Society of Actuaries membership directory at [www.soa.org](http://www.soa.org). 📧



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# Actuary of the Future Section Update on Our 2006 Strategic Plan

by Joseph Paesani

In our last newsletter I presented AOF's Strategic Plan for 2006. We've made significant progress on all of our initiatives this year, each aimed at supporting our mission "to identify and promote new opportunities, skills, and new ways of thinking to help actuaries excel on their career journeys." For 2006, the AOF Section Council identified six primary areas of concentration, and I'm excited to provide the following update on these initiatives:

## Communications

In addition to our two regular newsletters, we completed the first significant update to the AOF Web site since its inception. We'd like our site to be more user-friendly and provide greater value to our members. The first phase of revisions brings more strategic information to the homepage, including our strategic plan and the initiatives we're working on; you'll now be able to view more quickly and easily what we're doing and how we're progressing. It also lists our section council members and provides links for our members to get more involved. The main goal of our site going forward is to bring more value to our members via content, functionality and connectivity with others, so that they can be better informed and get more involved with our activities. We also hope to attract new members. Future revisions will be geared to these goals, and we'll look to collect more input from our members as they are developed.

## Continuing Education

We ran two very successful sessions at each of the 2006 spring meetings:

*Competitive Threats to Actuaries of the Future From Non-Actuaries:* explored how personal

development can enhance the actuary's competitiveness as the profession takes on challenges and competition from other professions. Panelists described these threats to various practice areas and shared their perspectives on dealing with them.

*Personal Actuaries on Parade:* offered perspectives from currently practicing personal actuaries. The panel shared its experiences and roles in more detail, addressing such topics as what attracted them to this career option, the variety of services a personal actuary can provide, attracting and building a client base, and challenges they face.

AOF is also sponsoring three sessions at the SOA Annual Meeting:

From FSA to CEO: The Path Is Quicker Than You Think

Personal Risk Management vs. Enterprise Risk Management

Skills Needed to Advance the Corporate Ladder

Additional reports from the spring sessions and previews for our Annual Meeting sessions can be found elsewhere in this newsletter:

## Environmental Scanning

Our goal was to define and establish an environmental scanning process and monitoring system to "identify and communicate emerging and potential issues and trends." While we see this ultimately aligning with FutureRisk.org, we also feel that within AOF particular attention could be directed toward areas impacting careers and education. A framework for scanning has been developed and contributions have been received from Friends of



the AOF and the Personal Actuary Task Force. Future phases will involve determining the best ways to continue collecting and sharing relevant information.

## Marketplace Relevance, The Personal Actuary

Enthusiasm and support continues to build for the ongoing development of the personal actuary as an area of practice. The Personal Actuary Task Force streamlined its structure to focus on having the personal actuary initiative recognized at the same level within the profession as the enterprise risk management initiative. We secured the approval of the Issues Advisory Council for additional resources to conduct additional market research and study. With the Pension Section joining the initiative as a co-sponsor a Project Oversight Group has now been formed to direct this additional research. Members of the task force have written a white paper (which is available to anyone interested) to support this work. Additional information updating our progress in the personal actuary arena can be found elsewhere in this newsletter.

## Marketplace Relevance, Career Pioneers

The AOF Section Council is engaged in overseeing the Actuarial Pioneer Program. As part of this we're reviewing the actuaries nominated as pioneers and submitting recommendations to the SOA. The program, rooted in the AOF, seeks pioneers who have "blazed a trail for other actuaries or are first to apply their skills in nontraditional settings.". These pioneers will be highlighted and acknowledged for their contributions. This work leverages the "Value Ladder" and other initiatives of the Marketplace Relevance Strategic Action

Team. Read more about our work with the Pioneer Program elsewhere in this newsletter.

## Membership Development

The Younger Actuaries Network (YAN) has been formed and launched. Its mission is "To encourage the professional, academic, and social development of early-career actuaries in addition to providing all actuaries with a greater sense of community throughout the Society." A core leadership group has been formed to lead its efforts, which initially will focus on developing: a mentoring program, networking opportunities (within the profession as well as reaching out to universities and actuarial clubs), membership, and continuing education sessions (at SOA meetings and via Webcasts). The group contributed two articles to this newsletter and will be sponsoring a session at the Annual Meeting later this month. 📧



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# Update from the Personal Actuary Task Force

## IAC Action Plan, Survey Results, Other News

by James C. Brooks



### Issues Advisory Council Action Plan

In the April 2006 issue of this newsletter, I reported that the Issues Advisory Council (IAC) of the Society of Actuaries was considering appropriate action on our section council's "Proposal for a Personal Actuary Plan." (See the April newsletter for more information and the full text of the proposal.) Around the first of April, the IAC decided to concentrate the investigation of the potential for personal actuarial work on the retirement arena and secured the agreement of the Pension Section Council to help fund the study and to lead a Project Oversight Group. The reason for narrowing the investigation is to help focus the scope of the research in assessing the potential market for this emerging discipline. The SOA and Pension Section have each contributed \$10,000 to fund the necessary market research.

The charge to the Project Oversight Group, which had its initial meeting on July 14, is set forth in a document entitled "New Practice Opportunity Evaluation," prepared by the IAC. The evaluation is to be completed by Dec. 31, 2006. By way of documenting the extensive research already conducted by the Personal Actuary Task Force and as background for the Project Oversight Group, the task force prepared a

white paper. The white paper is available online from the Personal Actuary Task Force Web site (within the Actuary of the Future Web site). You can also request a copy from the author of this article at his e-mail address.

### Online Personal Actuary Survey Results

In March 2006, the Personal Actuary Task Force conducted an online survey of SOA members to help ascertain the extent to which personal actuarial work was performed in 2005 and, for those who responded positively, to solicit answers to certain questions about that business. The survey had an introductory section defining what is meant by personal actuarial services followed by nine questions. The following is a summary of the results of that survey.

**Question 1** asked whether the respondent had performed actuarial services on behalf of specific individuals. There were 318 responses with exactly 50 percent responding affirmatively.

**Question 2** asked about the average hours per week spent on personal actuarial work including time spent managing a personal actuary practice. Of the 159 respondents, 79 percent replied less than 10 hours per week, indicating that this is mainly a part-time pursuit.

**Questions 3 through 5** inquired about sources, forms and amounts of revenue for services provided. The results were 49 percent were paid directly by the consumer, 17 percent by other advisors to the individual consumer, and 17 percent provided the services "pro bono" for friends or relatives. As for compensation, 74 percent was in the form of billed hourly rates or flat fees. A minority of 5 percent indicated commissions for products



sold, while 61 percent responded that their effective rate of pay was under \$300 per hour by whatever method paid.

**Question 6** inquired about marketing approaches to secure clients. The survey revealed that 88 percent of respondents market to other business professionals, 76 percent by seeking public speaking opportunities to talk about how actuaries can help individuals, 50 percent by providing media assistance (e.g., interviews on issues), and 50 percent by word of mouth. The use of the Internet and direct marketing scored very low. It should be noted that respondents were allowed to select multiple methods of marketing in answering this question.

**Question 7** asked about the business form used. Sole proprietorship was in the majority at 40 percent with "LLC" getting 18 percent of the responses in second place.

**Question 8** dealt with how client contact/communication was handled, and 43 percent responded by telephone or electronic means, with 52 percent responding face-to-face.

**Question 9** asked about methods of handling professional liability risk. On this question, 47 percent deal with the risk in the engagement contract with various legal language. Only 20 percent have purchased E&O coverage, and 19 percent say it is controlled by using only a "B to B" approach (marketing to other professionals or companies who have a relationship with the consumer) rather than dealing directly with the individual consumer.

While the Personal Actuary Task Force is disappointed with the number of respondents, the responses received do seem to lend credence to our views expressed in the numerous papers published over the last 10 years and to prior research. The one "surprise" was the extent to which the professional liability risk seems to be perceived as a minor issue by actuaries

The Personal Actuary Task Force wishes to thank all of the 318 actuaries who took the time to respond to the survey.

## Other News

There have been three additional developments of note indicating the growing interest in the opportunities for Personal Actuaries. These are as follows:

1. The Society of Actuaries received an inquiry from the vice chairman of the Japanese Society of Certified Pension Actuaries, which is considering exploring roles for Personal Actuaries in the Japanese retirement markets. Our task force has provided them with our white paper and has established an ongoing communication link to monitor further developments in both the United States and Japan.
2. The International Association of Black Actuaries contacted our task force with a request for speakers at their annual meeting in August of this year. Teresa Winer and I served as panel members in an information session at this meeting.
3. The Risk Management Section and the Actuary of the Future Section are co-sponsoring a session at the Chicago annual meeting of the SOA that will compare and contrast Enterprise Risk Management (ERM) with Personal Risk Management (PRM). Our task force hopes to elevate the profession's support of the PRM initiative to the level of the ERM initiative pending the outcome of the current investigation by the Project Oversight Group. 🗨️



James C. Brooks, Jr., FSA, MAAA, is owner of Brooks Financial Management, LLC and a consultant for Bragg Associates. He is also chair of the Personal Actuary Task Force and he can be reached at [jimbrooks@bellsouth.net](mailto:jimbrooks@bellsouth.net).



# Introducing: The Younger Actuaries Network (YAN) Strategic Plan in 2006-2007

by Joanna Chu

The Younger Actuaries Network (YAN) will work to advance the actuarial profession by addressing the needs of actuaries (and actuarial students) who are in the earlier part of their careers. A unique aspect of this network is that its leadership will mainly consist of younger actuaries who best understand the needs of their peers. More importantly, the YAN will:

1. Serve as a venue for identification and development of future SOA leaders,
2. Give its members a voice in SOA activities,
3. Increase the sense of belonging to the profession, and
4. Develop programs targeted at professional advancement of younger actuaries.

As a recent FSA, I'm very excited to be given an opportunity to lead the Younger Actuaries Network. Because we did not receive enough response to fully form a new section, I would like to thank the Actuary of the Future (AOF) Section for giving us a home to move our initiatives forward. In addition, I would like to thank three volunteers, Troy Holmes, Graham Schmidt and Mark Yu, for their continuing interest in and commitment to launching this network.

We held our first conference on Jan. 26, 2006 and met monthly via conference calls. Within a few months, we defined our mission and established primary initiatives for the YAN. Our mission is "To encourage the professional, academic and social development of 'early-career' actuaries, and in addition, to provide all actuaries with a greater sense of community throughout the Society." To achieve our initiatives, I have given the three volunteers functional responsibilities in accordance with their own interests. I expect each will make a great contribution to the network. Below is a brief status report on the initiatives at the YAN.

## Communication Champion— Troy Holm

Troy is in the process of introducing a mentor program between the AOF and YAN. The main goal of this mentor program is to establish an environment in which a protégé can discuss career plans, personal development, exam strategies, etc.,

with his or her mentor. Subsequently, the program will expand to include the members from other SOA sections or even outside the United States. In this newsletter, Troy discusses more detail about the program. In addition, Troy is also responsible for YAN's ongoing participation of the AOF's newsletter and developing other communication plans for its members.

## Membership Champion—Graham Schmidt

Graham is responsible for developing a membership campaign to make the YAN a formal SOA section. A membership blast e-mail was sent to a group of 30 or more people who confirmed their interest in joining the YAN so that they can officially become members of the AOF and YAN. This group is composed of actuarial students from colleges, ASAs and recent FSAs. Those who are not SOA members can still become a part of the YAN as an affiliated SOA member. They can participate in the mentor program, contribute to the newsletter and other YAN events, but they will not be eligible for committee election. Simultaneously, a survey was attached to the e-mail to learn about what our members are looking for so that we can serve them better. Furthermore, Graham will work to develop networking opportunities to bring our members closer together.

## Continuing Education Champion— Mark Yu

Mark is responsible for developing topics and programs for the educational seminars. During the upcoming SOA Annual Meeting, Mark will help YAN put together a session called "Skills Needed to Advance the Corporate Ladder." He will also be coordinating with the speakers and ensuring a successful launch of the session. As our members are from different places, Mark will further explore the possibility of using webcasts to allow efficient and cost-effective program participation for our members. In addition, Mark will develop a survey to solicit feedback after each event and share the survey results with the committee.

## Other Initiatives

Other initiatives include developing an interactive Web site as a communication tool for information sharing, discussion post and volunteer recruitment. I will be responsible for taking this initiative.



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# Actuarial Pioneer Update

by Andrew Dalton

**A**re you an actuarial pioneer? Do you know someone who is? If so, the Society of Actuaries and the Actuary of the Future Section would like to hear from you.

In conjunction with the Society of Actuaries, the Actuary of the Future Section recently broadened an initiative to identify and publicly feature actuaries who are expanding the boundaries of actuarial practice or practicing in nontraditional, innovative areas. The project is in direct support of our sections' mission to identify and promote new opportunities, skills and new ways of thinking to help actuaries excel on their career journeys.

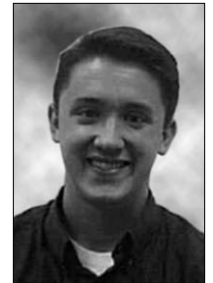
To review profiles of potential actuarial candidates, a committee of the Actuary of the Future Section Council has been formed. We are looking for actuaries who have blazed a trail for other actuaries by creating a new application for actuarial science or who are among the first to apply the actuarial skill set in a nontraditional setting. Over the past few months, we have heard from some impressive actuaries who are doing some remarkable work.

To date, we have reviewed almost 50 profiles of potential pioneers and have been impressed and inspired by what we have seen. We have heard from individuals expanding the field of personal actuarial work, a major initiative of this section, about which you can find more in this newsletter and an important developing area of opportunity for actuaries. We have heard from individuals working in nontraditional financial

service roles and from actuaries advocating public policy. We have learned of actuaries who are expanding insurance markets globally and at least one actuary expanding insurance markets to man's best friend ... and other pets. In short, we have found many of you who are stepping outside of traditional actuarial roles and expanding professional opportunities available to actuaries. We hope you will find these stories as inspiring as we have.

Feature articles and interviews with the actuarial pioneers will appear in *The Actuary* magazine as well as online at *imageoftheactuary.org* and in the *ImageWatch* e-newsletters. This fall, the Actuary of the Future Section is renovating our Web site; actuarial pioneers will also be featured on our enhanced and improved Web site. The first group of pioneers have already been identified and featured. We also hope to highlight, in some way, actuaries performing in nontraditional or different roles that may not necessarily be pioneering, but are noteworthy nonetheless. For those interested in nontraditional future career paths—or those just interested in hearing about some of the exciting things your colleagues are doing—make your way to any of the sources mentioned above.

If you have an interesting story to tell—or know someone who does—log on to the *imageoftheactuary.org* Web site and let us hear from you. We very much look forward to hearing your story and sharing the details of your pioneering work with fellow actuaries and potential clients. 📧



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## Introducing: The Younger Actuaries Network...

I strongly encourage our members to actively participate in each event to show your support and interest, and more importantly, please provide us your candid responses so that we can plan better events in the future. Because our committee group is small, I would like to take this opportunity to ask our members to get involved as much as they can. This is a great way to strengthen your personal growth and expand your professional horizon! Everyone has unique strengths and talents that would contribute tremendously to some of the initiatives above. Take an action to help us make it happen. Feel free to contact any of the champions

leading the initiative directly to let them know of your interest. Also, feel free to contact me at [jchu@metlife.com](mailto:jchu@metlife.com) or call me at 201-761-4728. I would love to hear from you and welcome your ideas and suggestions. Thank you for your support, and we look forward to elevating the YAN to the next level!

The YAN will function as a branch of the Actuary of the Future Section of the Society of Actuaries, and the committee will have the task of directing and managing the activities of the Network. 📧



# Why Mentoring—Part I

by Troy Holm and Joanna Chu

The Younger Actuaries Network (YAN) encourages “early-career” actuaries to network amongst themselves and with more experienced actuaries.

Our mission is to:

- Establish a mentoring program—“IDEA,”
- Create networking opportunities,
- Promote various educational initiatives.

Lack of role models is often cited as a barrier to success for many people. YAN’s mentoring program offers you the opportunity to foster trusting relationships for networking, coaching, counseling, life lessons and for sharing your knowledge, experience and expertise with others like you. YAN believes it is important that a younger actuary has access to someone in the profession who can serve as a counselor, advisor, and confidant to turn to with questions and concerns about personal growth and the actuarial profession. A mentoring program can be a tool to assist younger actuaries to make better and more informed decisions. The interaction between a younger actuary and a mentor can also promote educational and networking opportunities in the actuarial society.

What are the benefits for mentors?

- Gaining insight from the protégé’s background and history that can be used in the mentor’s professional and personal development,
- Re-energizing the mentor’s career,
- Broadening the network of industry contacts,
- Enhancing leadership and communication skills,
- Broadening industry perspective from a different corporate culture,
- Connecting to emerging leaders.

What are the benefits for protégés?

- Learn from the mentor’s expertise,
- Receiving critical feedback in key areas, such as communications, interpersonal relationships, technical abilities, change-management and leadership skills,
- Developing a sharper focus on what is needed to grow professionally,

- Learning specific skills and knowledge relevant to professional and personal goals,
- Enhancing the ability to network with more industry leaders,
- Gaining knowledge that can be critical for success; as a result, adapting more quickly to the organization’s culture.

The “IDEA” approach to a mentoring program is four simple steps toward achieving personal satisfaction not only for the younger actuary, but also for the mentor. A younger actuary can contact the YAN and we can direct him or her to a mentor to commence the IDEA program. A simple example of the IDEA program works as follows:

- Interest: A college student who expresses an interest in an actuarial profession and who needs some guidance on his/her career plan contacts the YAN. Then, the YAN will sign him/her up on a mentoring program and help select a mentor in accordance with certain profile matching criteria.
- Direction: The mentor initiates the first meeting/call with the protégé to understand his or her interests so that the mentor is able to provide ongoing advice for the protégé to lead him/her to the right direction.
- Education: The mentor educates the protégé about the different arms of the SOA and CAS, the exam structure and other pertinent information so that the protégé can remain competitive.
- Action: The mentor and protégé develop plan together to fulfil the protégé’s objectives.

A database, or network, of mentors will be created to assist in the matching of a protégé to his or her mentor. A follow-up questionnaire will be requested to get feedback and to improve upon the program.

The YAN is currently recruiting mentors in all actuarial areas of practice. If you are interested in learning more about being a mentor please contact Troy Holm, ASA, MAAA, at [troy.holm@trustmarkins.com](mailto:troy.holm@trustmarkins.com). You could be holding the answer to somebody’s future success! 🚀

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# My Past with the Actuary of the Future

by Dorn Swerdlin

About 10 years ago I had concerns about the future of our profession. It was then that I discovered the Actuary of the Future Section (AOF). It seemed to me to be the best place to deal with my concerns. I joined the AOF Section in the mid-1990s and was elected to our section council in the late 1990s. I was preceded as Council Chair by Paul Bruce and followed by Teresa Winer. Paul is currently on the council again, and Teresa is now a Board of Governor's (BOG) member.

At the Washington, D.C. SOA meeting in 1998, Paul Bruce and I presented to the BOG some ideas from the AOF about our profession's future. The timing was not right and the BOG didn't seem to feel our sense of urgency.

In 2003, Norm Crowder, as the president-elect of the SOA, headed the Strategic Planning Committee and I was honored to serve on that committee. We initiated some research to see what employers of actuaries and SOA members think about our profession. That research confirmed what we suspected. The perception of actuaries is that we:

- are great technicians,
- have high integrity and
- are very smart.

However, we are perceived to lack in the "business savvy," interpersonal and communication skills that employers look for in a candidate for top positions. The committee then created a Strategic Plan document for the SOA.

In order to deal with these issues, and for many other reasons, the SOA went through a significant internal restructuring. One of the new structures is the Strategic Action Teams (SATs). Several SATs were formed to put the strategic plan into action. I joined the Marketplace Relevance Strategic Action Team (MRSAT) along with Paul Bruce. One of our team's first responsibilities was to create, implement and monitor a marketing plan for the SOA. Out of that plan the MRSAT developed an outline for an image campaign for the SOA as well as the entire actuarial profession. "Turn Risk into Opportunity" and "Actuaries—The Best Kept Secret in Business" are outputs from the MRSAT.

The BOG approved our image campaign at the New Orleans meeting in June 2005. The SOA staff recently conducted an intensive search for a public

relations firm to help with our image campaign. We hired a PR firm this summer.

Several projects adopted by the MRSAT are derived from earlier initiatives created by the AOF and include:

- Enterprise Risk Management (ERM)
- The Pioneer Program
- The Personal Actuary
- The Value Ladder

Back in 1998, your AOF Section Council created our first mission statement in a meeting in Atlanta. One of the concepts in that statement was to have actuaries use our skills in a much broader venue. The ERM project became the best way to expand our exposure. ERM skills are needed in all types of organizations, rather than only the traditional insurance and employee benefit fields.

The BOG has now approved the creation of an ERM credential sponsored by the SOA. The MRSAT is now serving in an oversight role over that project.

The Pioneer Program, created in our section in the 1990s, is now a major project within the greater SOA. We have included a pioneer story in issues of our AOF newsletter. Now the SOA publication, *The Actuary*, includes a pioneer story. The SOA marketing people have even developed a logo for this program.

The MRSAT is responsible for the Personal Actuary initiative, which began in our section. Teresa Winer and Jim Brooks have been significant forces in this project. The Personal Actuary Task Force was created in conjunction with the AOF Section and is now chaired by Jim Brooks.

The MRSAT is developing a Value Ladder for actuaries. Paul Bruce is heavily involved in that project. The Value Ladder provides a framework for increasing actuaries' value to our various stakeholders.

Although it took a little longer than we hoped back in the '90s, we members of the AOF Section should be proud that we are a significant force in the focus to improve our image and to add value to being an actuary. The SOA, as well as the entire profession, is now implementing ideas we developed in our section years ago. Thanks to all you members of the AOF Section. 🗣️



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# Personal Actuaries on Parade

A Recap of Session 25I/OF at the Health SOA Meeting 6/20/06

by Teresa Winer



*About the Author: Teresa Winer moderated this interview-based, open forum discussion of what it takes to become a personal actuary. The interview questions were developed by a subcommittee of the Personal Actuary Task Force working on both the May and June sessions, and were documented by Janet Deskins. This summary is based on notes of the June session taken by Teresa.*

**T**eresa welcomed the guests and introduced panel members Janet Deskins and Paul Richmond. After defining the Personal Actuary as one who represents the interests of individuals, the panel and audience engaged in a lively and informative discussion about this emerging actuarial discipline. The following summarizes this discussion.

## The Basics of Personal Actuarial Work

### 1) What interests you the most about personal actuarial work that led to you being a part of the PATF?

**Paul** – A job change led to a reassessment of my career. My wife asked me to help some of the elderly in her parish. I saw an article by Jim Brooks

about the Personal Actuary and called him up and said, “I think I am doing that!”

**Janet** – I left a traditional job, and I am now the sole actuary for a distribution company. I saw opportunities for actuaries to partner and saw an article by Teresa Winer and became involved with the PA Task Force earlier this year.

**Teresa** – I will add that I was looking for more flexibility so that I could work part-time and be at home with my children.

### 2) Who is the target audience for personal actuarial work and what markets are served by these actuaries?

**Paul** – I work directly with individuals as clients. Anyone who is going through a life altering event is a candidate, as well as anyone approaching retirement. I work with folks in their 80s to help them with assisted living arrangements, financial costs, risk analysis.

**Janet** – High net-worth individuals and those slightly below, two-income families who have more need, ages 50+ preparing for health issues, anyone needing unbiased advice dealing with their retirement income and more.

**Teresa** – Note that some market research has been done to include professionals dealing with individuals, such as lawyers, insurance and financial advisors, bankers, and more. Life settlement investors and, of course, individuals, need our help understanding risks. People will need help with the new health accounts as an example. A recent survey to SOA members indicated that more than 150 actuaries have done some type of personal actuarial work. We do not know what the potential market is at this point, but marketing research is



one of the task force initiatives we have taken to the SOA's Issues Advisory Council (IAC).

## Market Opportunities

### 1) Do you see this type of work as expanding and if so, where?

**Paul** – We need to distinguish ourselves from financial planners, who are more interested in investment advice, not holistic risk analysis.

**Janet** – Everybody sees the need for understanding critical illness, DI, LTC and what makes sense for them.

**Teresa** – With the aging of the population, this work will expand. The major concern is the risk of outliving one's income and knowing how to best plan ahead financially.

### 2) How do personal actuaries get into what seems like a crowded space? Are we competitors to financial planners or can we work together?

**Paul** – We give more help to make an informed purchase to the client versus pushing a sale. I am careful to avoid conflict of interest. Although I am a licensed insurance agent and I am licensed to sell securities, I give my clients information as to other sources to purchase products that they might need and I focus on the advice. Obtaining the licenses helped me work with the clients that want me to provide products to them, although I do not push that.

**Janet** – We can work with financial advisors, not against them, and need a seat at the table.

**Teresa** – Financial advisors need to know how to incorporate mortality and medical risks into their modeling and not to use a fixed life expectancy as an investment target.

### 3) What opportunities are available that we have not discussed?

**Janet** – Our exams prepare us for risk analysis in so many ways, and how risks interplay with each other, and we can apply this knowledge in many arenas.

**Paul** – We have already been exposed to a broad base of knowledge in our traditional actuarial work, including accounting, legal, mathematics, and more, that helps us branch out into many areas. I am pursuing investment advisor status because I personally want to feel confident that I am within the law in order to give advice in a holistic manner.

## Skill Sets

### 1) Do you have an opinion on actuarial skills needed to do personal actuarial work?

**Paul** – You need an entrepreneurial spirit, the courage to face risks and the ability to blaze your own trails.

**Janet** – Actuaries tend to be conservative, which is a good skill to have and is especially needed in the financial advisory world. In general, financial advisors and insurance producers are hungry for our insights and skills set.

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**2) What other characteristics are desirable?**

**Janet** – We need to be more confident in our own abilities.

**Paul** – I have had to accept that people will make incorrect decisions even though all the information indicates a different decision would have been better. We need intimate relationship building skills that respect confidential information, and to know how to deal with family members as well. When I do an inventory of someone's life status, I must maintain integrity with the decision maker regarding decisions that may affect others in the family in various ways. The client's health, goals, relationships and family issues are very confidential.

**3) Can personal actuaries provide holistic planning because of their skills?**

**Janet** – We have the skill set that no one else has.

**Paul** – Yes!

**4) What are some parallels between personal risk management and enterprise risk management?**

**Janet** – The client may or may not have DI from their employer, or as a business owner they will have unique needs. We must address the risks in the whole picture for an individual just as the enterprise.

**Teresa** – Some have said personal actuaries are enterprise risk managers for the individual.

**5) How do personal actuaries get paid? Who pays them?**

**Paul** – Three ways: Hourly rate, fixed fee for projects, commissions. I have done all three. At first I worked for free until I realized how much financial benefit I was providing, uncovering all kinds of savings and efficiencies for my clients. I have some trouble in my market with a high hourly rate. I prefer to start with

an assessment of the client and scope out the entire project and then give a fee estimated or a percentage amount. I do not require product purchases with my services, and give other names out, but I do have the option to sell products and am licensed to do so. I do get a good income from working with attorneys as they are used to billing and paying higher hourly rates. I have been doing personal actuarial work for three years now and my income is getting closer to what it was previously. I project that within two years I will match my former income as a principal doing pension consulting.

**Janet** – I don't get paid directly by the client, but one firm had a specific client requesting and I referred it to an actuary on the PA task force.

**Teresa** – In the case of life settlement work, there is a competitive fixed price to do an evaluation, and as with anything, the more experience you have, the more quickly you can work, so the rate per hour is increased as your time goes down.

**6) What are the professional liabilities and how do you cover them?**

**Paul** – I am forced to buy insurance as an insurance agent. Other than that, I am just very cautious. You must use good sense and it is critical to document everything. With my elderly clients, I get a close relative to participate in discussions to help mitigate the risk.

**Teresa** – I just spoke to the President-elect, Ed Robbins, who is working part-time and received a professional liability quote of \$12,000. Others are not even able to get quotes. We are trying to propose to the SOA that some pooling mechanism be considered to help out personal actuaries and other actuaries on their own. Most try to put caveats into everything and use contractual work agreements that help protect them to some extent. The Personal Actuary Task Force tried to come up with some sample documents to help out, but we were advised that legally it would not be a good idea to share such information. The Conference of

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**TERESA – THE MORE EXPERIENCE YOU HAVE, THE MORE QUICKLY YOU CAN WORK SO THE RATE PER HOUR IS INCREASED AS YOUR TIME GOES DOWN.**

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Consulting Actuaries has been working on a sample working agreement. There are likely some standard software/documents for small businesses that could be purchased to help out.

**Janet** – In the last session with the Life Meeting we had much discussion on this topic. It is high on the minds of everyone.

**7) What other questions do you need answered if you are thinking about this line of work?**

**Audience** – Is anyone other than Janet doing this kind of work, performing the role that Janet does?

**Janet** – I am not aware of anyone else, but it would be a good thing to try if you can market yourself well.

## The Future

**1) What do you see as major obstacles or challenges to pursuing this work?**

**Janet** – The opportunities are boundless.

**Paul** – We need to market our skills to show that we can do this—there is a compelling case that we are needed. We need to make the financial sector aware that we can make things better.

**Teresa** – One obstacle is that actuaries are not used to networking—we don't trade business cards and tend to miss opportunities.

**2) Do the professional organizations (SOA, AAA) need to provide better support to those wanting to pursue personal actuarial work?**

**Paul** – The organizations should help create clear pathways to follow. The training and expertise in our exams needs to translate into other areas. The SOA should help train us so we avoid undergoing duplicate educational requirements to meet other legal criteria.

**Janet** – With branding, the more the public understands what actuaries can do, the better we will be. The organizations need to raise public awareness our services.

**3) Why should actuaries care about the work being done by the PATF or personal actuaries in general?**

**Paul** – If you have a job you may not care, but we have seen a huge downsizing of pension actuaries and it could happen elsewhere.

**Janet** – I joined for selfish reasons. I believe it is easier to get a new job when you have one already. I am trying to take opportunities to learn from others and start networking now to build-out business plans for myself for the future.

**Question from the Audience** – How do you get started?

**Paul** – I had to take a big risk, but I enjoy it. I took a pay cut, but I am employing my son and I'm setting him up with his own business now and will turn it over as I get older. One good way to start is to find a job with the security of a paycheck, start talking and networking with friends on the side. I have no desire to retire now, and I enjoy what I am doing.

**Janet** – I think it is a challenging task to get started.

**Teresa** – Join the PA task force!!

Thanks to everyone for coming and participating. 📣



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# Competitive Threats to Actuaries of the Future from Non-Actuaries

Highlights from Session 19 at the Life SOA Meeting (5/24/06) and Session 46 at the Health SOA Meeting (6/20/06)

by Joanna Chu

Panel discussions on the topic of competitive threats to actuaries were conducted at both spring meetings. There, sessions were conducted to explore how personal development can enhance your competitiveness in the labor market while gaining insight into how you can support the SOA's strategic efforts to maintain the competitiveness of the actuarial profession. The actuarial profession continues to take on challenges due to rapid changes in the financial services industry and competition from other professions. In these sessions, panelists:

- Describe competitive threats to various actuarial practice areas based on employer and member research conducted by the SOA Strategic Planning Committee.

- Share their perspectives on competitive threats based on their background and actual experiences.
- Discuss how the SOA strategic plan addresses these threats.

The following summarizes some of the key conclusions/comments from our panel:

## Joel Albizo

*"I thought the discussion of the challenges and opportunities faced by actuaries in pursuit of increased influence and relevance was very interesting. There is a level of passion and also (I believe) a growing consensus on what needs to be done to better prepare/position actuaries for future success."*



*"The audience seemed to be pretty responsive during the Q&A and it probably could have even gone longer. Again, I think it reflects the level of interest and enthusiasm for the subject matter.*

*"I believe the audience (albeit self-selected) was tracking with much of the material, as evidenced by head nods and the nature of the questions posed.*

*"My observation is that attendees are hungry for additional resources, guidance and support to enable them to engage in professional development activities that will help them be even more valuable to employers and clients."*

### **Dave Duncan**

*"If you want to move ahead of the pack in your career ... whether from challengers inside or outside the actuarial profession—then set yourself apart. Don't fit in with your peer group ... on purpose."*

### **Margaret Milkint**

*"Audience gained awareness and a real world perspective on today's marketplace. The reactions seemed positive and the audience was engaged. The three perspectives showed consistency and unity without*

*redundancy. Education and awareness must come before action, and this session offered a strong vehicle for enhanced career development."*

### **Sim Segal**

*"I think the audience may have been most interested in the SOA survey results that reveal how our customers perceive us and how we perceive ourselves. This validated what the participants may have anecdotally already sensed, but it armed them with concrete data, which will more likely motivate them to act.*

*"The second most interesting topic for participants was learning about the actions that they personally can take to improve their business savvy skills, including how industry volunteer opportunities, like committee work, essentially serve as free training on a wide range of business savvy skills—leadership, management, negotiation, persuasive communications, consensus—and team-building, public speaking, writing skills, marketing, etc."*

In conclusion, both sessions successfully exceeded audience expectation. Speakers provided strong content and deliveries. Again, I would like to take this opportunity to thank our speakers and moderators for their time. 🙏

## Preferred Mortality Study Preliminary Results to be Revealed at Annual Meeting

The SOA is currently sponsoring the largest, most complex and multi-faceted mortality study ever undertaken by an actuarial organization. Our initial research, to be unveiled Oct. 15-18 at the SOA Annual Meeting, will reveal the results of experience studies that will support redefinition of reserve requirements for preferred life policies. The likely outcome of this project will be to better reflect preferred mortality in life insurance liabilities while still assuring adequate protection for policyholders and investors. Learn more about this study by going to [www.soa.org](http://www.soa.org) and searching for "preferred mortality." 🙏



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ANNUAL MEETING & EXHIBIT

# SOA<sup>06</sup>

OCTOBER 15–18, 2006

SHERATON CHICAGO HOTEL & TOWERS

CHICAGO, ILLINOIS



# The Power of Ideas

AOF is sponsoring three sessions at the SOA Annual Meeting in Chicago. If you're going to the meeting please attend these timely and important sessions:

## **FROM FSA TO CEO: THE PATH IS QUICKER THAN YOU THINK**

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Session 42TS – Monday, October 16, 2:00 p.m.

Developing a successful actuarial career is not what it used to be. Traditional practice areas are changing and new areas are emerging. In addition, others are practicing and claiming expertise in areas historically thought to be the actuary's domain. These changes pose barriers, but they also offer excellent new opportunities. Successful career development in this environment requires sound business and leadership skills in addition to exam success. Learn key skills commonly possessed by successful leadership, and how to develop them to maximize your professional impact.

## **PERSONAL RISK MANAGEMENT (PRM) VS. ENTERPRISE RISK MANAGEMENT (ERM)**

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Session 75 I – Tuesday, October 17, 8:30 – 10 a.m.

Personal risk management is a new approach to risk management geared toward individuals. Panelists knowledgeable in each area will compare personal risk management (PRM) to enterprise risk management (ERM) on the following aspects:

- Examples of the application of actuarial science;
- Career opportunities for actuaries; and
- Obstacles to actuaries desiring to practice in each area.

The panel will discuss how and why personal risk management is evolving as a significant area of practice and emerging new opportunities in ERM and PRM.

## **SKILLS NEEDED TO ADVANCE THE CORPORATE LADDER**

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Session 84 PD – Tuesday, October 17, 10:30 a.m. – Noon

Calling all early-career actuaries: If you aspire to move up the corporate ladder, this session is for you! There are skills beyond technical excellence crucial to your career advancement. Actuarial competence, education, designations, commitment, personality, relationship, leadership and communications are all key components of a successful career, but are some more important than others? Panelists will share their perspectives of "must-have" skills to advance your career and how to develop them.

Find out more at [www.SOAannualmeeting.org](http://www.SOAannualmeeting.org) 

## Actuaries

The Best-Kept Secret in Business™