

# the stepping stone

## CHAIRPERSON'S CORNER

3 by Kristen Walter Wright

## LETTER TO THE EDITOR

4 Jam Sandwich  
Correspondence

## THE ACTUARIAL ETHICIST

6 Responses to "Purloined  
Pages"  
by Frank Grossman

12 Report from a Distant  
Quarter: PSOA Holds  
Professionalism Workshop -  
Part 2  
by The Pakistan Society of  
Actuaries

## BUSINESS MANAGEMENT

14 Making Money When Others  
Are Losing It: A Review  
by Mary Pat Campbell

## CAREER DEVELOPMENT

16 Volunteer to Accelerate  
Your Career  
by John Hadley

18 How to Sabotage Your  
Career  
by Leo Lin

## COMMUNICATION SKILLS

20 Lesson From a Toothache—  
Part 1  
By David C. Miller

22 Powerful Postures  
by Dr. Doreen Stern

## The Actuarial Ethicist: Deep-End of the Pool

By Frank Grossman and Mary Simmons

*This short article sets out a hypothetical workplace dilemma. We invite you to submit comments and suggested solutions which will be summarized and published in the next issue of The Stepping Stone. All submissions will be received in confidence, and any identifying details removed prior to their inclusion in the discussion of the case.*

Stanley the FSA was the sole actuary for a smaller insurance company for many years. Then Stanley hired Trevor after college graduation five summers ago, and Trevor subsequently attained his FSA in short order. During the past two years, their firm started selling new insurance products—not in Stanley or Trevor's primary area of practice—manufactured by another firm but written on the smaller company's paper. Stanley handled the actuarial work for the growing block on his own.

Stanley coped with the increasing complexity of external reporting for the new products by reaching out to Walter the FSA, an old school chum and consultant. Walter was always glad to help, telling Stanley to read "this section of that regulation" or a passage from a certain practice note. This ad hoc approach seemed to work okay for Stanley.

Then just before financial reporting year-end, Stanley died in a tragic holiday traffic accident. Walter now began to field Trevor's telephone calls seeking assistance. Walter didn't see any harm in giving the "friend of a friend" the same kind of suggestions provided to Stanley. And Trevor seemed to be managing alright given the shock of Stanley's death and his heavy workload.

The following April, Trevor called Walter asking for help with correspondence for the state regulator. Walter said, "It would be best if you hired me as a consultant so I could do this properly for you." Trevor thought for a moment and replied, "Maybe next year," before persisting with his questions. Walter eventually gave in, and suggested "I might say something like this ..."

A couple of weeks later, Walter received a series of frantic messages from Trevor. The state regulator had discovered a material inconsistency between Trevor's data filing and subsequent correspondence, and was seeking clarification.

CONTINUED ON PAGE 5



## DEEP-END OF THE POOL | FROM PAGE 1

Walter contacted Trevor and received the full measure of Trevor's distress. Though Walter may have had some prior inkling of Trevor's callowness, he now realized that Trevor was in way over his head. Trevor had apparently been afraid to ask his management for additional resources during year-end, and thereby concede his inability to fill Stanley's shoes. According to Trevor, his present entanglement with the state regulator wouldn't have happened had Walter's instructions been clearer.

Walter pushed back, whereupon Trevor blurted out, "I'm just doing the best I know how!"

### WHAT SHOULD WALTER DO?

*Send your suggestions before November 10, 2011, to [Craigmore54@aol.com](mailto:Craigmore54@aol.com). The discussion of Walter's dilemma will be published in the February 2012 issue of The Stepping Stone. ●*



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