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CAREER OPPORTUNITIES IN GOVERNMENT

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The panelists will discuss evolving job opportunities in the government sector.

MR. JEFFREY C. HARPER: My job is to describe the session, introduce the Section, and introduce the panelists. With respect to the topic, which I think is particularly timely, there are a number of reasons why there is more interest in actuaries working for government these days. Just within the insurance industry I can think of agency representations or misrepresentations that have come to the forefront of late, insolvencies of small and large life insurance companies in both the U.S. and Canada, the pending health care reform in the U.S., and the way that investment products are being designed and marketed. All these issues require a great deal of government interface. In fact, you can hardly read a headline these days without noting reference to some type of government entity. There are other aspects to government besides just insurance. Maybe we will be able to touch on those a little today. The other piece of the title is "opportunity." I think there is quite a bit of opportunity when we have the flux that we do now.

The goal of this session is to expose you to some of the current and emerging job opportunities within government. This is actually one of a trilogy of spring meetings. The New York spring meeting includes another session similar to this titled "Career Opportunities in Banking," and then at the Vancouver meeting there is a session titled "Career Opportunities in Miscellaneous," with the emphasis being on federal health because that is a pension and health group meeting. All three of these are sponsored by the Actuary of the Future Section.

The Actuary of the Future Section is the sponsor of this session. It is a growing and interesting and exciting section. Let me tell you about the history, the mission and goals, and then something about what the membership looks like. Hopefully some of you, if you are not already members, will be soon.

The history goes back to a task force titled, appropriately enough, The Actuary of the Future Task Force. This task force submitted a report titled *A Plan to Develop Nontraditional Opportunities* to the Board of Governors of the Society of Actuaries in September 1991. The report is 34 pages long and has about 10 pages of appendices. It contains 12 specific recommendations. I'd like to read excerpts from three of them.

Recommendation No. 1 said that the Society should "develop career planning prototypes." These panelists are nice guys; I am not sure they are prototypes, but for today we are going to pretend like they are. Recommendation No. 4 said the Society should "refine and implement the suggestions herein for expanding the role of actuaries within traditional employers such as state insurance departments." And Recommendation No. 6 said the Society "should develop the desired relationships with targeted nontraditional employers," and I think that also includes state insurance departments. In other words, state insurance departments have used actuaries, but in fairly limited roles. I think because of these topics we listed earlier, there could be larger roles.

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The Section was launched about a year later, in October 1992, so that was only about two and a half years ago. I think that is about the same time delay as the one between finishing your annual statement and having one of these guys do their triennial exam.

Some of the missions and goals of the Section are as follows. The main mission of the Section can be paraphrased as something like to identify and develop nontraditional roles and future opportunities for actuaries. One of the goals is to increase public awareness of the actuarial profession, and I think in government is one way we can do that.

The membership has grown substantially. Obviously, in October 1992 there were no members, because there was not yet a Section. By November 1994, just two years later, there were 829 members. These members range across all types of employment, including government, consulting firms, and insurance companies, and range in age from people just entering the profession to us old guys who are getting tired of what we have done. In addition, the members are future-oriented people, and the proactive nature of most of the people I meet in this Section make for some very interesting discussions.

Let us turn it over to our panelists. First, we are going to hear from Rod Friedy. Rod was born in Canada. He graduated with a B.S. in statistics from Sir George Williams University in Montreal, which is now Concordia. He is a Fellow of both the Society of Actuaries and the Canadian Institute of Actuaries and is a member of the American Academy of Actuaries. He joined the Louisiana Department of Insurance in May 1994, so he is still fairly new to the government arena. He is in the life and health area. Prior to this, he worked in Canada, initially for a large, multinational life insurance company, and then for a medium-sized Canadian company which also just happened to have a U.S. block of business. The last ten years of his life in the corporate sector was with a corporate actuarial department, and much of this was spent in meeting compliance requirements. So Rod will tell us what it is like to be in government after having been in private practice and also tell us how he got into this racket.

MR. RODNEY E. FRIEDY: After close to 20 years of actuarial work in Canada, I concluded that most of the employment opportunities in Canada were geographically limited to the southern Ontario region, and generally in Toronto with its associated high cost of living and time-consuming commuting problems. Conversely, actuarial work in the U.S. is much more geographically diversified, with opportunities in many cities of different sizes. Being the parent of two boys under the age of five, I had a preference for a smaller-sized city. With what I was looking for in mind, I noticed that the majority of state capitals were in medium-sized population centers. Knowing that life insurance is regulated at a state level, and having noticed the regular list of positions in the American Academy of Actuaries *In Search Of* bulletin, I decided to explore the opportunity further.

In my employment at life insurance companies, I had been working in corporate actuarial departments for more than ten years. Along with regular corporate actuarial work, I was responsible for meeting many of the Canadian and U.S. actuarial compliance issues. In addition, I was the U.S. valuation actuary for the last company I worked for. So, keeping my lifestyle objectives in mind, I applied to a few state insurance departments. Louisiana offered me a position that met both my personal and professional requirements.

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After having been in this position as a regulatory actuary for close to a year, I am enjoying the work. I have learned a lot about insurance law, with the actuary as regulator being in a position to implement insurance law.

There is a proliferation of new regulatory requirements that have been passed recently in the United States. Included here are asset adequacy analysis, what is known as Section 8, small group and individual health insurance community rating, along with many recent model regulations passed by the NAIC. Dynamic solvency testing is likely to be a requirement in the future. These issues provide a challenge to the regulatory actuary.

An insurance commissioner's office allows you to meet many other professionals, mainly from the accounting and legal professions. In addition to its own unique contributions to regulatory efforts, an actuary's input complements the work of the other professionals. One item that has impressed me is the level of dedication that many of these professionals exhibit. An advantage to the actuary working in the regulatory environment, particularly in a small state, is the level of individual contribution that it allows you to make. Often the actuary is the only individual available to provide input on a particular issue.

I have seen companies with good intent undergo problems. My philosophy towards my role as a regulator is to try to encourage the free enterprise aspect of life insurance, yet protect the policyholder trust in the vehicle of insurance. It is my intent to help the companies work through their problems. My experience in life insurance actuarial work helped me develop such a direction. Conversely, some of the more junior regulatory employees, in spite of their dedication, do not always appreciate the private company problems. Liquidation is a lose-lose situation, and should be avoided if at all possible.

I would like to conclude by observing that work in a state regulatory office is excellent experience for someone working in a life insurance company, and life insurance company work is excellent experience for someone working in a state regulatory office. The interchange of experience is invaluable.

MR. HARPER: The next speaker is Michael Morgan. Mike was born in Twin City, GA, and graduated from Emory University in 1967 with a B.A. in French. He taught French and eighth grade math for three years at Jackson High School, and then went back to school and got an M.A.S. from Georgia State University in 1972. He worked for Pan American Life Insurance Company in New Orleans in the international operations for 16 years, interrupted by a two-year stint with the New Orleans Tillinghast office. For the last five years, he has been at the Florida Department of Insurance. Mike is going to talk to us about some of the contrasts between private and public employment, and also a bit about the American Academy of Actuaries Committee on Actuarial Public Services.

MR. MICHAEL W. MORGAN: When I agreed to serve on this panel, I said to myself, "Well, we are actuaries, so we have to have some data and statistics to make it really actuarial." So I looked in the *Directory* and I compared some information in the 1992 *Directory*, which is the first composite one, and the latest, which is the 1995 *Directory*, to see to what extent employment in the public sector has grown. I focused my attention on just employment in the U.S., rather than the U.S. and Canada, because I am not familiar with what is going on in Canada and what opportunities exist there. In the U.S. between 1992 and 1995 (which is probably 1991 and 1994), there was about a 20% increase in employment of actuaries in the public sector, which includes federal, state, and local

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governments, and includes our friends on the property/casualty side as well. That just about parallels the increase in total actuaries as reflected in the directory as well. So opportunities in government service are increasing at least as fast as the profession is increasing in membership.

One other area where I could not make a determination, but where there also perhaps has been some increasing opportunity, is in consulting firms that principally work with state governments; there are a few at least whose primary source of work is state insurance department work, working for those departments that thus far do not feel the need for full time actuarial personnel.

Of those who were employed in government last year, a little over half were in state government, and the rest were distributed between federal and local. I also found it interesting that the 1992 directory showed 31 state insurance departments which had actuaries, and the 1995 directory also showed 31 state insurance departments that had actuaries. Now that, combined with the increase in actuaries working for state insurance departments, means that some departments that already had actuaries increased their staff, some that had actuaries in 1991 do not have any more, and some that did not do have some now. That was a little disconcerting to me, because the fact that there are still the same number of states with actuaries may be an indication that a lot of states are still not convinced that we are necessary.

I would like to add to what Jeff and Rod have said about things that I see that are going on that ought to have an influence, or have had and ought to have a future influence, on opportunities for actuaries in government. At the state level, the increased concern with solvency has been mentioned, and that clearly should involve more actuaries. That is reflected in cash-flow testing, risk-based capital requirements, the NAIC accreditation of state insurance departments, etc. This should have an effect, probably has had some effect, on employment of actuaries at the state level. The NAIC Life and Health Actuarial Task Force is currently considering some fairly radical changes in the standard nonforfeiture law for life insurance, which will turn it into a more dynamic process than it has been in the past. That and its potential effect on the standard valuation law should create opportunities for actuaries at the state level as well.

On the property and casualty (P&C) side, it has been my observation that actuaries are participating more and more in setting loss reserves for P&C companies, which I think used to be set by technicians or people who did not have the professional training that actuaries do. I think P&C actuaries are becoming more and more involved in that, which should create opportunities for P&C actuaries in state government.

At the federal level, health care has been mentioned. I would love to think that the North American Free Trade Agreement, with the opening up of service and financial industries across borders, would have to create some need at the federal level for actuaries to help in the regulation of that trade across borders in the insurance and financial markets. I also imagine that the recent Supreme Court decision (no one I have talked to seems to know what effect it is going to have yet) about banks and annuities may have some implications in bank regulation at the federal, and maybe even state, level for actuaries as banks get into this annuity business, either on an agency basis or as actual sellers of annuities or underwriters of annuities. Still I am not sure anybody knows yet what is going to happen there.

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Now to get to what Jeff said I was going to talk about: first a brief comparison of employment in the private industry versus public employment. First and foremost, as you might already be aware, salaries for the most part are significantly lower in public employment. There are exceptions to that but, for the most part, salaries are lower for actuaries, as they are for all professionals. Fringe benefits vary so widely, even in private industry, that it is hard to compare. However, for the things that we consider to be actuarial fringe benefits, there is a significant difference. For students, for example, there is no study time and no exam raises. In a typical insurance company, the company pays the fee for you to take the exam. At the Florida Department of Insurance, you pay it and, if you pass and if you beg hard enough, you might get reimbursed for the exam fee. But do not expect any time off to study, and do not expect any raises. We have had a fairly high rate of turnover among students at our department, and typically when they leave the Florida department, they go to work for salaries that are 75–100% greater than what they are paid at the Florida department, particularly if they recently achieved associateship.

Attendance at meetings is a little tricky. The Society of Actuaries has very generously agreed to waive the meeting registration fee for one meeting per year for actuaries employed in government, which is one of the reasons I am here today, because neither the Florida Department of Insurance nor I have to pay the registration fee. That relates to something else I will comment on in a moment that the Actuarial Public Service Committee is working on.

You do not get very much recognition; for the most part there is no career path working in government. You are a technician, a professional hired specifically for something, and so there is really no place to go other than do what you are doing.

In private industry, particularly in insurance companies, you have internal politics. Working for government you have politics, which certainly can have an influence on how you do things and what you do in your regulatory activities.

I have heard people say that job security is greater in government service than it is in private industry. That may be true to the extent that some people, including some government actuaries, are members of a civil service system; it happens in Florida that we are not. I still think there is probably more job security, but it is just not as clear.

Now, that is a lot of negative stuff. I think there are compensating factors. On the average there is probably less stress in working in government than there is in private industry. I find a great deal of job satisfaction. My perception of the insurance market is that there are three major groups involved: the companies, the agents, and the consumers. The companies and the agents are quite capable of representing themselves. Consumers, however, are not organized to do that, and I believe it is one of the roles of the state insurance departments to represent consumers, and I get a great deal of satisfaction out of being able to participate in that role. So there are some compensating factors despite the somewhat negative working conditions, salary, and so forth.

I am a member of the American Academy of Actuaries Committee on Actuarial Public Service, which was formed just a few years ago in recognition of the importance of actuaries in public service and in recognition of the fact that conditions are not always ideal for such actuaries. I want to mention a few things that our committee is doing. You may have seen in the *Academy Update* announcements mentioning the Robert J.

Myers award, which we established. The first one will be awarded this year to recognize significant contributions in the public sphere by actuaries. I think that will be announced at the Academy Annual Meeting this fall.

We also have recently conducted a salary survey. We hope to use the results of that to try to educate those who employ actuaries in the public sector so that they will be able to compare salaries they are paying their actuaries with the salaries actuaries earn in the private sector. Now there is a statute on the Florida books that says the insurance commissioner may employ actuaries, and it goes on to say that salaries shall be set commensurate with salaries in the insurance industry. Of course, we in the Florida department are totally ignoring that because we do not set salaries that way. Rod mentioned the *In Search Of* bulletin. Based on my experience, if you look at that and then give a salary range, they will offer you the minimum. If they say "commensurate with experience," it is not. You have to take those things with a grain of salt.

The other thing that we are working on, and I am personally spearheading this effort, regards the qualification standards that we are all subject to if we are members of any of the actuarial organizations. We are concerned that many actuaries in government are really not aware that they are probably subject to the general qualification standards, so one thing we are going to try to do is at least bring that to the attention of actuaries in public service. One of the real problems there is the fact that part of the qualification standards involve continuing education, and half of the continuing education credits have to be acquired at organized activities like this meeting. I do not think I am generalizing too much when I say that most actuaries in government cannot fulfill that requirement unless they pay for it themselves because state, federal, and local agencies just do not pay for actuaries to go to meetings and get continuing education. So one of the things we are working on is to find ways to, first, bring that requirement to the attention of actuaries in government and then, second, find ways that we can assist such actuaries in meeting the requirements, particularly for attendance at meetings, without their having to spend their own money. I will close by giving an example of a young lady who is on our staff at the Florida Department of Insurance who wishes to fulfill the continuing education requirements. She has spent much of her own money to attend these meetings and earn credits. Now I wish I were that noble. Of course, she does not have a wife and three kids, some of whom are in college, as I do, and I am not quite as willing to spend my money that way. But we consider that to be a serious problem and we are working on that, among other things.

MR. MARK J. GREENE: It seems we still have an identity crisis in the actuarial profession. Earlier, it sounded like we are still up in the air, at least in the U.S., as far as whether actuaries signing certifications (be it for reserves or other purposes) are working as regulators or as advocates for the company, and I am curious as to what extent regulators are actually relying on actuaries who are signing these certifications. I have heard stories of valuation actuaries (or qualified actuaries or whatever you want to call them) signing off on cash-flow statements where a company is failing most of the scenarios, and with no extra reserves or anything, and my guess is that because of budget constraints state insurance departments are not reviewing the memorandums. Since they just do not have the resources they are relying on the integrity of the profession. So where does that balance get struck if you were an actuary working in a state insurance department? Are you going to hold certifying actuaries' feet to the fire when they sign off on these things?

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MR. FRIEDY: In Louisiana, we are addressing that issue for the first time this year. The actuarial memorandums will be reviewed for companies we consider suspect. The smaller ones we will do in-house; the larger companies we will send out to consultants and the consultants will retro bill the company. So it is not very popular, but that is the way it will be done.

MR. MORGAN: I am the person in the Florida department who reviews the cash-flow testing writeups for Florida domestic companies, and admittedly I have not come across anything of a serious nature in any of those, like failing five out of seven scenarios. But I try to be as thorough as I can be with my knowledge and background and resources in reviewing those; when something does not look right or I do not understand why some assumption was made or omitted, then I ask questions and try to clarify the situation and at least become as comfortable as I can get with the cash-flow testing. My feeling so far in what I have reviewed is that there is a varying degree to which appointed actuaries exercise independence in forming and stating the opinion or in making it look a little bit better than it really should be. Another concern that has surfaced is the possibility that for those companies that use consultants if they may not like the opinion one consultant gives them, then maybe they will find another consultant who will give an opinion they like better. Now the model regulation does contain a proviso (I guess it is in the regulation) that if you change appointed actuaries, you may be required to explain why you did that, but that is an area of slight concern. But I think to get back to the part of your question about the extent to which we are relying on appointed actuaries, I think the reliance right now on the average is fairly significant.

MR. HARPER: What is the difference in size of the staff of the two departments and, for that matter, Rod, how many actuaries were there before you got there?

MR. FRIEDY: I am the first qualified life actuary to ever work in the Louisiana Department of Insurance. They used to call someone an actuary without having the designation. To me that is a pseudo actuary, although I think they can get away with it legally in the U.S. A couple of years ago, they hired a P&C actuary to work in the rating commission, and we have recently hired another P&C actuary to coincide with my duties in the financial solvency end.

MR. MORGAN: In the Florida department, we have a total of, I would guess, maybe 12 to 15 actuaries, about half of whom are P&C actuaries and the other half are life and health actuaries. I am talking about people with credentials. Of the five life and health actuaries, four do rate reviews and I do the solvency or financial work.

MR. SAM GUTTERMAN: Historically, actuaries in insurance departments have played what I would call traditional roles looking at rates or looking at reserves. In the last year or so, we have seen some actuaries who have become department heads or commissioners. I think we still have not seen too many actuaries in other roles in departments. What do you think the chances are, or the likelihood or the desirability is, of actuaries moving outside those traditional roles?

MR. MORGAN: I think there are now four actuaries who are insurance commissioners. I think, however, all four are appointed. When Bob Hunter was commissioner in Texas, I believe he was the appointed commissioner. I think this says something. Of the four, none are politicians and none of them ran for public office. I think it is possible and

extremely desirable for actuaries to be in roles other than the pure technical roles in state insurance departments. I think the problem is (and this is my observation based solely on the nature of the Florida Insurance Department) that people who reach higher levels of management in the Florida Insurance Department tend to be aggressive. (I could use some other words, but they might sound pejorative.) I am not aggressive, so even if I do have very good technical capabilities and good reasoning and so forth, I will never do anything more than the work that I am doing now, because I am not aggressive. I think it is hard to generalize about actuaries and that sort of thing. We are not as aggressive as insurance agents, for example. We may be more aggressive than some other people, but I do not think we will see a whole lot of actuaries moving up into higher-level positions that are not strictly actuarial in state insurance departments, at least in those states where the insurance commissioner is elected. In those where it is an appointed position it may happen, because the whole dynamic I think is different there.

MR. FRIEDY: I would agree with Michael. In the state of Louisiana, the commissioner is elected. He is generally a lawyer, and there are currently about 30 lawyers in the Louisiana Department of Insurance and I am the only qualified life and health actuary. Dwight Bartlett is commissioner in Maryland. I understand he is doing a fairly good job, but he was appointed. So, as Michael said, as long as there is an election, you will never see an actuary get elected. They just do not have the persona and the dynamics it takes to get elected to a public post.

As far as management positions go, I would say that an actuary could handle the role of head of financial solvency. He or she would be able to fulfill that role or even that of chief deputy commissioner.

MR. JUSTIN N. HORNBURG: I have a couple of questions. Who do you report to in the department?

MR. MORGAN: I report to a gentleman whose title is financial administrator, who reports to the bureau chief of life and health solvency and market conduct, who reports to the deputy division director of insurer services, which deals with both life and health and P&C, who reports to the director of insurer services, who reports to the insurance commissioner.

MR. FRIEDY: I report to the deputy commissioner of financial solvency, who reports to the chief deputy commissioner, who reports to the commissioner. The three people I just mentioned are all lawyers.

MR. MORGAN: I think I may sound like a broken record here, but I do not think any of the people in the chain I just mentioned are attorneys; however, they are all very aggressive people.

MR. HORNBURG: The second series of questions is sort of related to how you felt moving from private companies into the insurance department. Now you are on the other side from an actuary in a private company. You know generally how regulators are viewed when you are in a private company. I was wondering how you felt being on the other side of the table, or the other end of the mail, and also if you think there is much creativity available in the position. You kind of downplayed a lot of the other aspects but said that you are kind of viewed as a technician and you are not really going to move up.

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As a professional, I think actuarial work is very creative, and I think you do get to do a lot of creative stuff, and I am just wondering if those kind of opportunities are available in your work today?

MR. HARPER: How about we start with the shorter experience.

MR. FRIEDY: There is some opportunity for creativity in that you assist the companies with their problems. The level of creativity is not on a regular basis like you would get on the other side of the compliance issue. One of the things I have discovered is that, having submitted compliance reports, I did not do them that badly compared to what I have been seeing. I think the problem solving is the strength of the job. The reviews themselves are somewhat monotonous.

MR. MORGAN: Many of them are very monotonous. I think there is room for creativity. There are certain things that I work on and, in my position, I am virtually unsupervised and so I have a lot of flexibility in what I do now. I do have to complete the financial examinations that are going on, but, beyond that, I have a lot of flexibility and I can get into things that I am kind of interested in as long as they fit somewhat within the parameters of things that the department as a whole needs to be doing. And so that is a lot of fun; I enjoy being able to do that. I also feel that I have the opportunity to kind of be a consultant to companies, particularly companies domiciled in Florida, about various and sundry things. I frequently get calls from the actuaries in such companies asking me how to do this and what does this mean and so on, and I get a kick out of that.

I am reminded that if you read particularly the transcripts in the *Record* of different meetings (and I have been reading a great deal about reinsurance lately because I am very interested in that), frequently you will see comments made about the "unsophisticated regulators." I hope we are changing that image by being creative and actually doing some things that make a difference. You can look at some actuaries in the public sphere who certainly no one is going to consider unsophisticated, like Robert J. Callahan in New York and Larry M. Gorski in Illinois and Frank P. Dino in Colorado, who are fairly well-known and who do many different kinds of things. So there are opportunities to do things if you look around for and enjoying doing them.

MR. HARPER: Let me ask a question that fits in here. One of you mentioned being in and out of industry. In other words, you come from an insurance company to an insurance department and/or go back. In these days of scandals at the U.S. government level, is that going to be a problem? I mean on the one hand you could get training in an insurance company that would be useful as a regulator, and then I know Rod mentioned he sees things as a regulator that would be useful in an insurance company. Is there any problem with coming in and out of private and public practice?

MR. FRIEDY: I do not believe so. That's a short answer, but that is all I can really say about it.

MR. MORGAN: I do not perceive that there would be a particular problem other than this general impression that relates to what I just said about actuaries who work for state insurance departments not having much on the ball and they are kind of backward and lazy or whatever the perception is.

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There is one other thing I wanted to mention which may be totally unrelated but maybe it is something the Actuary of the Future Section might be interested in as a general kind of thing. One of the things that may hold actuaries back in the public sphere (and this also may be true in private industry) is that there is a perception that we are grossly overpaid and we are certainly paid better than many other people are. I moan and groan about the low actuarial salaries at the state insurance department level, but still we are paid much better than attorneys and much better than other people who work there. That is a difficult kind of thing to overcome, but I think maybe we will have to overcome that perception as a profession in order to improve some of these things. To some extent it is our own fault, because I think we have giant egos and we tend to let that show too much and act superior, and that certainly does not help when we have to deal with other people who may make decisions about our compensation and working conditions.

MR. HARPER: A related question: I think Rod had mentioned some lifestyle changes. You did not want to live in southern Ontario, which is expensive; you prefer Baton Rouge or Tallahassee. Does that tie into the pay level? You talked about less stress, maybe more reasonable hours; is there a trade-off there?

MR. FRIEDY: Yes, there is somewhat. I had lived in Toronto before, and I was spending two hours of every day commuting, one hour going into work and another hour coming back. I have my own working style: I am not a morning person so I would tend to get in a little late, but then I would work well into the evening. Well, the problem in living in a large city, where you had an hour's commute afterwards, is that you had one hour of hunger before you actually had a chance to eat. So, I was looking for something where I could get around a lot faster. Baton Rouge takes less effort. I live in a well-finished 2,500-square-foot house, and its value is about \$200,000. Now, I defy anybody in the northeastern United States to come up with that.

MR. MORGAN: Of course you will find regional differences and those sorts of things, but I think it is true and an interesting observation that Rod made that a lot of state capitols around the country are in smaller cities, and Tallahassee is no exception. Jackson, MS for example, Montgomery, AL are smaller cities, and there are lifestyle differences. I love Tallahassee. If traffic is really bad and it is raining, I have a 20-minute commute to work. I go home for lunch every day because I just live that close and it is easy to live that close. And that is one of the compensating factors that I find. My point of comparison is living here in New Orleans and working for Pan American Life. New Orleans is obviously a much bigger city than Tallahassee, and of course, there is a big difference culturally too, and I am just much more comfortable in Tallahassee, FL and that makes up psychologically for some of the differences I noted in other factors.

MS. LINDA M. KAHN: I have several questions. The first one is so open because maybe you all do not know. How many insurance commissioners are elected in the states?

MR. HARPER: I have known and forgotten. It is 27 and 23, but I cannot remember which is which.

MS. KAHN: So it is roughly 50-50. OK. Second, what advice would you give someone who is thinking about getting into the governmental sector, who is currently working for an insurance company, as to whether there are any particular skills and knowledge they

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will need and, if so, how do you go about getting it or how do you identify these job opportunities?

MR. FRIEDY: If you notice the American Academy of Actuaries *In Search Of* bulletin there is always something going on. As for the skill base for a junior, I would say insurance company experience in general. My insurance company experience has allowed me to do this job I believe fairly well whereas if I had trained my way up from the bottom, I do not think I would be doing it as well.

MR. MORGAN: I think at least at the state insurance department level, there is a lot of variation in what different departments emphasize. I think if you look at the Texas department, for example, or the Illinois department, you would find most if not all the actuaries working on solvency issues, and very few if any working on rate issues in life and health now. At the Florida department, as I have mentioned, it is exactly the opposite. We have four of five life actuaries doing rate work, and one doing solvency, so it depends. Obviously, if you are going to go into rate review work for health insurance mostly, pricing is a good background. If you are going to go into solvency work, then of course financial reporting and that sort of thing is a good background. At the federal level, I guess you have many different things, but pension and health seems to be the greater area at the federal level, because you think about the Health Care Financing Administration, the Social Security Administration, and the Department of Defense—agencies that are usually involved with either health or pension type work. So there are many different kinds of backgrounds you can get and go into regulatory work, just depending on what your area of interest is and whether you wanted to work for state or local government. Most local government stuff is also pension.

MR. HARPER: I have one other question. I guess we should ask it of the new guy first. What is the most surprising thing you found about your job? What either surprised you most or is the most difficult?

MR. FRIEDY: The technical nature of the job has not been that difficult. What was a surprise was the stereotype of the unmotivated civil servant. It is true at the clerical level but at the professional level, I am very impressed with the people I have met in their competence and dedication.

MR. MORGAN: I guess the most surprising thing to me overall was politics and the influence it has. It affects the way we look at things and the things we do and the rigor with which we enforce certain things.

FROM THE FLOOR: As a followup to that with all the discussions about professionalism and ethics, has that caused ethical problems for you, or do you see the potential that it could perhaps cause ethical problems?

MR. FRIEDY: I do not believe so. If you have a standard of practice as an actuary that you follow, then I think you have to be prepared to stand behind it, and stand on the issue and say, "No, I cannot do that, I will not do that," and, if worse comes to worse, you resign and report it to one of the professional bodies.

MR. MORGAN: I think the area of ethical consideration that has come up among the actuaries in the Florida department is the fact that we see the work product of a great

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many of actuaries in private industry, and we sometimes wonder how some actuaries in good conscience sign some of the things that we get, like A&H rate filings or some of the assumptions used in filings. We sometimes wonder whether we as actuaries (not regulatory actuaries—the regulatory part just gives us the opportunity to see things) are not somehow violating a trust to the profession by not bringing these things up to the ABCD or some policing body. Sometimes they are not blatant, sometimes they are honest differences of opinion, which are fine, we discuss that with the other actuary. But sometimes we wonder whether or not the marketing department convinced the president of the company that something just had to be done, and the president told the actuary to fix it, and that is what the actuary signed.

MR. HARPER: I think your answer then is yes.

MR. MORGAN: I do not believe in short answer questions.

MR. HARPER: Right now it looks like both of you are working in the insurance industry. I know that, at least in Florida, the department you are in is more than just insurance. It is similar to the fire marshall, for example. Are there other areas of government that could be using the skills actuaries have that you have recognized?

MR. FRIEDY: I believe in Louisiana, the Legislative Auditors Office employs an enrolled actuary. I cannot think of any others at this time.

MR. MORGAN: There are a couple of actuaries who work for the Florida Retirement System. Personally, I have never met them. The Department of Labor of the State of Florida has someone who I do not think is a credentialed actuary, but functions in an actuarial type capacity doing worker's compensation type things. And so to the extent that in state government there are worker's compensation considerations and departments of labor, obviously that is an area where actuaries could work. In just general personnel management, to the extent that that involves projections of pension costs and so forth, those sorts of things would properly be handled by actuaries as well. So there are a variety of areas I think where state governments are not really making use of actuarial talent where they could properly do so and benefit from it.