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Session 80PD Marketing of the Profession

Track: Actuary of the Future

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Recorder: TERESA RUSS WINER

Summary: The AAA has put together an ad hoc task force charged with developing a long-term strategic approach for marketing the profession to future users of actuarial services and to strategically position and strengthen the profession. This session provides an update on the progress of the task force and invites discussion from session attendees.

Ms. Teresa Russ Winer: Our first speaker today is Anna Rappaport, past President of the SOA, and now a member of the Board of the SOA. Anna served as Chairperson last year for the AAA Committee on Marketing of the Profession. She will talk about her experience with that committee.

Ms. Anna M. Rappaport: I want to introduce a guest who I hope will participate in today's session. We're fortunate to have Paul Thornton, President of the Institute of Actuaries (IAA). They have faced a lot of the same issues that we have, so as we go along, ask Paul, "Does this sound right, or is it . . . you don't have any of those problems over there . . ."

Our agenda starts with the historical background then identifies our customer, then focuses on the AAA Task Force on Marketing, and concludes with where we are today.

Historical Background

It will probably come as no surprise that marketing is not a unique problem to our profession, and this is not the first time we have focused on it. In fact, if you talk with people who have held different roles—and I have done this for the last five years—the same issues related to marketing the profession come up. Actuaries have been concerned about these issues for many years.

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In thinking about marketing the profession, you might say "that's the job of the leadership." But, it's really a job for each of us as members of the profession. And it helps all of us. Marketing should be part of our daily professional lives.

The profession is a source of different kinds of work. In 1996 and 1997, we analyzed our customers and employment areas in North America. We asked: Who employs actuaries? Who employs our members? What kind of customers do we have?

We learned that the biggest employers of North American actuaries are big consulting firms. When I started in 1958, the biggest employers were the major East Coast mutual insurance companies.

Today the large consulting firms employ more than five times as many actuaries as the largest single insurance company. A handful of consulting firms make up the very large employers.

In 1997 we conducted an advisory panel with the major consulting firms to find out what they thought about the SOA's services and the profession. We didn't need to sample. Because there were only 15 firms, we invited them all. This advisory panel was quite successful. A report was prepared.

In 1997 we formalized the idea of joint activities with external groups. We'd had joint activities before 1997, but by formalizing the process we became more organized. In 1999 the AAA appointed a task force to look at marketing of the profession.

Examples of past joint ventures include the Social Security Mortality Research Project, Retirement 2000, Retirement Needs Framework, Annuity Conferences, Risk Measurement papers and seminars, and Strategies for a Changing Work Force. I will tell you about each of these activities and our partners.

For the Social Security Mortality Research project, the participants included the SOA and the Social Security systems in the NAFTA countries—the U.S., Canada, and Mexico. We had support from the Pension Research Council and the National Academy for an Aging Society.

The funders included the Actuarial Foundation, the SOA, and the Retirement Research Foundation. The Retirement Research Foundation is a major foundation in North America involved in retirement-related work.

The results were published in a special issue of the *North American Actuarial Journal* (NAAJ). This was multidisciplinary research on methods of mortality projection.

The participants included actuaries, demographers, economists, and biologists. They were all people who had a lot of expertise on issues surrounding mortality, but they also had different perspectives. It was a great project.

The results were presented to the American Association for the Advancement of Science (AAAS). This was the first time the actuarial profession sponsored a session at the AAAS. We were proud of that. Our work was reported in the press and received multinational attention.

I've had comments from people in Washington who are not part of the profession who are using this study.

Because mortality is one of the key variables in projecting Social Security systems, a lot of interest remains around this topic today. And I say systems. The issues are important not only in the U.S., but throughout the world. Are the Social Security systems adequately funded or not? The question of mortality projection is a key question.

Retirement 2000 is my next case example. With 13 sponsoring organizations, Retirement 2000 was a multidisciplinary effort focusing on issues relating to aging societies and retirement policy. Nineteen papers were presented by a diverse group of authors including actuaries, economists, attorneys, and social scientists. The results were published in summary form in the May 2000 edition of *The Actuary*. A more extensive publication is being prepared for a special issue of the *NAAJ* scheduled for release in January 2001.

My next case study is the Retirement Needs Framework Project. This project started out looking at what is happening in the area of retirement planning. Most of the energy focused on helping people build up money so that when it was time, they could retire. How much does one need to save? How do we get people to save it?

There is not much attention given to what to do as retirement funds are used. What are the issues during the retirement period when retirees are using the money? Well, that's what the Retirement Needs Framework Project is about. We had 16 papers, and again it was a multidisciplinary effort including actuaries, nonactuaries, and a symposium. The papers have been published in a monograph by the SOA. A committee is working to advance the research. We have the 16 papers, but we still don't know the answers to many questions. The monograph lays out areas for further research.

The Annuity Conference is the next case study. This is an annual series sponsored by the SOA along with the Life Office Management Association and the Life Insurance Marketing Research Association. This effort supports the life insurance practice area, but in a sense it is also related to retirement.

Some of the Year 2000 Annuity Conference topics included critical issues and strategic responses, Internet strategies, and design and reinsurance. This has been a very successful effort. Another conference is scheduled for 2001.

My next case study is the Risk Management Call for Papers and Seminar. In December 1997, we had a multidisciplinary seminar around Risk Management and

Evolving Ways for Risk Measurement. Value at Risk was certainly a major topic, but not the only one. At the time, risk measurement was a developing area. The participants were excited about being there, talking to each other, and meeting new contacts. At several of these events we had attendees from outside North America and as far away as Switzerland. A call for papers was used here as in the Framework project and Retirement 2000. We published the papers in a special issue of the *NAAJ*. Presenters and attendees included both academics and practitioners.

My next case study is Strategies for a Changing Work Force. That was a joint effort with the International Foundation of Employee Benefit Plans and the American Compensation Association in Spring 1997. Strategies for a Changing Work Force was more like a conventional meeting. All three organizations worked together in planned sessions with selected speakers. Actuaries made up about a third of the audience. Everybody agreed that we had a better program because it was multidisciplinary.

You will notice a thread running through these efforts in that these projects added to our intellectual capital. Content was important and all were research-oriented.

However, at the same time, these efforts gave us a chance to be in front of the people we want to know about us, so I view them as marketing. They have a triple focus: add to our intellectual content, provide continuing education, and market our profession at the same time. I see these joint efforts as some of the best projects we do.

Our Customers

Next we will focus on our customers. Who employs actuaries? Our customers include current and potential employers of actuaries and the buyers of actuarial services. We should also think about the customers of the organizations who employ us. In addition, the academic and policy communities are customers.

Future actuaries are customers, and we need to be very concerned about encouraging people to enter the profession. We learned from the consulting firm advisory panel how important career encouragement is to them. We asked the panel, "If the SOA could do one thing for you, what would be your highest priority?" We went around the room so everybody could respond. All but two panel members said, "We want you to get the right people interested in the profession. We don't want you to recruit them for us once they are interested in the profession. We can handle that, but we want you to interest the right high-school students in the right college programs and encourage qualified college students to become actuaries."

We have career encouragement programs in place. I'm happy to introduce Bob Omdal, the chair of the Career Encouragement Committee. We need more support for this program.

Those who influence career decisions, including high-school teachers, parents, college teachers, and neighbors, are in some respects customers as well. As mentioned earlier, the large consulting firms are the biggest employers of actuaries. The consulting industry includes large firms and very small firms, but few midsized organizations. The reason for that is midsized firms have been acquired by large firms.

The insurance industry has also been consolidating. The SOA has grown more rapidly outside of North America. Asia is an area of rapid growth.

AAA Task Force

The AAA Task Force was a special effort during 1999. Why the history first? The AAA Task Force worked to build on the history. I served as Task Force Chair and we had representation from Career Encouragement and diverse activities.

What were the marketing links to the mission statement of the AAA that deals with the public and policy? Our task force looked at a list of ideas and at past work. We solicited input from the Boards of the Academy, the SOA, and the Casualty Actuarial Society (CAS). We selected two high priorities. The Academy is focusing on these priorities. Efforts at implementation have begun. The task force has been dismissed, since its work provided a direction for starting implementation.

The Academy asked the task force to think about what the profession can do, then the Academy selected priorities and started working on them.

Our charge was to develop a long-term strategic approach for marketing the profession considering future applications of actuarial services in order to strategically position and strengthen the actuarial profession well into the future. We included casualty actuaries and life actuaries on the task force, as well as the academic communities and the Actuary of the Future Section of the SOA.

The ideas were based on prior work and task force input. We surveyed the Boards of the AAA, SOA, and CAS about these ideas.

A key idea is joint ventures with professional organizations with which we share a common interest. Our case studies rely heavily on such efforts. Another idea is to identify and support pioneers. David Bragg, in his presentation, is an example of a pioneer. Pioneers are people who have done different work and/or served different customers. That work might be something that other actuaries can do and the profession can become known for. We can ignore pioneers because there are not many people doing the work yet. Alternatively, we can say there may be a lot of people doing that work some day. We don't know, but we can try to expand the interest in the new area.

Pioneers are important. Let's focus on what's new, identify people doing it, and publicize the ability of actuaries to work in new areas.

Our next idea is to identify outside publications and to get articles by actuaries published in them. It's great to publish within the actuarial profession, but if we want other people to know what we do, we need to publish our work outside the profession as well.

For example, as mentioned earlier, the Retirement Needs Framework has been published in an overview article in the *Journal of Financial Planning*. The article summarizes the key thoughts and promotes the framework ideas. It also mentions the SOA monograph.

An overview of Retirement 2000 will be published in an article by the Profit Sharing Council.

It is important for us to identify who will be interested in our work and to publish highlights of it to get them interested.

Our next idea is to adopt broader approaches to career encouragement. The SOA Career Encouragement Committee has identified potential new efforts and is implementing some of them.

Our next idea is to publicize research projects better and release results in different forms. When we think about research, we want to focus both on our needs and our current and potential customers' needs. We should focus on how to capitalize on our work.

Our next idea is positioning individuals to market themselves. A new section on Management and Personal Development provides the means to implement this idea.

Our next idea is to invite guest speakers who can be influential in helping us and to develop relationships with them. Many outside speakers are invited to our meetings. We can create opportunities to get to know them and build relationships. For example, one keynote speaker served on the Actuarial Foundation Board.

Another idea, recently used by the CAS, is calling on CEOs and interviewing them to learn about the needs of their companies. That concept can be built upon and expanded by appointing ambassadors to different industries. The Actuary of the Future Section has a project to do that.

Priorities were set by the AAA Board based on the Board's rankings and task force input. Two things were most important. The first is developing closer relationships with outside organizations. This activity is very practice-specific. And this is an activity the SOA has worked on and will continue to work on for Research and Education organizations. The AAA is involving the Practice Council in this effort. The Practice Council will identify the right organizations in the area. The Practice Council has been asked to report external contacts in the future cycle reports.

The second priority is placing articles by actuaries in outside publications. The editor of *Contingencies* has now identified 88 possible sources for outside placement of articles and is routinely sending *Contingencies* to these publications.

In addition, *The Actuary* is sent to many outside publications. There have been a number of stories, quotes, and reprints resulting from the outside distribution of *The Actuary*.

That's a report on the Academy Task Force. There are also other activities. A broader approach to career encouragement is underway as a joint SOA/CAS activity. A new Web site, www.BeAnActuary.org, has been implemented. We are seeking more effective opportunities to get the attention of teachers and guidance counselors.

Marketing-related activities are supported by the Management Development Section, and they are working toward better publication of research results. The SOA has an external relations program, and the Actuary of the Future Section is doing good work to move us into new areas.

Those are my comments. I'm going to ask Paul if he wants to add something about what they are doing in the U.K.

Mr. Paul Thornton: First of all, thanks for letting me join your session, and greetings from the United Kingdom. It is very nice to be here. Thank you for letting me join your meeting.

A lot of what Anna said had a lot of resonance with things that we're doing in the U.K. In fact, I'm very glad to join this session because one of the things we're working on right now is putting together a strategic marketing plan for the U.K., bringing together some of the threads of what we are doing to market the profession.

First of all, we are actively looking at the links we have with other professions, trade bodies, and organizations that are relevant to what actuaries do, and we are maintaining a list of those organizations and keeping it under review on a periodic basis.

There are at least 40 organizations that we are actively cooperating with in some way. And that can either be through having joint meetings with their members, carrying out some joint research activity, or offering affiliate membership of the IAA or faculty to some of their members. Or even, in some cases, developing plans for joint education.

To promote joint education, we either borrow part of their system to incorporate into our education programs, or work with them on joint qualification and certification in areas outside of the actuarial mainstream.

Apart from that, we work hard on relationships with government departments and politicians, and we give quite a lot of effort to keep up the relations there.

In that area, we have another list, which we keep reviewing, called Key People of Influence. What we did there was to ask each of the boards or committees in our structure to nominate the three most important people who they had to influence in order to achieve the professional's objectives.

We ended up with a list of about 30 people who are rather important and that we make contact with.

Having that list makes sure that we actually maintain a contact program.

We do a lot of press releases and press briefings, probably about two press releases a week, and, like you, we do quite a lot of work on placing articles in other publications. We are particularly keen on the financial tie-ins because the national and international markets influence our view.

We've also been putting quite a lot of material on our Web site. We've been developing things that we call position statements, which are some sort of comment by the profession on issues of public concern, such as assets, profit rates, benefit testing, trends, endowments, insurance production, paying off household mortgages, things like that. We have about a dozen of those.

Yet another list that we keep is key public relations issues, and, again, this is generated by the various boards and committees. The management committee views it on a regular basis. The purpose of it is to make sure that we focus on the external view of the actuarial profession. We identify what the right course might be, make a press release or statement, write an article, develop a position statement, or whatever.

Like you, we send out a publication, also called *The Actuary*. We send that to nonactuaries. We have a certain amount of literature and career brochures in particular, and another brochure called "Financial Sense."

We have a saying, which is "Making Financial Sense of the Future," which appears on all of our literature. One of them is called "Financial Sense," and that's our profession's corporate brochure.

I mentioned that we have information on the Web site that the public can access. We've been producing some helpful booklets for consumers; for example, what happens when you transfer from one pension fund to another, or an explanation of what the role of the actuary in pensions, life insurance, etc.

We have another program, which created some new membership categories for nonactuaries in the IAA and faculty. In fact, we have elected some members outside the profession to be honorary fellows. We also elect some distinguished

overseas actuaries to be honorary fellows. You will be glad to know that Norman Crowder was elected to be an honorary fellow very recently.

We have candidates for affiliate purpose, and these are people who are in the working stages of their career—not necessarily people quite so famous, but who are interested in what we are doing. They have to pay a small subscription to join, but, again, the purpose of that is to attract people in other organizations.

Like you, we have a plan to solicit CEOs. We haven't made a lot of progress with it, but it is extremely valuable to get their perspective on actuaries.

Anna gave a list of projects and issues that you have used to promote the profession, and I think we could do a lot more in that area as well. We have done a few things of that sort, but not necessarily promoted them quite as actively, as it sounds like you have.

Another way in which we regard ourselves as promoting the profession is through the university system. There are a half-dozen universities in the U.K. that actually run Actuarial Science programs, and we have a system of crediting-exam exemptions for students who get good enough grades in their programs. I know this is quite a controversial issue over here, but it is a well-established process for us.

Apart from those universities that have specific actuarial programs, we are also targeting some of the top universities that we recruit from, such as Oxford, Cambridge, Imperial College, London, or York, in order to get them to put some actuarial modules into their math or statistics courses. This isn't to try to turn them into actuarial science courses, but simply to give the generation of mathematics and statistics students some exposure to actuarial ideas.

We have a number of committees targeting particular aspects: a couriers committee, a university liaison committee, and a university initiative committee.

We've also been quite active in the area of continuing education. We have a group that is working actively with other bodies on the whole question of financial education and getting financial ideas into the schools, and things like that.

I think I've given you quite a wide range of things that we're doing. We could take lessons from you, I think, other than where we are adopting some slightly different tactics. But the one thing I now feel is missing for the U.K., is an overall strategy, and a marketing plan to pull this together. At the moment, it is all happening rather piecemeal; we don't have a sufficient plan for the whole marketing activity. Thank you.

Ms. Winer: I'm Chairperson of the Actuary of the Future Section Council. This is my third year in the council. I invite you to join this section, if you're not a member. If you're concerned about the future of the profession, get involved. You

can join the section, run for the Section Council, or just get involved in various projects as a "friend of the council."

I conducted a marketing research study last year about personal actuaries.

My research project wasn't originally about marketing the actuarial profession, but the input that we got from our focus groups indicated a need for such marketing. When it comes to actuaries working with individuals, marketing is crucial.

The Committee on Finance Research of the SOA funded this study. To save on costs this was a limited study, but we got a good bang for our buck and were able to get some great input from the community.

The purpose of the study was to determine the viability of actuarial counseling (of being a personal actuary), i.e. working with individuals. The first steps of the study were to develop the overall project by taking input from the Actuary of the Future Section and the Task Force on the Personal Actuary. I coordinated the project and wrote a summary, which is on the SOA Web site.

Initially, we surveyed a group of retirees, which we thought would be a valuable group and low-cost to reach since there are many groups with regular meetings. Retirees can look over their past and think about when they could have used an actuary. We surveyed 150 retirees from a fairly well-educated group. We first made a presentation to explain what actuaries were, and asked for their help in this study to see how actuaries could better serve them.

The biggest concern for retirees was reducing the risk of outliving one's income/assets. They didn't know how much money to take out of a pension plan as a lump sum, or how much money to spend each year. The concern of running out of money was something actuaries could address, especially for financial planning, to add mortality and risk elements, and give some probabilities.

The survey wasn't able to probe deep enough. We held a focus group subsequent to the survey. We drew participants from the surveys showing an interest in being in our focus group. What was surprising to me was that retirees answered things in the survey very differently from the focus group.

In the focus group we had more time to explain things and found out that the retirees really didn't know much about their insurance policies, contrary to their survey answers. Having more time to reflect brought out information about problems understanding their policies.

Because of the complicated and broad nature of actuaries' work, and the potential work that actuaries could perform, it was difficult to get good results from a survey.

The focus group was more informative. We had a small group talking for over two-and-a-half hours. David Bragg, who is speaking today, was present at both sessions.

Even at the end of the focus group session some retirees were confused as to how an actuary could help them, or why they might call an actuary. The more educated and wealthier retirees (there was a retired physician) definitely had more interest. There are niches within our retiree group that represent a large market for actuaries to approach.

The study, again, is on the SOA Web site with all the details and entire transcripts. If you're interested in working with individuals, this is nice to have at your disposal.

The second focus group was a professional group. We selected professions where an actuary might add value. We included several financial planners, a banker, CPAs, trial attorneys, and a divorce attorney. All of these people, not surprisingly, had more of an awareness of what actuaries do. Some of them had actually looked for an actuary and couldn't find one.

One of the trial attorneys in our study had called a big actuarial consulting firm, looking for an expert witness. He had trouble finding an actuary to testify against an insurance company. He had looked on the SOA Web site, was frustrated, and wanted to know how he could find an actuary if he needed one again. Based on this need, he recommended that we add a list of personal actuaries on the Web.

I commissioned a market researcher to lead the focus groups. I wanted a person who was not an actuary to lead so participants wouldn't feel that they were insulting an actuary. A nonactuary could help the participants brainstorm more openly.

A finding was that there was a lack of awareness of our profession with the general public. If you're trying to deal with retirees or the public in general, the lack of awareness will be a big obstacle to overcome.

There was more awareness of the actuarial profession by the professional group. There is still a lack of a full understanding of what actuaries do. It's hard for us to define ourselves in a sound bite because we do so many different things with pensions, insurance, life expectancy, and so on

You need to call a lawyer if you have to go to trial or need a will. When is the time to call an actuary? Not having a clear need with an associated "trigger point" in time is an obstacle to knowing when to call an actuary.

The focus groups lasted two-and-a-half hours each. One recommendation was to hold more focus groups across the country to raise awareness for our profession. After thinking about what actuaries do, talking about how actuaries could help them, and brainstorming, several participants came up with good ideas on how they could use actuaries.

We did find out that actuarial counseling is a viable niche, in spite of obstacles. There will be paths that will be more advantageous in starting a new career serving individuals.

An idea emerging from the professional group was to have actuaries speak at the American Bar Association or other association meetings. They would like to see more of us at their meetings, showing how we could help them.

The Society has a speaker's bureau that could link up with other associations. The SOA is already trying to get more of our articles published in other associations' publications which should raise awareness.

An actuary could develop continuing education materials for case lawyers and financial planners. Actuaries interested in serving individuals would find a welcome market and get their name out by presenting something at professional association conferences.

We need to explore getting some continuing education credit from outside professional associations for actuarial materials or presentations.

Some promising ways for an interested actuary to work with other professionals would be in financial planning. Financial planners have software, but they have no idea how to put mortality or other contingencies in, other than to assume you live to age 87, with a plug-in number. They want to incorporate actuarial assumptions. One financial advisor in our study, also a math major, was trying to add actuarial mathematics to his financial planning software.

Attorneys have different terminology for expert witnesses. In their terminology, there is an economic and a noneconomic loss. An economic cost is what an actuary can calculate, for example, for an injury—the "economic loss" of future income. Economists are what lawyers look for instead of actuaries to make these calculations. We must get lawyers to understand that actuaries can provide the service instead of economists.

The divorce attorney in our study felt that there is a need for actuaries to help their clients.

One issue in marketing is Yellow Page ads. If you want to be an expert witness, you would not market yourself in the Yellow Page ad. It is considered to be a negative way to find an expert witness. If you're marketing to nonlawyers, you could advertise in the Yellow Page ads. Bragg Associates has gotten clients by virtue of being in the phone book, for personal actuary work.

The market researcher who we hired to do our focus groups was not able to be here, but she gave me some handouts. What she wanted to do was just very briefly give you an overview of marketing research. An actuary may need to do marketing research to enter this market.

The main categories are qualitative and quantitative. Quantitative would be, for example, a survey, which was not as reliable in our case. It involves a larger group and is more random.

Qualitative studies include focus groups: smaller sample size—handpicked participants, using a discussion guide, and brainstorming. This gave us more in-depth information.

The last handout is titled "General Marketing Concepts," and a very important part here is the product. We're a product. We have to think about who we are, what we are marketing, and what we represent.

Another marketing concept is packaging, and this is one thing David Bragg is going to talk about. Their firm has developed an assistance kit for actuaries trying to promote themselves to individuals.

Think about what you have to offer. Put it in a brochure, or other package. Promotion, of course, is going to be one of the big efforts you will make.

Another element to consider is your target user. Which market would you like to approach? In my particular study, look on the SOA Web site to get insight.

You may want to consider the customer concerns such as outliving one's income/assets. How can you address that fear?

To position yourself in the marketplace, have a unique selling point and a separate name other than just your own name. A company name can help a lot with promotion and marketing.

Now I'll turn the control of the meeting over to David Bragg to tell us about his company and what they have done as far as personal actuary work.

Mr. David G.W. Bragg: We have been able to identify sources of new clients, and we think new institutional clients present the best opportunities. Target opportunities where one can likely perform services in volume, and make a living doing it.

We have identified some individual clients, and I'll talk briefly about how you find those clients. Incidentally, we think there are a lot of international opportunities exporting U.S. actuarial expertise overseas.

Our small business has specialized over the years in research. There's a limit, we think, to how large a business can grow doing that kind of work, so we're currently looking for ways to increase the demand side of the equation. I think if you could increase demand for services, the supply side will take care of itself.

I want to talk about some specifics. Some of these new institutional clients that we have had contact with include bankers, specifically trust officers who hold a lot of

life insurance in trust and have a fiduciary responsibility to analyze those liabilities. It makes them very nervous because they don't fully understand the types of products that they hold.

For the one trust officer that I know, and have talked to at length, his bank deals with that problem by charging extremely high fees to scare off the business. So we think that probably there is an opportunity there to bring some actuarial analysis to the products that these people hold in trust and ease the minds of some of those trust officers.

It's difficult to find a nice fit with financial professionals, because they typically tend to believe that they have a good handle on how to serve their clients. But no doubt, there are opportunities to enhance what they do.

We've done a lot of expert witness work, based on our knowledge of mortality. You rarely go to court. You produce a report that has in it information on life expectancy, future earnings, etc. We have had some success soliciting that kind of business.

Governments are turning into an increasing source of business, mainly because governments are interested in the cost-effectiveness of various things they do. We have been approached by the Health Care Financing Administration. They are interested in providing smoking cessation techniques and nicotine patches and such for people. If they invest that money, what kind of savings would they realize on people quitting smoking?

There is a lot of money at stake, and it's an actuarial problem. The government employs a lot of actuaries, but we think our unique mortality experience gives us an opportunity to serve those people.

And also, I think unions present opportunities. We have been approached by the Airline Pilots Association. They have to stop flying at 60, and they think that it's certainly true, at 60 they are probably in the prime of their lives, and by establishing sound actuarial basis, these people are going to live quite a long time, which means their earnings can be enhanced. And there may be other sources of union-related business.

We've talked quite a bit this morning about the wealthy, healthy retirees. I want to mention special interests. I know a gentleman who's into general aviation. He bought a P51 Mustang and realized he couldn't fly it. I understand they are quite a handful on the ground, so he went out and bought a T6 Texan Trainer to enhance his flying skills. It occurs to me this is one area where you find individuals, through a special interest, with the wealth necessary to take advantage of your services. He has a sophisticated knowledge of financial matters, but he does not understand many insurance products. I think that's an opportunity.

I mentioned briefly how to find clients. We think by far, publicity is the best way. If you can get them to call you, you're way ahead of the game. The best way to get

publicity for your business, for us over the years, has been writing. My dad does a lot of writing; he writes a column for the *National Underwriter*, and he has a sizable readership. By far, most of them are not actuaries. They are mostly field people, agents, and such. And he's been able, through his writing, to develop a few concepts, which have taken hold in the minds of these people who are marketing insurance products. I'm going to talk briefly about one: health expectancy.

We have been flooded with inquiries about how we do this. I prepared an example of this.

It's possible to calculate a health expectancy in years, for any individual, regardless of state of health. This happens to be for a nonsmoking male, age 78, and gives you a life expectancy. You split it into those years the person is going to be healthy, and those years he or she is going to be unhealthy. The individual may still be independent for a period of time, be it in assisted living or in nursing care.

It can be done on a variety of different types of risk. This is a fairly complex example. You wouldn't necessarily provide this kind of information for everybody. But there is an audience that finds this very useful, especially people who are marketing products to older individuals and retirees.

We were stunned, really, by the level of interest in the concept.

How do you market yourself? If you can get publicity, if it will bring people to your doorstep, that's the very best way to round up clients. Over the years we have been approached by people who are interested in having us speak to their organization. The secretary of the Nebraska National Association of Life Underwriters asked if we would provide somebody to come and speak to them and give them some idea of what the cost would be. So I assume she's suggesting she would pay expenses for us to go out there and do that.

We get inquiries like that all the time. I believe you could make speaking appearances every week of the year if you wanted to. You would establish credibility through publicity, which you cannot buy through advertising.

The Internet as a marketing tool has been somewhat difficult, I believe. There's a "shakeout" going on with dot-com businesses on the financial services and insurance side. I want to mention specifically a gentleman in Chattanooga named Carl Westman, an FSA who has a Web site. He calls it *Actuary on Call*, I believe, and he's doing a terrific job. He has the luxury of a wife who is an actuary.

Carl is doing some interesting things. On his Web site, he lists the kinds of services he provides, but, more importantly, he lists case studies. These are cases that he's done and the kinds of services he has provided. You get a good feel, if you go to his Web site, of how he's getting these clients and how he is delivering that service.

I'm trying to support people like Carl and others by developing some tools that will help them deliver counseling services.

We talked briefly about health expectancy, but I want to talk about three things. There are a number of specialized publications. This bank trust officer sent me an article from *Estates and Trusts*, which is read only by trust officers. There is an enormous publishing industry that does these kinds of special publications. I have a brother-in-law who is an M.D., and he gets publications all the time, most of them funded by the pharmaceutical industry. The editor of one of them called me one day and asked for 1,500 words and my picture. He'll publish anything I can send on the subject of health expectancy and actuarial applications. These kinds of publications are most anxious to identify people who can contribute, which is a good opportunity.

Bragg Associates has developed a system to rate insurance products. From our perspective, we try to keep it fairly simple. We think we know what the cost of insurance is going to be for an individual, and, if you have a fairly simple but consistent analytical tool, you can compare insurance products.

This has been proved to be enough of an interest for people who pay for that service to deliver value. We've done 50 of these cases, and we've been paid \$300 per case to compare 2 policies. The client has a buying decision: Should I buy this one or buy that one, and should I keep this one in-force or not?

So you're delivering a service by answering their question and solving a problem for them. And they are willing to pay for it.

Lastly, we produced a personal actuary assistance kit. I've given away about 50 of these over the past couple of years, and I would like to continue to do that. I would like to incorporate some of the things that we talked about today. It's a work in progress, and if you'd like a copy, send me an e-mail or give me your card. Give me a week or two, and I'll get you a copy of it. It's designed to give you some idea, pull together in one place, some of these things I've talked about today.

That's about it. I've been in contact with an awful lot of actuaries in the past two years or so who are keenly interested in trying to make a go of this kind of small practice. What we have been trying to focus on is to bring some public awareness through writing and speaking of the services available, and we've also been actively trying to recruit paying customers, which is the bottom line. That concludes my remarks.

Mr. Warren R. Luckner: I have a question for David about the life years concept. I know that others have been involved in that as well. How much information were you able to get, and where did you get it, in terms of the data that allowed you to do those computations?

Mr. Bragg: We begin with a life expectancy. It's based on our core mortality work, and Jack has developed a method to do this. I have a sheet that explains the method. Essentially, it boils down to calculating those who incur sickness over a period of time, and those who stay healthy. There's information in there about

what kind of excessive mortality risks are associated with various causes. I'd be glad to try to get you something in detail on that.

Mr. Luckner: I think also if you said this a reasonable result and you look at the national long-term study and the retirement-needs framework, on the monograph that I mentioned and you look at Eric Stalin's paper (Eric Stalin is one of the researchers from Duke), the National Long-Term Care Study, there is a lot of data in there that shows degrees of disablement and health, and you can use that to validate quite well.

From the Floor: There is also an element of the fact that people are just generally interested in the subject and very rarely get anybody who questions the result. It's almost as important to have such a thing, to have a name for it, than it is to have a lengthy specific methodology behind it; although we certainly try to do that.

Mr. Thomas P. Edwalds: I really have more of a comment than a question. One of the things I would observe is that it is fundamentally different for actuaries to serve an individual than to serve our traditional clients. Because traditionally, for everything we've done, we have large numbers working for us, and we put together a mortality table, and you can use that to estimate what the actual cost will be for an insurer or an employer for the large groups that they are covering.

When you do it with an individual, it almost doesn't matter what the mortality table is. There's not a really big difference; i.e., I have 1% or 2% chance of dying within the next ten years.

David mentioned the word "fear." If I'm looking at my own situation, as an individual, trying to look at the financial decisions I have to make, I have to take sort of one side saying, "OK, this is what I would like to do generally." But then, here's what I'm worried about. What if this happens and I don't know how to protect myself?

I think it would be very valuable to take the research we've done so far and continue to pursue this so we can look at other types of tools, from game theory and decision theory that can be useful to an individual. In meetings like this it is helpful to have communications between actuaries who might be working with the individual markets to get a better understanding of what the exact risks are that people are most concerned about. Using that to help our members who are still working with the insurance companies could help them to develop new products that will directly address those risks, and can do so at a very effective and efficient price.

Ms. Rappaport: I'd like to make another commercial, and I suggest you all watch the September *Actuary*. It doesn't matter exactly what the mortality table is, because I'm just me. This has been one of the things that has been very frustrating to the people working on Framework and also the Foundation Consumer Education Committee, where we've been working on some questions about outliving assets, and what retirees need to know.

Many people who are doing financial planning, and people who think about it, forget about the fact that the choice is not "It's just me"; the choice is also, "I could sell off this risk and protect against it." Very few annuities are sold and very little long-term care insurance relatively is sold. Why is that, and how can we make the products better?

We have been working on getting two panel discussions together, which are going to be the core of the September *Actuary*. This is another thing we can use to market ourselves outside the profession to try to address those issues.

I have a question to ask you all, rather than you asking us questions, too. You heard from me about some of the marketing efforts in North America. You heard from Carl about some of the marketing efforts in the U.K. I would like to hear from you all. Do you have either positive or negative reactions or suggestions, such as "Why don't you do this?" "We like this," or, "We don't like this"? Maybe we could get some feedback.

Mr. Thornton: A lot of people here are thinking how they might react to that. In the U.K., we have a couple of ways in which we promote the services of actuaries ready to serve individuals.

One, if a member of the public approaches the faculty and IAA offices, we have a list of actuarial employers, and that identifies which area of practice they cover. They can identify small firms that will give individual advice. It would be the large firms that don't get involved in that.

And also, through our Association of Consulting Actuaries, which is a little bit like your CCA, they can get a list of member firms and approach them. So, certainly, if they come to the professional bodies they can get help and identify an actuary who can help.

I was going to make a comment. We have set up a personal financial planning committee to try to give that sort of support to small practitioners with individuals. And in practice, we felt it really was a small part of the profession that's getting involved in that area. It hasn't been a very rapidly expanding area. I think it will continue, but it will probably be in a quite small, self-contained lot.

Ms. Rappaport: Paul, does the committee do stuff like going back to the people who are involved with the insurance companies and saying, "Why don't you all make a product that does X? We're frustrated." Do they ever hear that from you?

Mr. Thornton: I don't think they have done that, although there have been some discussions that are at big meetings such as this one around how customer-friendly insurance products are. That issue is coming up, but not necessarily by that particular group.

From the Floor: While I'm listening, I'm trying to attempt to respond to your question, Alan. It seems to me there is a lack of analysis on the various pension

proposals which are being discussed. Maybe it is too hot a legal issue for the profession to get into, or perhaps I'm just ignorant and haven't seen the kinds of analysis that have been published.

But, at the present, my feeling is we're missing the boat because we seem to publish misinformation. I think we, the profession, could do a better job of addressing that. Any comments on that?

Ms. Rappaport: Is there anybody here who is involved in the Academy pension efforts?

I know there has been a lot of work, on the part of the Academy, to both try to address some of the issues and to address some of the negative press that actuaries got in connection with cash-balance plans.

There has also been a lot of work on Social Security proposals on the part of the Academy. Derek Bower has been in a number of meetings where he has gone out with members of Congress and actually public forums, and he's the impartial technical expert.

Whether it is enough activity, the right activity, it is hard for me to say, but I think that's done some good, and I know there have been a lot more resources put into that in the last year on the part of the Academy.

The Academy has also taken a position, which certainly focused on disclosure and support promotion of some added disclosures, and focused on what they support and don't support, so I would encourage everybody to look at the Academy Web site for more details.

From the Floor: You asked for feedback about the various ideas, and I thought they all sounded very good. You made reference to one of the ideas examined, which was getting people to publicize their work, and then you also made the comment that by publishing your work somewhere that's how you publicize yourself and get clients. The question that occurred to me was, and this is really my feedback, how do we get more people to publish their work?

And of course you ask, who publishes now, how do they do that, where does the information come from, and how can those of us who don't publish be inspired and coached to do so? I have no problem writing a technical inside memorandum, but I've never published anything in an outside actuarial journal. I don't know if I have anything worth sharing or not. Maybe I just need some coaching and encouragement, or there's something else. That's my feedback.

Anna, you dealt with employers who have actuaries, and certainly we've seen a rapid shift from insurance company employers to consulting employers, and it seems to be going at a pretty quick pace.

I'm just wondering if anybody connected with the Actuary of the Future Section has done any studies regarding where we think the numbers in aggregate are going, especially with the consolidating insurance industry in the U.S. Despite what our keynote speaker said at the general session, it does cause one to wonder, really, how many actuaries will be needed in the insurance industry in ten years.

So I'm just wondering, has anybody done any work in that area? And also, with regard to international growth, I'd be interested in any information about size and pace of that growth.

Ms. Winer: I can comment on a couple of things. The Actuary of the Future Section Council is initiating an ambassador program, and we did two surveys to prepare for this program. One of the surveys was to retired actuaries, and the other surveyed actuaries in new markets.

What we are trying to do is to have actuaries serve as ambassadors for their particular field, and for other actuaries to be able to call them and get information about their work.

The Society now has a Big Tent philosophy and is changing in our examination system. Possibly we will train actuaries who are more, shall I say, people-oriented. The direction of the Society seems to be more inclusive and broader, and I really don't know how these fields are going to grow. We can try to support new career paths and make them more available to actuaries.

Ms. Rappaport: I have some response to this. Linda DePalia and Nancy, director of the Society Staff, and I have actually talked about exactly this problem about the projected growth. The conventional way you do this is to go to companies and ask, how many people do you think you're going to need in 5 years and 15 years?

In a rapidly consolidating industry, this is nonsense. Go and ask how many people they are going to need in 5 or 15 years, and you know that maybe half of them, but some large number, are going to be merged and consolidated, and what you have is garbage.

We started with that conventional idea, yet we have not been able to figure out how to get at the question that you asked. So we are quite aware of it.

We did try to do some work, separate from what the Section did on these numbers and where people are, and part of the problem is the way that we keep our data. It's very difficult to figure out.

I told you that the two largest employers, by far, are consulting firms; one which I worked for, and the ten largest, certainly the eight but probably the ten largest, employers are consulting firms.

Because of anecdotal stuff that I know, I can tell you that there are significant numbers of people getting in those firms who are doing different kinds of things.

But you will never identify them on data. There's nothing in the data that is going to tell you why, that out of more than 1,000 actuaries who work for my company, there are 10 who are doing one specific thing, 8 who are doing another specific thing, and so on. That shifts all the time, but there are in fact quite a few who have different kinds of roles like myself.

So we don't really have the data. We did try to do some work with actuaries who are in banks and investment houses; we've done a little bit of that. But this is, and there's not anything really ongoing right now, really a question. I know they've done some work in the U.K. Paul. Would you like to share what you all have done?

Mr. Thornton: We have done some work in the U.K., and actually that does show continuing in the numbers in the profession. I agree with Anna. It's no good looking at insurance companies and saying what's going to happen to the numbers who are employed there because the integration of the financial services industry, and the way in which banks and insurance companies have joined together, means that question is not quite as meaningful as it used to be.

However, I would answer this question in a slightly different way. According to how we answer the question, it will be self-fulfilling. If we say that we want to see a growing profession and we want to continue to recruit and train people to be actuaries, then those actuaries will find applications for their skills.

And if we say we can see at the end of consolidating we won't need so many, we won't recruit so many. It is quite certain that we will be a disappearing profession. So I think the only way we can answer that question is to plan for growth. In the U.K. consulting firms are certainly continuing to recruit heavily. There are a lot of actuaries who have been working out compensation claims for individuals who took personal pension products for the wrong reasons. Currently that's using quite a lot of actuarial skills, which will come back on the market in a year or two's time.

I think that group of actuaries who has been working in calculating financial compensation will probably move into the individual counseling area. Some of them certainly will. So we can see some growth coming from that region.

Vision values or Big Tent, those big strategic missions for the profession, see actuaries working in corporate finance, investment banking, and a whole range of areas, where those actuarial skills are actually huge.

Personally, my answer is we must plan for growth of the profession.

Ms. Rappaport: I would just cite another interesting little experience in that regard. If you look through all of the directories for the government of Quebec, you will notice, for example, that there are actuaries in lots of different departments in the government of Quebec. You may wonder why would an actuary be with the government of Quebec. This is something we can certainly work on. I talked to some people at Quebec, and I learn? This is sort of what Paul says—the actuarial profession is extremely well-regarded in Quebec. And there are some universities

with excellent high-status/high-prestige programs. Lots of very smart people went into actuarial programs in Quebec. In fact, they've ended up in all sorts of new jobs within the government.

In that regard, the challenge is to keep them identified with the profession, and keep them with the profession.

Another interesting thing about Quebec is that we are always bringing in people who came out of the university system. A lot of them recognize that maybe Quebec isn't going to be the best for their long-term future, and they've put their hands up for international assignments. Several of them have moved to very high positions at very early ages in different countries because they put their hands up. I see Paul out there, and I'm willing to try it. I think that's a very good compliment for Paul.

Ms. Winer: Any other questions or comments?

From the Floor: You had mentioned recruiting actuaries through the colleges and universities. When I was working with the Philadelphia Actuaries Club, we had been trying to encourage Americans at an early age to become part of the actuarial professional. We weren't quite successful at that, and that's one area that the Society and the Academy could still continue to look into.

Ms. Rappaport: It's time for another commercial. Bob, do you want a commercial for minority recruiting?

Mr. Robert W. Omdal: I was on my way up. As Chair of the Career and Encouragement Committee, I'm also the liaison to the SOA Joint Committee on Minority Recruiting. They are doing a lot of work in terms of recruiting minorities into the profession. They have scholarship programs. I think there were, I'm guessing, maybe 50 or 60 applicants this year for scholarships, and we fund programs during the summer at several universities.

We have actuarial programs for high-school students all across the country. So I think there is a lot going on in the Minority Recruiting Committee.

Ms. Rappaport: If anybody here has energy and wants to do work encouraging minority recruiting, Bob's looking for good energy. We're also looking for minority-recruiting money.

One of the things that I got to do as President of the SOA was to go and visit with a group of high-school students and their parents. There is a two-week summer program, I believe, at Illinois State that is sponsored by Allstate and State Farm. There is the Chicago Actuarial Club and the Minority Recruiting Committee and a number of other partners.

They get a large number of applicants for these slots for high-school students to spend a couple of weeks learning about the profession and about insurance. So I

think there is a lot of potential here, and we need more support for those programs.