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Session 200F
Getting Your Point Across

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Summary: In this session, panelists and attendees share successful ideas to a nontechnical audience. Topics include technical writing and communicating with senior management, other departments and the public.

MR. DOUGLAS A. ECKLEY: This is a different type of session, and it gives us some freedom to do things differently. My co-speaker, Steve Greffenus, is a person who is eminently qualified to speak on this topic. He will present a how-to for preparing something like the actuarial memorandum. Then, I will give a little less formal presentation about some examples of communicating. After that, in the third and last part of the session, we will probably have time for some role playing. Steve Greffenus is a former teacher of writing at the university level, and he now works for a company called Techniscribe that does professional writing for engineers. Techniscribe consults with business on all aspects of communication.

MR. STEVEN GREFFENIUS: Preparing for this talk took me back to when I started writing as a student. I compared the way I write now to the way I did as a student. When I left college, I thought that I was going to be a teacher. Instead, I became a naval officer, and I did some writing. I probably did as much as you do in your positions.

Then I went back to graduate school and did a lot of writing as a graduate student and teacher. But I did not expect to ever earn my living as a writer. Now, writer's block, or getting stuck, or procrastination is a very serious matter because my customers expect me to produce for them all the time. If I do not produce for them all the time, I cannot pay the mortgage, so I must have ways of getting past the usual writer's affliction. It seems as if whatever writing project needs to be completed, whatever the setting is, whomever the audience is, or whatever the particular task is, writers have a problem getting started or getting stuck after they have started. So, I developed something, but I do not want to call it a procedure because that is too much like the procedures that I write for engineers. I developed what I call the writer's function machine. I will explain a little bit about what I mean by that and then provide a quick list of points that I want to talk about today.

Remember back to your math classes when there was this little black box that could be called a function machine. When I first saw the expression Y equals $f(X)$ I wondered why they were expressing a simple equation with a function like this. Then I saw that little drawing in a math text that showed X coming in at the left as the input, and Y coming out on the right as the output, and the function was the black box that did something to the input quantity. Think about the writing procedure that way. In fact, if you take all these ideas, and materials, and information, and the things that serve as the input for a writing project, then you will see the finished product that gets submitted to the audience, whomever that might be, at the end of the project. Think of this procedure in the middle and of having to crank through it. Usually, you crank quite rapidly because of the deadline, but always in the same order and always with a good idea of why you are doing it. Realize that if you skipped a step or were trying to get past a step without doing it, you will probably get stuck.

The main steps in the process are to write a lot of notes and to plan. Develop an outline and develop a clear idea of your purpose. The two are so closely allied that I have made them a single step. I like five steps better than six, so you take your notes, use your outline, and put them together and make the notes into a rough draft. I have a few things to say about how that compares to the old way of doing it. Then revise and rewrite, which is something that we were not particularly trained to do in school because teachers did not have enough time to read all our

drafts. They only read the first one and gave us a grade right off the bat, so we tended to give them the first draft and that was that.

Finally, check it. It is extremely important not only to impress teachers, but also to impress your audience. If it is an audience outside of the company, as is the case with the actuarial memorandum, then it really needs to be perfect, because your credibility goes down the drain if you make mistakes.

Let us move on to the notes. I have called the notes chicken scratches. I came across this in an article that talked about how to get started, and it resonated with me. If you have ever been in a farmyard and seen the dust where the chickens walk around, you have noted a bunch of little marks. They do not have any direction. They are not organized. They do not have any boundaries. They look loose. They do not make much sense. In fact, if you look at the quick, rough notes that you write, they look something like that. It does not matter that they look like that because they are only for you. They only need to be read by you. Nobody else needs to understand them. You should think of them as very rapid, very disorganized, and containing whatever you think is necessary. They can include anything that comes into your head over the course of the notewriting period. It does not have to be just one session. The larger the project, the more notewriting sessions you will usually engage in.

What kinds of things go into notes? When you set out writing notes, the key is to get going. It is time to get fingers moving on the keyboard. There are two main categories of notes that I find when I go back and process them later. One is notes to myself, things to do, various lists, strategies, reminders to myself, various things that I ought to be doing in order to get things in shape. Of course, the notes of substantive matter that are related to the research material that I have worked with or the information that I know is, eventually, going to need to be in the document, itself. My current work often requires me to take meeting notes. I take notes after I interview somebody, such as an engineer or some expert on the system I am working on. I need to record what I have learned from that person in my notes. I know that, eventually, those notes are going to wind up in a totally different form in some publication or document.

Let us go on to the outline—the master plan as I call it. What is an outline anyway? As I thought about the uses that I make of an outline and why it is important I went back to my schooling again. I thought that one reason that outline was an unpleasant task is that form became an end in itself. The teacher was always trying to make sure that we used Roman numeral one, followed by capital letter A, followed by Arabic numeral one, followed by small letter A. You had the hierarchy set-up. The rules were that you never had a one without a two. You always had at least two points underneath each one. It was left open to question whether it would be single headings or full sentences in your entries in the outline. Of course, it was needed in order to get your material organized.

You submitted this outline and you hoped that the teacher did not mark you off too much for not following just the right form, but that really misses the point. An outline is much more than an exercise that you go through because you are supposed to go through it. It is absolutely essential to making the rest of the process work well, and it really gets you out of a lot of the pain of writing later. Writing those notes isn't particularly painful. It is brainstorming and creative, and you feel empowered because you are filling up these pages with stuff that nobody else can understand.

The outline is difficult. It is not because the form is so hard; it is more because you really do have to do some hard thinking about how you want to organize your paper or your memo. I thought of the actuarial memorandum as a good model for this because it is rather lengthy, and the procedures that I am talking about are especially applicable to anything over five or six pages. In any case, if you do the proper planning and get your outline in reasonably good shape, it saves you a lot of trouble and prevents you from getting stuck down the line. The particular format doesn't matter that much. When it is eventually presented as a table of contents to your audience, then the format matters. As with your notes, as long as there is a sense of order, and as long as you have some personal way of presenting hierarchy, it doesn't matter which points are most important or which points are subordinate. It doesn't matter whether you use Roman numerals, numbers, or letters. You can indent, or you can mark with little bullets. The format is entirely your own, but the planning does need to take place.

In addition to hierarchy and order, the outline is where you make some key decisions about what is going to be included in your document and what is going to be excluded. At this point, you need to select material that will serve your purposes and the purposes of your audience. Then, decide what is going to be left out. It is too much and, obviously, a lot of stuff is going to get into your notes that you do not want to have in the final product.

The second aspect is why this is such a useful tool. It is like a road map in the sense that you plan your route to your destination. There are enough steps now to follow that you need to have a plan that will get you to your destination. This is like the IRS tax form. There is a lot of stuff that you have to do to get it ready. It is the same with a memo or anything else that is of any length. If it is a finished product, it is the work of a lot of separate steps. This outline maps those steps, particularly because it breaks things up into little chunks. You can work on little chunks at a time and not be overwhelmed by this huge project that should have been done yesterday.

It can be hard to focus on one thing at a time when you have all these ideas jumping around in your mind (as they do when you are writing notes). It is not a productive way to work. The productive way to work is to focus on little things at a time, but it is hard to do that if you do not have an outline where everything is all set out. You can select what chunk you want to work on, and it doesn't need to be at the beginning. It can be at any part of the outline that you feel ready to work on. It can be in part four, or it can be in part two, and then you can work a little bit more on the latter part and skip around. Generally, you work on the introduction and the conclusion last because then you have something to introduce and something to conclude. You can work on the middle stuff in any order that you like. You do not need to pay any attention to the stuff that you are not working on because you know that it is in the outline. Then, when the time comes, you are going to have a road map to help with that chunk when you are ready to work on it.

Lastly, I wanted to say something else that is important and not something that was particularly emphasized when we learned how to write in school. This thing gets revised all the time. It is not a set table of contents. It is not a set plan. Just like when you drive from your home to some distant state, you are not going to take the very same route that you thought you were going to

take, unless you have taken it many times before. If it is an unfamiliar route, you are going to meet detours. You are going to have breakdowns and changes in schedule. The same thing happens when you are working on a document. Things change. Your thinking changes, and it is useful to be able to update. Word processing makes a lot of these steps easier, including updating your outline. It is useful to update the outline to make sure that it always reflects the current state of the document and to not feel like there is some problem because you are not following your outline. There is a back and forth balance or interaction between the evolving document and the outline that is a quick summary of the document.

We are ready to make the outline and the notes work together. The first thing you need to do, if you have not already (sometimes I do this before I write the outline) is to type up the notes. You may have typed the notes in the first place. There is another point at which you can get stuck. If I skip the legal pad stuff and the chicken scratches and just go straight to my blank screen and the keyboard and get going, I always find reasons not to do it. I always find that if I have my legal pad and my pen, and I am scratching stuff out, I am much more productive. You can do what's best for you. If you are most productive at the keyboard, and it enables you to skip the typing step, then you should do it. But if you sense yourself getting stuck, find something that does work and gets you going as quickly as possible. Using the old-fashioned pen still works. It helps me to be the most creative. I add my capital letters and my periods so I have sentences. Then, I have little chunks of text that I can't really call paragraphs yet, but they divide the material into logical units. Of course, when you are writing rapidly, you are likely to make errors, so it is good to correct those obvious typos and misspellings.

Here is another thing that makes this function machine valuable. You do not ever need to feel like you have got to ponderously work through every step and get it right. By dividing your things up into these steps, you are able to do each step rapidly. That, certainly, applies here. As you are preparing your notes, you should not be thinking, "That is not quite the right way to say that." You are going to address problems like that later on. The point is to initially just get it down. Get some digital text ready so that you can start to manipulate it.

Let's discuss manipulating. I call it massaging. You push in and out, integrate, and separate. You are working with text rather than with muscles and flesh, but you pay attention to all the things that a masseur has to pay attention to. I also call it boiling down. It is similar to when you were writing your outline and deciding what was going to stay in and what was going out. You are going to eliminate all the stuff that doesn't belong and start to organize the material that does belong.

The old fashioned way to do this was by using the old note cards. If you are old enough, you remember the note cards you had in school. If you are part of a younger generation, note cards are long gone. Computers replaced them, and we do not need to deal with note cards anymore because we can shift stuff around on the screen much more easily. We needed note cards in the old days because you had all this stuff, and you needed to be able to move it around. Now, instead of note cards, I have my headings from the outline, and I put those at the beginning of the file. If I have a long document of 20 to 30 pages, my double- or triple-spaced notes can go as long as 60 pages. A 60-page note file is going to get boiled down to something single or double spaced. I do not want to get caught up in the amount of white space, but suffice it to say that it is going to get boiled down quite a bit. I put the headings at the beginning, which are the various sections that I know I am going to need to have in the final document. I just start taking chunks of text from below and moving them from where they are into the proper place. Before that I go through the document, I mark each one with a little initial or a little code that tells me what section it ought to go in. If it is a planning note, it's taken out. I put it in a planning file, or I delete it. Anything that is extraneous gets eliminated. All I have left are the little chunks that go underneath the proper headings. I do not have a rough draft yet when I have done that, but I do have the equivalent of note cards that are put in the proper order and that have some organization to them.

After I have done that, I still need to do some further deletion, and within each section, push this stuff together. There is likely to be duplication. Either it needs to be eliminated or the duplicate paragraphs and material need to be combined in a meaningful way. I need to write and rewrite things just so that they make some sense to me and to anybody else who might look at it. I

wouldn't call this rewriting at this point, but now you are able to start seeing recognizable paragraphs after you go through the process that you see in the last couple of steps.

How many people have written and written, whether it was a memoir, or something personal, or a letter, and it never got sent? It never got written. It never got produced. This is, clearly, a make or break stage. Once you get past this stage, then the revising, as hard as it is and it sometimes seems laborious, comes pretty naturally. The rest of the process seems to flow into itself and you get the product done.

Revising and rewriting is something that teachers do not get enough practice at because they are overburdened with checking papers. It is not something that they really can do. But this is where the quality comes, and this is where your grace, your economy, your simplicity, and the impact of your document can take shape. Someone can read a rough draft and still be saying this is sloppy all around. However, if you revise and do the rewriting process that I am recommending here, you will come up with something that is truly of good quality. I have done this in a hierarchy. I started out with the same thing I have already mentioned. This is not your last chance, but the last main chance to make sure that everything that is in there contributes to the main purpose. Refer to the actuarial memorandum, again. Make sure that all of the data in there serves the purposes of the audience, and that there is nothing that is just there because it crept in, you forgot to delete it, or it is something that is nice to have. You always want to be thinking about what your audience needs to know and what serves its purposes. Similarly, at this stage, you are likely to see things that you forgot or that are missing. Scratch out some notes and get them in shape in a paragraph or within a brief section so you can get the missing material in there.

You have a whole document. Make sure that everything that should not be in has been taken out and that everything that should be in, is in. Now you have a three-level hierarchy. I think of it as going through with a finer and a finer comb again and again. First, I pay attention to the paragraphs. Make sure that they are properly formed. In a longer essay, with longer paragraphs of 150 words or more, you should have each paragraph be its own mini essay. In the technical

work that I do, paragraphs are often only three or four sentences and the structure of the paragraph is not quite so crucial. That is to say, it is easier to do just because the paragraphs are not so long.

Once you have the paragraphs in shape, you do not separate these steps in such a clean way. When you are looking at paragraphs, you are looking at sentences, too, but I just want to get across the idea of starting rough and working with a finer and finer comb. Then pay attention to your sentences. Make sure that your sentences are not too long and that each one expresses a single point. I ran across this quite late in my writing career. A single sentence is intended to express one thing. If you try to make it do more than that, you are likely to have a bad sentence. We have all sorts of clauses—subordinate, major, and all the rest—but when it comes to doing a simple sentence structure, a single point for each one is what you should strive for. If you have a more complicated sentence, there should be a good reason for it.

Finally is word choice. You have all read things that you did not understand because a particular phrase or a word wasn't properly chosen. It did not convey the writer's intended meaning.

I have already talked about ruthlessly eliminating material. Sometimes you will see something in there that you want to keep in just because it's yours and you like it. You hate to get rid of it, but you should do it. Do not give it a second thought.

There is another thing that is often difficult to do because of procrastination. Say you have a tight deadline, and you do not really have a chance to let the project sit. You can be a better editor if you can wait to review it in 24 hours. If you have the time, you can go back at it again and again on different days when you are fresh each time. You are not likely to find someone else who has the time or the energy to do a pass at this point. It is great if you can find someone else to be an editor for you, but you are usually going to have to be your own editor because other people are very busy. Unless someone is being paid to be your editor, he or she is not likely to be able to do very much with the document or to take a lot of care with it. As such, you need to have detachment. You need to come at it fresh. You need to be able to come at it and not feel it

is your baby, and not want to change it because you have worked so hard on it. You need to pretend that you are the editor who is just going to cut and slash and do whatever it takes to make it ready for the ultimate audience.

I have already referred to the embarrassment or the credibility problems that occur when there are errors in the final product. It is easy to skip this step or to skimp on it because of time pressure. However, everyone has had the experience of checking something again and again and discovering later that there is an error in it. In fact, I was just looking through a book that I wrote. I finished the book this last spring, and then I found an error in it. I sure hope nobody else finds this error. It is a little extra word that was left in. It is not something that a spell checker would ever catch. There are many errors that a spell checker will not catch. Errors can be distracting, they can be mystifying, and they are embarrassing to you. They also affect the readers' belief in your authority because they wonder whether you can make more substantive errors if you make an error like the one they caught. So you should check the document again as many times as you possibly can, and you should have someone else check it, whether they are being paid or not. It doesn't take as long to proofread as it does to rewrite. You should, certainly, make sure that there is a third pair of eyes to look at your document. You are the first party, the audience is the second party, and the proofreader is the third party. Make sure somebody else looks at it. They are almost sure to catch things that you would not have caught yourself because you are too close to it. You have gone through it so many times that you are likely to miss what they would catch.

Revision and rewriting, which we have already talked about, and copyediting or proofreading are not the same thing. You should be focusing just on mistakes at this point. If you are trying to do some rewriting as well as focus on catching mistakes, then you are likely to leave some mistakes in there. This is aside from the fact that the rewriting, itself, can introduce new mistakes. At this stage, you should only be looking for final mistakes and not be rewriting anymore. There is a technique that I learned as a business and technical writer. You can catch an awful lot of errors just flipping through the document one more time. You can catch gross errors like missing pages, problems with footers, headers, page numbers, and headings, and sometimes your eye will

be caught by an error in the text. Just flip through it. You are not proofreading anymore, but you are page turning the document to check it for accuracy.

There are some final points where I try to summarize some of the things that I have touched on throughout this talk. You need to give yourself enough time, otherwise, you cannot do all these steps. Each of these steps, should be done rapidly, but you need to have enough time between the steps for things to work right and to get all the steps in. Focus on one thing at a time. Be your own best editor. Develop writing practices that work for you. This is not a set procedure. I came to this through long years of working on my own writing projects, and that is how you should do it as well. You should be self-conscious about the importance of method and about what works well for you so that you can develop a method that does, indeed, result in a good written product. Lastly, always, always keep the needs of your audience in mind. With that, I will turn it back over to Doug. He has been an actuary for a long time and a frequent presenter at Society meetings. He is going to talk about some specific examples of business writing.

MR. ECKLEY: I thought we would go through some examples, more or less, in increasing order of formality. The first one is an e-mail, the next one is a memorandum, then a key section from the actuarial opinion, and finally annual statement footnotes.

E-mail. What do you think of this? Is it the kind of thing you might write when you get back to your office after this meeting? A typo is in there on purpose because I think it is typical of e-mails. Maybe there is more than one typo in there! If you see another, that would be my fault. Yes, sir?

FROM THE FLOOR: First, other department heads might not be actuaries or have more than a vague idea of what “VAS” is.

MR. ECKLEY: Right. I think there are too many acronyms in a lot of things we do. I agree.

FROM THE FLOOR: The tone here is too informal; almost careless.

MR. ECKLEY: That is a good point. I think with e-mail you are allowed to choose your style. Some of us write e-mails like this, and I may be guilty of that. Such a style is very low key. If you are the type of person who thinks communication should always be as precise as possible, as maybe this gentleman does, then write your e-mail a little more precisely. What do you think? To me, e-mail is more a matter of style. Maybe we should follow Steve's advice and consider the audience here as well.

FROM THE FLOOR: I think it is more the audience. If you are in a chat room and you want to write with a lot of acronyms, fine, but if you are writing an interoffice e-mail, it should still be considered an official note. I think you should stick to more formal writing.

MR. ECKLEY: How about the others? Yes, sir?

FROM THE FLOOR: Consider the previous suggestion about the central purpose. What is your central purpose here? Are you testifying to the fact that you went to Orlando, that you were out of the office, or that you learned something that you want to communicate to people? If so, you told them what that is.

MR. ECKLEY: Perhaps this is not specific enough. Who is going to respond to this? Does the audience necessarily know what VAS is? This gives no clue as to what topics were covered.

FROM THE FLOOR: The phrasing could touch on some of these things.

MR. ECKLEY: True. Yes?

FROM THE FLOOR: I think if I was back at the office and somebody sent this to me, I would consider everything more or less complete. But I would like to see a brief summary of what the individual brought back so I could make an evaluation. I would want to see a hyperlink with more full-fledged documents that might be on the network.

MR. ECKLEY: That is something I had never thought of and would never do with an e-mail, but it is a good thought. We have the right idea here, but maybe this is not the right communication method or, as some people have said, it needs to say more. I think you know you should try to keep it short, by the way, because you know that if you get a lot of long e-mails at once, you will just sort of skip through. I have one person nodding back there.

We are going to look at two memos here and they both came from the Society website, where there is this sort of discussion forum. The reason I went there is I wanted to get something that would be relevant to us and to get something that is more or less live, rather than something I dreamed up. This also allows us to be a little bit unfairly critical because the people who go to that discussion forum do not expect to have their thoughts get reproduced in a session like this. Nevertheless, it is a public forum. This information is in one of the session handouts. Steve pointed out that I should have put more white space in this. I overlooked that when I put it together.

FROM THE FLOOR: That idea, which really was my point, and may well apply to the e-mail, was that putting in a few lines of white space greatly increases readability.

MR. ECKLEY: Yes, I accept that.

FROM THE FLOOR: I think it is important for the person who writes and who receives.

MR. ECKLEY: What do you think about the message here? I think we can sort of discern an implied audience. Is the message getting through? What message are you getting from this? Do we understand what the issues are? Nothing is horribly murky. It is really not a bad job, is it? The issues are relevant, and the players' identities are fairly clear. You might debate that a little bit, but I think they are reasonably clear.

FROM THE FLOOR: It is a little bit difficult to follow because of the grammar.

MR. ECKLEY: I think you all understand what this person is saying. It took me a little while though. Maybe I am just slow, but it runs together: “state of domicile reserves and liabilities, except all other states.” You might see my point. On the other hand, the message is getting through to an audience like us. I also do not really like phrasing issues as questions. Maybe this is just a personal matter.

FROM THE FLOOR: Why?

MR. ECKLEY: I do not think it comes out and grabs me.

FROM THE FLOOR: What do you make of it? I mean are you saying considerations like these are naturally phrased as questions, or are you saying this is poor?

MR. ECKLEY: I think rephrasing might help. I am open to ideas. Maybe you think it is phrased pretty well.

FROM THE FLOOR: I thought that using personal pronouns adds more emotional targeting to the key message. Actually, I try to avoid it. The result can be that I end up stating things in a passive case. I think having personal pronouns adds a tinge of emotion that one needs to be careful about in a business letter.

You are saying that phrasing is the key. But how can we find a way? You are assuming that there is one right way to do it. So you want us to see that as implied?

MR. ECKLEY: We could do with fewer words. If you want to take that a little further, there are three main issues. It is implied that you see it that way. You are the one writing this darn thing. You could just say what the three issues are. Maybe that is getting a little bit too particular for the purpose of this memo. I do not mean to be unnecessarily critical here.

FROM THE FLOOR: Sometimes people couch things by design. I understand what the other point is. I am not trying to be dogmatic. It is the way I see it. You see that quite a bit in England: people who would kind of avoid a situation, or express themselves openly, or come across too strongly.

MR. ECKLEY: There might be good reasons for that.

FROM THE FLOOR: I do not know if this adds redundancy, but all the sentences in there are really long. If they could boil down that sentence into two or three words and bold it or underline it, it would help.

MR. ECKLEY: Another white space idea.

FROM THE FLOOR: I think it might make it easier for the reader.

MR. ECKLEY: I will add that Steve Greffenius was immediately opposed to this passive voice. Steve, was this where you made that comment?

MR. GREFFENIUS: It might have been in a later slide.

MR. ECKLEY: Maybe it was the second memo. Anyway, we have a valid comment from the floor on the passive voice. Let us go ahead to the second memo. I think it was this one, actually. Take a minute. Any reactions to this one? Yes, sir?

FROM THE FLOOR: I'd like to see more bullet points. I hate looking at all this. It is very hard on the eyes, especially if you are getting it on the laptop.

FROM THE FLOOR: I agree. Break it up. Everything seems to be in fragments. If you miss where you were, you almost have to take a look at all the fragments to get back on track. Then you have to reread it almost three times before you can see the whole picture.

MR. GREFFENIUS: I made the point before about single statements with single ideas to try to get the message across.

MR. ECKLEY: Can we see what this person is actually trying to say here? Is this person honestly saying there are two possibilities, or is there a hidden message here?

FROM THE FLOOR: The valuation actuary should be allowed to do it with some new guidance. If you do not really do that, go with the second alternative.

MR. ECKLEY: The second alternative is not really supposed to be a realistic alternative, is it? I thought maybe that message was hidden a little bit by the either-this-or-that approach.

FROM THE FLOOR: It kind of seems to me to be dry or even disingenuous.

MR. ECKLEY: It does not sound all the way 100% honest. I had these thoughts. We like the point he is making, especially if he is really trying to defend the valuation actuary and expand the role and so on. Depending on the audience, you might need to define the concept here. Even other actuaries might not truly understand. Depending on what you do, you might not truly understand the valuation concept. Since the second option was embedded in the first, the writer does not really give us two alternatives here. He really wanted us to go with the first one.

Here is a sitting duck. This standard opinion wording is rather murky. An advantage to boilerplate wording, of course, is that it is not going to really be rotten. Or, maybe it is really rotten, but at least we are all in the same boat. Boilerplate wording has some advantages. There is no doubt about that. But how might we do a little better? Certainly, we can do something here.

FROM THE FLOOR: It is all one sentence.

MR. ECKLEY: This might be a minor point, but the conclusion refers to the reserves in light of the assets held in respect of such reserves. If you are really trying to communicate, you do not change words. You might say “these reserves” the first time, then say “these reserves” the second time. People who have a flair for writing and a more intricate style than I do might like changing words because it sounds better; however, to me, if you want to communicate, you do not change it. You use consistent wording when you are referring to the same thing.

What does “assets held with respect to such reserves” mean? That is an honest question that I have for you. Which assets?

FROM THE FLOOR: There might be assets backing the reserves.

MR. ECKLEY: Which ones are those? We have reserves and other things in the balance sheet.

FROM THE FLOOR: Do you mean invested assets with the different breakdowns, deferred premiums, and receivables.

MR. ECKLEY: Right. If you are not a valuation actuary, this might be pretty hard to understand. I think we all know that. Maybe someday we can actually get some improvements in this wording, but I know it will not happen tomorrow. Some thoughts from me. It’s pretty much what you have said. Oh, I guess I was bold enough to try an alternative wording on you here. I do not think we are really saying anymore than this when you boil it down.

FROM THE FLOOR: What you are saying seems a lot different to me.

MR. ECKLEY: Does it?

FROM THE FLOOR: Because you said “will be sufficient.” You are taking out some of the qualification.

The adverse qualification. The second thing that you have is redundancy. I think that you should keep the qualifications here; they are very important.

MR. ECKLEY: Maybe we need a little more wording here. You can err by not having enough wording. Fair enough. Maybe in this environment what is more important than wording the actuarial opinion is what we say in the GAAP statement footnotes. There might be a few people in the room who only deal with mutual company statements, but there are fewer and fewer every year. This might be relevant to everyone in the room. This is a real live footnote straight out of the quarterly statement of a very large household name company. Who wants to start criticizing? Yes, sir?

FROM THE FLOOR: We have inconsistency in the first sentence. You talk about insurance policies, traditional life insurance, and annuities. This is disabled lives. It should be disability coverage or something.

MR. ECKLEY: Sure. That is what I picked up on. Who is the audience here, by the way, before we go further?

FROM THE FLOOR: Investors.

MR. ECKLEY: Investors might not know very much about insurance. What's traditional? Why not just say life insurance? Does this company sell only traditional life insurance? What is that then? Maybe in another footnote somewhere, admittedly, we might get some more definition, but I did not like the word traditional. Certainly, the gentleman's right about the disabled lives. You might as well say "desks in the home office."

FROM THE FLOOR: That second sentence is, generally, "analysis." I would say benefit analysis or claim analysis. I do not know what "analysis" means.

MR. ECKLEY: What does "extended period of time" mean to a layman?

FROM THE FLOOR: You can take the whole second sentence out. It is extraneous and it comes back again later on. You get to the same point.

MR. ECKLEY: The first person who spoke was saying that it is obvious. But I suppose it cannot hurt to add it. A question of preference, I guess. What do they try to do here in the last sentence?

FROM THE FLOOR: Justify the bad news. It is not our fault if profits drop...

MR. ECKLEY: A good point.

FROM THE FLOOR: It seems to be that the test should have been based on reserves or whatever, and this is really a description of the nature of the business.

MR. ECKLEY: Yes. It is really a disclaimer and I agree that the heading really does not fit with the material. I did not like the last sentence as well. You all might not mind it so much, but it tries to say that the pricing matters and so do these reserves that we are talking about here. You get these two things that are interacting and affecting profitability, and there is little explanation about either one of them. You can price it inadequately, but then five years down the road, if you set up all kinds of huge reserves, you are going to be all right again. You had to set up the darn reserves, of course.

FROM THE FLOOR: They have got two distinct points that they are making that they are mixing together with resulting confusion. One point is the profitability of the products relative to the pricing and the resulting experience. The other point is the establishment of the liabilities, the timing of the payments, and the effect of timing differences in the profit. They are mixing it all together instead of separating them and making each clear.

MR. ECKLEY: That is more or less where I was on this. Here I tried an alternative. Again, feel free to shoot me down, but, to me, this is about all it said.

FROM THE FLOOR: I need an idea about the kinds of assumptions.

MR. ECKLEY: Which were in the previous version, that is true. They did list the four main ones.

FROM THE FLOOR: You imply here that if the experience was just a little off, the result is going to be a loss. This is not necessarily the case.

MR. ECKLEY: That is true.

FROM THE FLOOR: Do you not have the same heading?

MR. ECKLEY: True. I should have modified the heading if I did not like it. Yes, sir?

FROM THE FLOOR: I think I would have written something about the scenario where experience develops more favorably than expected.

MR. ECKLEY: Right, I can see your point there.

FROM THE FLOOR: This is a one-way disclaimer. Things could go the other way also.

MR. ECKLEY: Well, this was not science. This is art, but maybe there are some rules that we can try to live by.

Use the right method of communication. We have several before us at all times these days starting with e-mail and going up to the formal means. There is oral, which we will get into in a little bit. Use enough wording. Simplified examples to illustrate complex topics can come in more when you are having an oral discussion with someone. Considering the audience is what's most important. Steve said that, too. The point about an explanation is more impressive than a lack thereof. I think some people who have technical knowledge either do not have enough patience or, to try to impress someone, do not explain much. Maybe actuaries are guilty of it a

little bit. To amplify what I thought was the most important, consider the audience. And these are kind of obvious. What is their familiarity with the topic, what might their views be, and then how might they react?

We are going to get even less formal by doing some role playing.

MR. GREFFENIUS: I started to squirm a little bit. Your comments on the footnote were really good, and I wanted to make a comment based on them. It goes back to what I said about purpose in writing. The much shorter version that Doug wrote will be good as a disclaimer, but it left out a fair amount. We are trying to explain some of the concepts that the gentlemen in the front two tables were talking about. If your simple purpose is to disclaim, then you just do not need much and you state it quite easily. If your purpose is to explain some of these concepts with regard to profitability and the things that impact profitability, then you need to take a good deal more time and probably more paragraphs than we had here. Take two paragraphs to actually explain it and do not mush it all together in a confusing way. In the case of this footnote, the person who wrote it did not have a very clear purpose.

MR. ECKLEY: We want to do a little bit of role playing. I thought Steve and I might go first with something that we prepared ahead of time. Then you will have a chance as well. Steve, are we going to do the marketing officer and the actuary, first?

MR. GREFFENIUS: OK.

MR. ECKLEY: I will be the actuary. Thanks for coming. I called this meeting so that I could disseminate the idea of a rotational program where my FSAs would rotate into other departments on a two-year cycle.

MR. GREFFENIUS: What's the advantage of a program like that?

MR. ECKLEY: My people would get exposure to your people and vice versa, they'd learn about managing other aspects of the company, and it would help me retain my best people by giving them an expanded role.

MR. GREFFENIUS: I am just thinking this guy is really overreaching. Those people get all those perks and now he wants us to train them in our own areas so that they can probably take over the company. Actuaries can't be marketers. Would your people be able to handle a job in a different department like that? They haven't been trained in marketing, for example.

MR. ECKLEY: The actuarial exam syllabus is extremely difficult and covers all aspects of insurance company management.

MR. GREFFENIUS: What do you think would be the difficulties and drawbacks in a program like this?

MR. ECKLEY: Oh, I might need to add some staff to make up for the people who are rotated out.

MR. GREFFENIUS: Nobody will like it. How would you handle the budgeting for it?

MR. ECKLEY: I will negotiate with you.

MR. GREFFENIUS: Let me get back to you on it.

MR. ECKLEY: That is the end of that. How did that go? Terrible, you say? So what could be done on the actuary's part to handle this thing better?

FROM THE FLOOR: What is in it for him? You consider the advantage that you retain your good FSAs. What about him? So maybe the point is one company wants software, whatever it is. The whole company benefits, so they are pushing towards that. That is not just for me or my

people—that is for the company. Somehow you have to make him see the value of it, but you did not just do it like that.

MR. ECKLEY: And does this have value as an idea? If so, what could we say to follow-up?

FROM THE FLOOR: When you describe the actuarial example, describe how difficult a valuation system is. It seems like an actuary is just so smart and passes. There might be some relevant material on the exam that is a balance of marketing and things like that.

Maybe it was not to the point. The point was they have not been trained properly in how they do it. The answer was will they be trained in actuarial matters, and that covers everything.

MR. ECKLEY: The whole thing is condescending. When you look at it that way, it really is. But what can we do?

FROM THE FLOOR: In many companies, the marketing people and the actuaries need to develop ideas and concepts. The positive aspect of something like this is that you have a discussion about looking at things from more than one angle as to development. That is extremely positive.

MR. ECKLEY: This is a sales pitch. If you come to a meeting and have a suggestion, and you want the others to agree to it, you are really doing a sales pitch. You have to kind of structure it that way. You could try a brainstorming session with this marketing guy. You could start out by saying, I have a problem of bad morale. You do not have to be so blatant, but you could say I want to raise morale in my department. What might I do? Can you help me out? If you are smart, you might be able to guide this brainstorming session toward the same thing you want anyway. That can be an alternative approach here.

We have another one that Steve and I could do and then we have one for you all. Let's go ahead and try the other one. I will be the actuary again. Steve gets to be the CEO.

MR. GREFFENIUS: South Pacific is looking for reinsurance on their new block of policies. You have been crunching some numbers. What do you think?

MR. ECKLEY: I do not think we can make our 15% hurdle rate, especially since they insist on that 10% seeding commission.

MR. GREFFENIUS: The investment people tell me the assets are solid, and doing this transaction could lead to other business.

MR. ECKLEY: I just do not see our 15% hurdle rate here.

MR. GREFFENIUS: Fill me in on what you have in your analysis.

MR. ECKLEY: Well, we built a model. We modeled the policies into 120 cells. We also modeled the assets, and we ran everything off. We actually did 100 scenarios, and only 14 or 15 of those came out where we made our 15% target.

MR. GREFFENIUS: What differentiated the various scenarios?

MR. ECKLEY: The shape and level of the yield curve.

MR. GREFFENIUS: How many of those scenarios finished underwater?

MR. ECKLEY: By underwater do you mean a negative return? There might have been 18, which is not very many.

MR. GREFFENIUS: Most of the time we make money. Isn't that what we are in business for?

MR. ECKLEY: Sure, but we have to consider our cost of capital.

MR. GREFFENIUS: Why is that relevant if we have excess capacity? The seeding commission is deferrable for GAAP. What do the GAAP returns look like?

MR. ECKLEY: We do not even look at GAAP on deals like this. It is the statutory numbers that restrict our ability to distribute profits.

MR. GREFFENIUS: Risk-based capital (RBC) is just a way to pile conservatism on top of conservatism. Take out the RBC, and then we will have this discussion again.

MR. ECKLEY: All right, I lost again, right?

MR. GREFFENIUS: Stacked deck.

MR. ECKLEY: Maybe we should do a third one where the actuary actually wins a little bit.

How can we help our actuary here? Maybe you noticed some things that we should have done differently.

FROM THE FLOOR: Why not try harder to explain the mathematics?

MR. ECKLEY: There is something where I think a simplified example, if you can come up with one, might go a long way. Can anyone come up with one?

FROM THE FLOOR: We can do it, but you do realize we are not going to get 15%.

One of the underlying things from that conversation was that the CEO did not budget for ROE as people thought. It wasn't important to him.

MR. ECKLEY: He has other things to think about.

FROM THE FLOOR: The issue, again, becomes, is it a real question about whether it is an ROE? Is it actually the right reason in a financial business problem?

MR. ECKLEY: Now I think you are getting there.

FROM THE FLOOR: So the question has to be that one of the concerns in the underlying industry is ROE and general stability. I think the actuary needed to have had a conversation before this one.

MR. ECKLEY: This was a lot to try to cover in a short discussion that could have been in the elevator, for goodness sake.

FROM THE FLOOR: Regarding that 15% ROE, you raised some interesting points about additional business, but what would be acceptable to the corporation in terms of an ROE. I can tell you how many scenarios or what the likelihood is that we could get that.

MR. ECKLEY: Put yourself in the other guy's shoes and understand he has other considerations. Maybe there is no other deal in the pipeline. If there is no other deal for the next five years, then surplus isn't really so scarce.

FROM THE FLOOR: Maybe you could go back to where you said that 10% was rich or was not the right level. Go back to him and resolve the issue about the right level.

MR. ECKLEY: Consider alternatives, sure. Was there another?

FROM THE FLOOR: I suspect the CEO wasn't too interested in model building.

MR. ECKLEY: It is so hard to get somebody interested in that, isn't it? The work that goes into it is really very impressive, but it is difficult to get that other person to understand that.

FROM THE FLOOR: I am not sure how sophisticated the CEO is about yield curve. It got too technical at that point.

They say the actuaries seem very inflexible. If you are worth the price of material, and you have to get this done, the yield curve might improve the deal. He did not have any alternatives or ways that they could restructure the deal to take that risk out of the yield curve. You have got to build other solutions or ways to approach it and maybe work from there.

MR. ECKLEY: Black and white.

FROM THE FLOOR: Black and white. Maybe you could have approached with the pros and cons of doing this. Make it seem like he has arrived at the right decision as opposed to you telling him yes or no.

MR. ECKLEY: Next, we thought we might pair off and have you all play a role. You can act as either the finance teacher trying to explain to the freshman student, or the marketing person, who, in this case, is assumed to know all about these annuities and is trying to explain them to the CEO. In either case, we have a fairly technical topic involving annuities.

FROM THE FLOOR: What is meant by “DCA”?

MR. ECKLEY: The acronym stands for dollar-cost averaging. Do we have anyone who would want to explain that to us, as an aside? This isn't part of the role playing. Does anybody want to explain dollar-cost averaging to us? Go ahead.

FROM THE FLOOR: Generally, when people are putting money into their annuities for a variable, they do not want to take their market risk over a year's period and they take one-twelfth of it every month so that they come in at different times of the market. The money is put in some fixed annuity money market fund.

MR. ECKLEY: We can go from there to the role playing. This is doubly difficult. Consider your audience. You might need to explain both deferred annuity and dollar-cost averaging, or you might be able to assume some prior knowledge on the part of the audience and just get into the dollar-cost averaging. Is there a convenient way that we can sort of pair off? I know I am forcing you into something here, but how many chances at a Society meeting do you get? See what happens as you try to explain this. If you are the freshman student, go ahead and be as ignorant as you like.

Did we get enough analysis in? Do we have anybody who would like to report? How are we doing? Does anyone want to volunteer with some findings? Still in the mix. I think this half of the room is done, for whatever reason, and this half of the room is heavily into it.

FROM THE FLOOR: We have a lot of freshman students.

MR. ECKLEY: Does anybody want to report on your successes or failures in that little episode?

FROM THE FLOOR: I am having difficulty. I do not understand every word you use. I do not know what annuity means, and I do not know what an underlying asset is, and so on.

MR. ECKLEY: Has anyone ever actually taught in a high school or any formal environment? Did you find that same problem? You really have to assume little or no knowledge in some classrooms. What else? What was the most difficult thing to try to get across?

FROM THE FLOOR: This is kind of a difficult thing to get taught, but if you want somebody to work for me who comes into the job not knowing too much about insurance or the products you have, the report makes it easier to find out about it, especially when we are trying to explain it to them.

MR. ECKLEY: Background knowledge is very useful for the next task.

FROM THE FLOOR: To me, the way to do that is to look at their background and take an example of their background that you can relate to the product you are going to discuss.

MR. ECKLEY: A simplified example to explain a complex topic, if you can come up with it, is really great.

FROM THE FLOOR: On the deferred annuity, it was a good example, but I tried to explain it in a way as a bank account. Do they have a type of savings account and actual prices there?

MR. ECKLEY: I do not know your name, but I was getting into the risk reduction aspect of that. Did anybody try to get into that with either the freshman student or the CEO?

FROM THE FLOOR: I tried, but it didn't happen.

MR. ECKLEY: That is the most difficult thing.

FROM THE FLOOR: I think what made it easy was to constantly ask. I realize there are some students that, as the lady mentioned, do not know, and people are taught not to say that they do not know. When you are talking to them, they nod. I ask questions and say, "Did you really get it?" Really look at their face and their eyes. Even though their head is nodding, their eyes say I have no clue what you are talking about. Then I know I am missing them, so I pause and ask questions or I put an example on the paper.

MR. ECKLEY: In the case where you are dealing with the person who has very little knowledge about what you are trying to say, it is important to be comfortable repeating yourself. That is just something that I believe.