



SOCIETY OF ACTUARIES

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A Day in the Life of an Actuary

by Michael Sze

I always believe that life is made up of dots. November 28, 2001 was certainly a dot in my life. I am grateful for the experience and hope to share it with all the people who helped to make it happen. Since this was written immediately after all the toasts and drinks, when all those surrounding me were in a state of semi-euphoria, you must forgive the over-enthusiasm in the tone of the following passage.

The day started quietly at 7 a.m. with my morning swim in the hotel pool of the Hyatt Almaty in Kazakhstan. The pool was clean and empty, the water was warm, and the robot pool cleaner was slowly patrolling the floor of the swimming pool as usual. I had often fancied a Stephen-King-type of story with a killing swimming pool robot. But this morning there was no time to indulge. I finished my swim and sauna quickly and went back to my room for the complimentary breakfast the hotel provided for Gold-Pass holders. As usual, there were two portions of breakfast, one for me and one for my wife, Elsie, who had actually left a week ago. I was not honest enough to notify the hotel about it. I loved those croissants.

Over breakfast, I organized my thoughts on what I would deliver in the Ethics Seminar in the next few hours. Mo Chambers, the President of the International Actuarial Association, had sent me some teaching material, from which I picked out three practical cases for discussion at the seminar. I would moderate the first case study. Zhanat Kurmanov, the Deputy Director of the National Bank of Kazakhstan and Head of the Insurance Supervisory Division, would moderate the second case study. Richard Webb, a lawyer and former insurance regulator in Canada, would moderate the third case study. I had divided the students into three groups of five. They would discuss the case

studies and present their opinions on: (1) the issues involved, (2) the possible alternatives, and (3) the action they would take if they were the character in the case study. I reviewed in my mind all the leading questions I would ask to stimulate discussions, if there would be dull moments, and the critical ethical decision that needed to be made.

As always, I lost track of time. I ran to the National Bank, which was just across the street, but the street and pavement were icy from the snowfall overnight. The students were waiting already. There was some confusion with the seminar room and a small crisis with the Russian translation file being accidentally wiped out. The seminar was delayed for half an hour.

Case 1 concerned a marketing actuary whose former responsibility was pricing. In his opinion, a new product was under-priced. The current pricing actuary and the manager of the marketing department both thought that the pricing of the product was adequate. What should the marketing actuary do? The students had a lively debate. I did not need to use my prepared questions. The common consensus of the candidates was: the marketing actuary should perform a detailed analysis and discuss fully the results with the pricing actuary to see whose calculation was right. Thereafter, if there was concrete proof of under-pricing, remedial action should be taken.

Case 2 was on an actuary serving on an advisory committee of the regulators, who were in the process of introducing regulations which were appropriate for the industry, but might be damaging to the actuary's company. Again, heated debates ensued. The conclusion was that the actuary should vote in favor of the proposed regulations, but suggest a phase-in period for compliance.

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Case 3 was on wrong assumptions used in a projection done by an actuary. Upon bad experience after one year, the actuary tried to cover up with even more liberal assumptions. After lively discussions, the consensus was that the actuary should report the case to both the

management and the Society of Actuaries. This was clearly a disciplinary case involving a compromising and negligent management. Professional action was called for.

The seminar clearly demonstrated that this group of students was capable of making proper decisions on professional ethical issues. The advice to the students was that, in case of doubt, consult other actuaries,

The seminar ended at 2:30 p.m. with half an hour left before the Licensing Ceremony, not enough time for lunch. Nonetheless, the three instructors ran and skidded all the way to a nearby Korean restaurant along icy pavements, gulped down half the meal ordered, and tumbled back to find all the guests and students already waiting in the assembly hall.

Mary Norris of the United States Agency for International Development (USAID) gave the keynote address, emphasizing the importance of the actuarial profession, the fine result of the team effort of the National Bank of Kazakhstan, the USAID, and the Pragma Corporation, and the success of the students. The Deputy Governor of the National Bank congratulated the students in Russian. Judging from the reaction of the students, the speech was well received. When she invited me to speak, for which I was totally unprepared. After a couple of refusals, I thought: why not, somebody should tell the world how hard these students had worked. So I spoke, first thanking the Chairperson and the special guests, then I said to the students:

“You all know how proud I am of each and every one of you. I have seen you work so hard, studying ten to twelve hours each day, and then going back to your office to take care of your full-time job. I saw the fatigue in your eyes and paleness in your faces towards the end of each course. Where others would fail, you prevailed. Here you are, the success is well earned and I salute you...”

The licenses were presented, and lots of photographs were taken. Dina Urzhumova gave a speech on behalf of the new actuaries. The ceremony was short and dignified. It was over before 4 p.m. This was a defining moment in the actuarial history of Kazakhstan.

The new actuaries invited me to their celebration party, where there were toasts and drinks. More toasts and drinks. Everybody was euphoric.

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SOCIETY OF ACTUARIES

“This is like a revolution. In the past, the insurance rules were so loose, and we did not know much about what we did. Now the rules are much tighter, and we are equipped to do what is required of us. Let us toast to celebrate this new era...”

Their outlook was so enthusiastic, their compliments were so generous, and the toasts so warm. We were all slightly tipsy, from the alcohol that we consumed, but more from the success that we all treasured so much. Nobody mentioned the fact that I had just failed more than half the class for Course 3 the week before.

As the party went on, and more drinks were passed around, I began to get more and more worried. I promised my wife Elsie that I would e-mail her at 6:20 p.m. (We had this cyberspace chat every day.) 6:30 p.m., 7:00 p.m., 7:30 p.m., and the party was still going strong. I informed my host of my need to e-mail my wife.

“No problem! My office is only ten minutes away. We can go there to do e-mail. But you must come back.” Victor suggested.

Four other actuaries went with me. In the car, Saure asked me for advice. She had a 5-year-old son and a 10-year-old daughter. They just could not understand why their mom had to work so hard, hurrying them to bed every night so that she could open her computer to do some studies. What do you tell a lady who is torn between her family and her studies, who tries so hard, and yet failed Course 3 a week ago?

Victor has a nice office with about eight desks. I got on the Internet, and saw Elsie’s e-mail messages:

“I am at the computer...”

“I am still waiting... I know you must be going out with your students. This is the reward for all your hard work. Enjoy! I will wait...”

Elsie and I exchanged about 10 email messages in 20 minutes. Between messages, Saure told me a story of her daughter. Last Saturday, after the examination, the whole family felt so relaxed. They sat around to watch TV. The daughter asked Saure what she was studying. By way of giving an example, Saure asked her a question:

“Suppose there are two balls in a bag: one white and one black. You reach in to get a ball. What is the chance that you’ll get a white ball?”

Unexpectedly came the answer: “Fifty percent”. The girl had never learned probability before. Somehow this makes actuarial science more bearable.

We got back to the restaurant. Every actuary was still there. More toasts and drinks.

“I want to thank Mike for the time that he has shared with us. We all know that this is the time when he should be having fun. But he chooses to be here with us...”

“How do you know that I am not having fun? I was having fun, even when I was miserable grading your examination papers. Last weekend was very tough for me, having to fail so many of you one after another. But there is no way that I would pass you before you have gained adequate knowledge. It will be far worse to pass now and fail later in actual work...”

It was very gracious and brave of the students to bear their failures silently, expressing no complaint, just simple acceptance of the verdict.

More toasts and drinks. It was almost 11:00 p.m. Obviously, the party needed to end, no matter how much we all wanted it to continue. My plane would be leaving in three hours. I still had not packed. We kept taking more photos for memory, until all the cameras ran out of film.

Victor drove me back to the hotel. The way he drank and drove, he would be in jail in Canada. After his car turned the corner, I skidded to the nearby Internet Café to see if Elsie would by chance still be at the other end. No such luck.

I went back to the hotel, dumped everything into my suitcases, smelly and all. I checked out just before the driver arrived to pick me up for the airport. I was so exhausted that I dozed off on the way to the airport, slept all the time while waiting to board, and continued my slumber on the plane all the way to Schiphol Airport in Amsterdam. I was fully refreshed at Schiphol, and the result was this account of a day in the life of an actuary. □

The seminar clearly demonstrated that this group of students was capable of making proper decisions on professional ethical issues.



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