



SOCIETY OF ACTUARIES

Article from:

# The Actuary

October 1989 – Volume 23, No. 9

# Two actuaries 'visit' IRS

by Karen Krist and Amy Viener

Since early 1989, the staff of the National Office of the Employee Plans Division of the IRS has included two "visiting actuaries." Karen Krist and Amy Viener. We are each on leave from our private sector jobs, visiting the IRS for two and one years, respectively. The program is new, and in this article we would like to give our fellow actuaries some idea of why we are here, what we are trying to accomplish, and how it's going so far.

There is a strong attraction to a temporary assignment, which is related to but different from a permanent job. Students take a junior year abroad; professors take sabbaticals. The visiting actuary program offers us a similar opportunity: the chance to work in the same field, in a different environment, in a totally different capacity. In Amy's case, it also offers the opportunity to live in Washington, D.C., for a year.

Most actuaries would shudder at the thought of taking a year off knowing all too well that in this ever changing field, it would be very difficult to catch up. But, as is the case

in a junior year abroad, this program will leave us better educated than had we remained "on campus."

We expect all participating parties will benefit from the program. When we return to our consulting firms, Amy to Kwasha Lipton and Karen to Mercer Meidinger Hansen, we expect to function more effectively and intelligently when dealing with problems that involve the IRS. This is not a matter of "clout" but of understanding the process and how, realistically, one can hope to influence it from the outside.

Initially it seems that our clients are being short-changed, being tossed aside to other consultants during our absence. In reality, we're probably a lot more valuable to our clients while we're here. For no consulting fee, we can voice our opinion when an IRS official suggests yet another demographic test that would be an administrative nightmare to perform. After we return to the role of consultant, our clients will continue to benefit from the experience gained during our time with the IRS.

In the meantime, we are trying to bring our understanding of the outside world to the projects on which we are working on a daily basis. We think that we have a useful perspective to offer and that we have made at least a little difference so far.

Just what are we doing? An important function for each of us is participation in the process of formulation and drafting of revenue rulings, procedures, and notices. It has been said that no one should know how their laws and sausages are made. Our experiences have confirmed that, so we will not comment further.

Since Karen spends most of her time in Chicago, she is working on agent training and on some compliance issues. She has represented the IRS as an expert witness in some legal proceedings. Amy is located in Washington, D.C., and is more involved in the daily activities of the national office, including attending meetings to discuss forthcoming regulations and answering the "hot line." She coauthored the 412(m) notice and

*Continued on page 13 column 1*

## Gaijin cont'd

for free). A hospital subsidiary does the laundry for profit, and nearly everyone uses it. (Makes money.)

– Bed linen is changed only once a week, or as necessary. (Saves money.)

– The meals are good, as I have said.

However, any food or beverage (soft drinks, etc.) over and above the defined menu must be provided by the patient; each of us had a refrigerator storage slot. (Saves money.)

– Speaking of meals, in country hospitals most cooking is done by the patient's family. I had no family there and so could savor the local cuisine. (Saves money.)

– Despite the high-tech atmosphere, the elevation of the hospital beds was controlled by hand cranks, rather than electricity – "Nothing wrong with the beds, so why throw them away." (Saves money.)

– Doctors (and nurses) came around by themselves, rather than in troops. I guess they were not afraid of being by themselves – less litigation? (Saves money.)

– Nearly all accommodations were ward style. I do not recall seeing true semi-private (two to a room), and I had the only private room in intensive care. Language of course. (Saves money.)

• Then there were peculiarities. In the land of electronics, there was no television in the rooms, and none could be rented. (I was reduced to a Walkman.) Perhaps the ward accommodations made this necessary.

Obviously, some of these differences can be debated on the grounds of utility or standards of care. However, there is no doubt the costs of medical care were lower as a result. I was able to determine that, on days when no major procedure was being carried out, my total medical cost (hospital, drugs and doctor) was less than the cost of my room at the Tokyo hotel where I had been staying before moving to the Medical Marriott. It was tempting to fantasize that, on my next trip to Japan, I would just

collapse in the airport and book into a convenient hospital.

Incidentally, the purpose of my trip had been to explore the feasibility of establishing a consulting office in Japan. I thought of proposing that we set up our office in a hospital and staff it with sick actuaries (physically, of course). I doubt it would have been accepted, but it might have been cheaper!

Obviously, every person's experience in illness will be different. However, the differences were so striking and, to me, so beneficial, that I believe there is much we can learn from the Japanese on how to run a health system. I suggest we explore this before our health costs exceed the GDP.

Charles Barry H. Watson is an Actuary with The Wyatt Company. He is a former Vice President of the Society and a former President of the Conference of Actuaries in Public Practice.

**Two actuaries cont'd**

has prepared numerical examples to illustrate concepts discussed in various meetings.

An article discussing any position with the federal government would not be complete without at least mentioning a few minor drawbacks. The IRS is not a plush place to work. Gone are the days of high salaries, coffee rooms, water coolers, and private offices. Karen's office is what used to be the guest room of her home, and Amy shares an office (and phone) with three other actuaries. Amy's computer doesn't have the storage capability for a spreadsheet of more than 20 columns, and Karen's computer doesn't even work yet. (Attempts are under way to remedy the computer problems, but the expected bureaucratic red tape further complicated by a frozen budget slows things down.)

We expected to find a lot of government waste. You know, those \$500 hammers we used to read about. However, we have found just the opposite; there is nothing to waste. Everyday supplies (paper, folders, etc.) are considered prized possessions.

Despite these drawbacks, we're glad we're here. How many actuaries get to share an office with Paulette Tino and Rowland Cross? The benefits of that alone make up for the lack of privacy. We are confident that the experience gained during our "visit" to the IRS and the opportunity to work directly with several extremely influential people in the world of employee benefits far outweigh the perks of working for a private consulting firm. Besides, we were drinking too much coffee anyway.

The IRS does have limited resources. It has established a program seeking help from the private sector. Considering that everyone benefits from the visiting actuary program, we're happy with our decision, and we hope that the IRS, MMH, KL, and our former clients are too.

**In memoriam**

Laurence H. Longley-Cook \*ASA 1950  
George D. Low \*ASA 1952  
William A. Poissant FSA 1939

**Dear Editor:****Faculty sends thanks for Centennial hospitality**

I am hoping that you will find space, among the technical letters and articles which properly fill your pages, to print a letter of thanks from the Faculty of Actuaries. If any special pleading is required to persuade you, I could perhaps mention that your founding editor, the late Andy Webster, was a popular and much respected Fellow of the Faculty and one of the few overseas-based Fellows to be elected as a Vice President.

We were told that nearly two dozen foreign (by which I mean from neither Canada nor the United States) actuarial societies were represented at the Centennial Celebration in Washington. The largest contingents were from the two British societies, and I reckon there must have been about 20 delegates from the Faculty alone.

On behalf of these visitors from across the Atlantic, I thank all our North American hosts for their generous hospitality during those splendid June days.

At a large conference – and particularly one marking a significant anniversary – it is not easy to decide whether the technical meetings or the opportunities for meeting people are the more important.

From the former, one message came through loud and clear: actuaries throughout the world are facing new challenges and new problems that are remarkably similar from one country to another. This is partly a reflection of the similar attitudes toward insurance and pensions being adopted by so many governments and partly a reflection of the international spread of the activities of so many insurance companies and actuarial consultants. From the opening ceremony to the close, the speeches and discussions held our attention by addressing live issues in a lively fashion. I appreciated particularly the way in which tribute was paid to the part played by British actuaries in the early days of the profession.

On the social side, we were welcomed to receptions, to entertainment and to a banquet that gave opportunities – all too brief – to meet and greet friends old and new. Above all, however, the personal hospitality given to many of us, and our wives,

was so warm and friendly that it will be remembered for a long time.

Thank you, America!

William M. Morrison  
Immediate Past President  
The Faculty of Actuaries

**'Living benefits' pioneer**

I have read with a great deal of interest the articles that Thomas W. Reese and James C. H. Anderson have written concerning the advance payment of death proceeds by life insurance companies. I am particularly concerned with Reese's article in the June *Actuary*.

The article states, "This idea originated at the Canadian branch of the Prudential Insurance Company of America." It gives some life insurers in Canada complete credit for pioneering a creative approach to meeting the financial needs of terminally ill insureds who may need funds for medical and living expenses.

I know at least three U.S. life insurance companies that have been providing the advance payment of death proceeds under certain conditions since 1966.

A Living Benefits folder has been sent out with every individual life insurance policy issued by the Ohio State Life Insurance Company, Columbus, Ohio, since early in 1966. These benefits outlined in the folder are available to all individual life insurance contracts in force with Ohio State Life and are not limited to those issued after we started sending the Living Benefits folder in 1966.

As far as I know, these Living Benefits are also available to all individual life insurance contracts in force with Investors Guaranty Life Insurance Company of Columbus and Farmers New World Life Insurance Company of Seattle.

These three progressive life companies started offering discounts to Life Insurance applicants who do not smoke cigarettes in the early 1960s, long before the reduced mortality of these prospective insureds was recognized by the Society of Actuaries and the life insurance industry in general.

James A. Bates  
Retired President of  
Ohio State Life Insurance Co.

Continued on page 14 column 1