



SOCIETY OF ACTUARIES

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# The Actuary

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# 'Ask an Actuary' carries well-received message

by Cecilia Green  
Staff Editor

Since SOA President Walter Rugland offered members "Ask an Actuary" buttons (January 1993 issue of *The Actuary*), Society staff have shipped out almost 8,000 buttons with information cards. Added to the 4,000 buttons handed out at the 1992 annual meeting, this means more than 10,000 "Ask an Actuary" buttons now are in circulation. (Don't worry, we still have plenty. Call Connie Tegeler at the Society office, 708/706-3500, and she'll send you any quantity you need.)

## Buttons hit bulls-eye

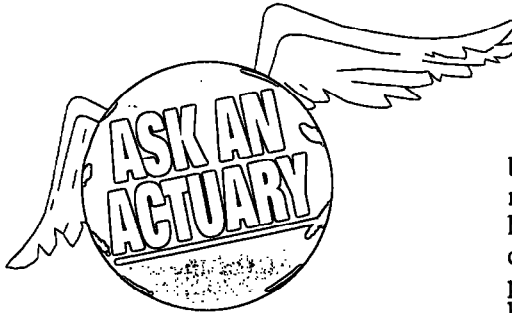
What made so many eager to pin on and hand out buttons? From the enthusiastic response, it's apparent Rugland's message was on target. Actuaries are ready to step forward and say, "Ask me when you have a question involving financial risk. I have some unique skills that can help us keep our business and financial systems strong." Some members in leadership positions have suggested that actuaries should not only answer the questions they are asked, but also be more creative in pointing out what questions should be asked.

A letter attached to a button request relates a common situation:

Working for a large organization, . . . the actuarial staff do not receive the recognition they deserve. Many senior executives do not realize the actuarial staff here are "business people" who are quite "capable of participating in solutions to any financial problem involving risk." They believe we are here only to tell them how big our liability is (especially the unfunded part).

Besides requests for buttons for clients, co-workers and upper management, other popular button uses are for successful exam-takers and celebrations for new ASAs and FSAs.

Buttons have gone outside the workplace to career fairs, news media, university students, civic organizations, and even the governor of Missouri. Buttons traveled outside



North America, as requests rolled in from the Institute of Actuaries (England) and from travelers who took them to the Caribbean, Swedish, Norwegian, and Japanese actuarial societies.

## Button stories, just for fun

Frank Repp, of FDR Associates in Dallas, wrote that he "impaled" a button on each copy of the company newsletter. "Individual reaction is generally favorable," he said, "but there's always one voice crying in the wilderness. As usual, Mom was it. 'I guess you'd better ask an actuary, because you can't tell them anything,'" she said.

Another actuarial comic said his "Ask an Actuary" button really worked, because when he wore it on the street, he was asked twice in one block if he had any spare change.

## Button campaign spurs comments and ideas

Only one person, Donald B. Warren, a retired member in St. Louis, wrote in opposition to wearing "Ask an Actuary" buttons. "It smacks of cheap advertising," he said, and questioned whether an actuary would want to show up for a job interview wearing this button.

Two letters commenting on the program suggest ways to expand the "Ask an Actuary" concept.

Dale Lamps from Deloitte & Touche, Grand Rapids, Michigan, wrote that he has often wondered how to convince his clients that they should "ask an actuary" when they have questions about risks. He thinks clients believe they have dealt with their "global" risks (life, health, liability, fire) but haven't considered how actuaries can help them with their "local" risks specific to their

businesses or industries. He says he's not sure they could even define their local risks well enough for someone outside the business to address and points out that a company might not be willing to spend the money to have an actuary study the company or industry in depth from the inside.

"Every company should conduct a risk inventory," Lamps suggested. "This would include a description of each risk — local and global, internal and external — to which the company is exposed. Each risk would be broadly quantified to establish its level of magnitude. A rough model would be constructed of interactions of the set of risks. A summary report would be prepared, on actionable areas, including a description of those risks or combination of risks that might present a possible ruin situation."

David Crawford, a consultant in Washington, D.C., notes that "Ask an Actuary" is a snappy imperative to which a likely response may be "Why?" Because the campaign may reach many who have not worked with actuaries, hard-hitting specifics, not generalities, are needed to get communication rolling, he said.

He suggests that actuaries could reply with short success stories in which actuaries played a key role. He told of his experience in launching a new consulting practice in Japan, where "consulting actuary" had hardly been heard of. When they described actual successful projects in 10 words or less, they caught the attention of prospective clients.

"A key challenge in making President Rugland's campaign work is for each participating actuary to have at the tip of his or her tongue those snappy and impressive replies," he suggests. "Maybe one or two of the success stories should be the actuary's own, but the rest should have come from our collective successes — a mix of recent stories and ones from deeper in history, some in our traditional life/health/pension work and others in more exotic areas."

Crawford has issued the challenge — now can you deliver a real life example when you're asked the "why?" question? We think you can — that you have success stories to share with all actuaries trying to promote the "Ask an Actuary" concept. If you are willing to write them down or tell them to us, we'll gather them into short vignettes, even condense each into the 10-second sound bite Crawford suggests and publish them. Because we're trying to help the profession as a whole rather than promote individuals, we'll use no names in the stories. Please fill out the form on this page and return it by June 1.

### "Ask an Actuary" Success Stories

Yes, I have a success story to share in which an actuary played a key role in solving a business, governmental, or societal problem. I will describe the problem, the actuary's role, and what the measure of success was (profit, gain, cost savings, coverage, social good accomplished).

\_\_\_\_\_ I have attached a 100-word or less summary.

\_\_\_\_\_ Please call me. I will tell you my story; you can write it and get it back for my review.

NAME \_\_\_\_\_

TELEPHONE NUMBER \_\_\_\_\_

Return by June 1, 1993, to: *The Actuary*, Society of Actuaries, 475 N. Martingale Road, Suite 800, Schaumburg, IL 60173-2226; fax: 708/706-3599, or call Cecilia Green, 708/706-3561.

## Dynamic Solvency Task Force report available

by Godfrey Perrott

**T**he Board of Directors of the American Academy of Actuaries adopted a position statement last year suggesting insurance company management obtain each year a written report on financial solvency by an appropriately qualified actuary. This reflects the Academy's belief that actuaries are suited to advise insurer management on its company's future probable solvency in view of its current assets, liabilities, and business plan.

To respond to the recognized role Society of Actuaries members would be asked to assume in this context, an SOA task force was appointed to:

Produce a plan of action to accomplish the necessary research and to produce the needed educational materials on dynamic solvency issues so that by 1995 the following is a true statement: *An actuary has access to necessary research, education and training, techniques and industry-wide data needed to select appropriate methods and assumptions in order to provide a life and health insurer's management with a report on its financial solvency.* The plan needs to cover the research needed and how to accomplish it and what programs in basic and continuing education will need to be put in place. Research will include methodologies, applications, and experience studies needed to provide appropriate data.

The Dynamic Solvency Task Force (DSTF) specifically was charged not to

comment on the Academy board's position, but to focus on what support the SOA should provide members who might be asked to undertake such an assignment as outlined in the position. Also, it was clear that the DSTF was not developing any basis for standards of practice.

The DSTF reported as scheduled at the January 1993 Board of Governors' meeting with the following recommendations, which were approved:

- Make the DSTF report available to the membership and conduct open workshops and discussion groups at spring SOA meetings with focused discussion on the concept of financial solvency as it applies to life and health insurers. This has been done.
- Appoint a task force to oversee the basic research needs identified by the DSTF.
- Appoint a task force to prepare a handbook for actuaries who would provide such a financial solvency report. The handbook would be an educational resource and a bibliography similar in concept to the Valuation Actuary's Handbook and perhaps a successor to it.
- Appoint a task force to develop dynamic solvency seminars offered on a continuing basis by the SOA.

Members of the Financial Reporting Section will receive copies of the task force report. Other members may request a copy by writing Laura Kammeier at the Society office or by calling her at 708/706-3526. Any

member who wishes to participate in any of the task forces being assembled should call Richard Mattison at the Society office, 708/706-3576.

This is an important issue for SOA members who practice with insurers, as well as for the profession. Actuaries who currently report on a company's financial solvency or may need to in the future will want to participate in the discussions at the spring meetings in San Diego, April 14-16, and in Boston, May 3-4. It is important that the concept be aired so a consensus definition can be set soon for U.S. practice. Canadian actuaries already have a statutory duty to prepare this type of report.

The SOA focus appropriately is directed to the education and research needed to support members reporting on an insurance company's financial solvency in U.S. terms. At the same time, the Academy is wrestling with the issues of how to limit the actuary's legal liability and how to preserve the confidential nature of the actuary's report, since supervisory authorities will want access to it.

The Dynamic Solvency Task Force consisted of Chairperson Godfrey Perrott, Jeffrey A. Beckley, J. Peter Duran, Larry M. Gorski, John J. Palmer, James F. Reiskytl, Alan J. Routhenstein, Gary E. Wendlandt, John B. Yanko, and staff liaison Richard S. Mattison.

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