



SOCIETY OF ACTUARIES

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A fledgling new service: Actuarial counselling

by John M. Bragg

Actuaries have served our traditional publics — insurance organizations and benefit plan sponsors — well for a very long time. We also claim to serve the public, but our service impact on the public has been indirect.

I believe the time is right for actuaries to truly serve the public directly through a new service called actuarial counselling. (I use the double l's in *counselling* as a distinguishing mark for this service.)

The public's need

People are trying to cope with increasingly complicated insurance products and retirement plans of all kinds. Uncertainty in more aspects of life than ever before is causing unprecedented anxiety. The long-term employment covenant once held with employers has been broken. Appearances of a depressing future are fostered by media. These pervasive implications to the health and well-being of individuals point to a need for professional help.

Actuarial professionals who are trained, skilled, and experienced can act independently to help people meet these challenges. The actuarial profession is especially equipped to deal with uncertainty and manage the financial risks that come with everyday life.

Actuarial counselling is direct service for individuals. It comes

without conflict of interest. It comes complete with client-actuary privileges.

Creating a new role

Because of the diminishing opportunities within traditional actuarial roles, the new role of actuarial counselling opens what could become an astonishingly broad field.

Actuarial counselling can put our actuaries back to work. It can be the hero to vanquish our profession's worst enemy: low public recognition.

Getting started

Actuarial counselling is one-on-one conferences with a client. Actuaries must possess consummate technical skills, communication skills, and humility. Although the exact needs of clients will differ, following are some procedures for actuarial counselling.

Personal evaluation—the first step. You'll need a questionnaire and a computer. You'll substitute demonstrations for your client's faulty impressions. You'll evaluate elements such as life expectancy, impairments, family history, existing finances and career status, partnerships, and marriage. You'll uncover problems. Your client won't need a shrink; he or she will need an actuary.

Personal risk management. This is a major part of actuarial counselling. It includes risk spectrum, risk reduction, self-insurance, and the full range of

insurance/annuity plans in force and needed. Is that annuity company the safest available? Is the retirement

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community's entrance fee fair? What's the best way to get retirement income? Your client may distrust policies that he or she owns or is being quoted, so you analyze and rate them.

Claim and entitlement strategy.

This process sometimes leads to a client's purchase of appropriate life insurance or annuities. If this happens, the actuarial counsellor should receive no direct benefit and should avoid any conflict of interest. This comes into play when the client is entitled or will become entitled to a financial claim due to retirement, early retirement offers, divorce, personal claims, and injuries. Managed care and confusion have stacked the deck against your client. It's up to you to see that your client gets a square deal. Should he or she take that retirement lump sum? Is that viatical settlement fair?

Investments/asset mix. This takes the actuarial view and a practical approach. What will happen to interest rates, inflation, the stock market? When is the next recession or boom? Actuaries, who have had long experience in forecasting interest rates, are becoming practical experts in the whole world of economics and investments. Your client needs you to help cope with those investment advisors. You'll need an actuarial system of the economic/investment world.

Taxes. You have an actuarial viewpoint and must have a solid grounding in the nature and impact of taxes. While not holding himself up to be a professional tax advisor or accountant, the actuarial counsellor can clarify situations such as estate taxes, benefit plans that eliminate or defer taxes, and gift annuities.

Career. A client needs to understand the concept of "working life/health expectancy" and the economic aspects of career selection and retention. Is that golden parachute really made of lead?

Direct Action. Your client may want you to solve certain problems directly by negotiating with an

insurance company, employer, partner, or government official. Actuaries can accomplish much by using low-key, nonconfrontational negotiation approaches.

Implications for the Society of Actuaries

We all know that the Society is altering the exam syllabus. An actuary is to be defined as "a professional who assesses and manages the strategic and financial implications of risk." The strength of our actuarial education is that we can build upon a foundation of knowledge to serve the risk management field. This includes risk management for individuals and for businesses. That's actuarial counselling. Businesses are the small tip of actuaries' opportunities; individuals are the big iceberg.

Early in 1995, the SOA Foundation came up with a proposal to provide actuarial and financial advice to the elderly and teenagers.

This service is a good idea. I'm not the only actuary who has done it for church groups, relatives, and even for nursing homes. The people are grateful, and we got practice. However, many other people need actuarial counselling, and I've found they are glad to pay for it. The Foundation should take actuarial counselling to heart as a vision of our future. The Actuary of the Future Section should also play a major part.

Future of actuarial counselling

Many actuaries are eager to enter new practice fields. Actuarial counselling is a growing field to consider. I have developed how-to kits and programs to help newcomers to the actuarial counselling world. The new role will need much support: exam content, seminars, and ASB standards. Licensing may

even be needed.

Can actuarial counseling be raised to the position of a service recognized, respected, and wanted by the public? Psychologists, pastoral counselors, and chiropractors have accomplished it. We can too, if we want to.

The Society has lapel buttons that read, "Ask an Actuary." The six on my dresser at home stare up mournfully every morning. I've never worn one; I'm afraid that the wrong people would do the asking. I'll keep the buttons though; I now know who the right people are. They are individuals who need our services.

In my fledgling efforts to do actuarial counselling, I have found that the public itself respects actuaries. As one client stated: "You guys are doing a great job!"

John M. Bragg, Bragg Associates, Atlanta, was president of the Society of Actuaries in 1975-76. He can be reached by e-mail at 75442.3555@compuserve.com

For more information

John Bragg's paper, "Actuarial Counselling — a New Role," was published in the *Transactions* of the International Congress of Actuaries, Montreal, June 1992. It is available on the SOA electronic bulletin board, Actuaries Online, in the "General" section of the library. Bragg also has assistance kits on actuarial counselling available.

David Bragg will be a panelist speaking on actuarial counselling in session 7-2, "Actuaries in Nontraditional Roles," Wednesday, March 20, at the Enrolled Actuaries meeting in Washington, D.C.

Correction

In the December issue of *The Actuary*, the announcement that Gary Parker's prize-winning paper, "Stochastic Analysis of the Interaction between Investment and Insurance Risk," would be in the *ARCH* 1996.2 was in error. Parker's paper was published in *ARCH* 1995.2.