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OPINION

Forecast 2000 continues its successes

by Tony Spano

Forecast 2000, the actuarial profession's public relations program, is moving forward into the next century on a record of success.

Evolution of program

Forecast 2000 was established in 1989 as part of an effort to draw attention to the actuarial profession during its centennial year. In that first year, the program targeted the news media, with the objective of making the profession better known to the media and the public. That publicity-oriented approach continued until 1992, when the program's advisory group recommended a shift in focus. The advisory group believed a program that would work toward making the profession more prominent and thus more influential in the public policy arena would be of great value. Since then, the focus has been mainly on public policy issues and on reaching elected officials and those involved in the policy process.

The substantial impact of Forecast 2000 was recognized in 1993, when the program was awarded a Silver Anvil, the top award given by the Public Relations Society of America, in the institutional program category. The award was based on the program generating 152 million media impressions and stimulating requests for actuaries to testify before governmental bodies and provide information to legislators, regulators, other associations, and the public.

Program management

The American Academy of Actuaries manages the program for the profession, with the involvement of an advisory group comprised of representatives from the six other organizations representing actuaries in North America. The advisory group meets periodically to help set the program's direction for the benefit of the entire actuarial profession.



The budget is approved annually by the Council of Presidents. For 1997, the budget is \$176,000, a modest amount for a wide-reaching program of this type. The sponsoring organizations share the cost based on a formula correlated to membership.

The Council of Presidents evaluates the program annually before approving its budget. Results are quantified not only in terms of the numbers of media impressions and publication circulation, but quality of media placements. The number of requests for actuarial analysis from Congress also attest to the program's success in meeting its public policy objectives.

Future direction

With the year 2000 quickly approaching, a new name for the program is now being discussed. However, the program will continue to focus on key public policy issues, emphasizing public officials at the federal and state level; private organizations such as think tanks, companies, and associations; and the national news media.

The Washington, D.C., office of the public relations firm Hill & Knowlton has been retained to implement the 1997 program. Jim Jennings, executive managing director, presented the following objectives to the Society of Actuaries Board of Governors at its March 13 meeting:

- Raise the visibility of the actuarial profession among elected officials, the news media, and the public.
- Position the profession as an important resource for independent, unique technical expertise on a broad range of social and financial issues.
- Increase public awareness and understanding of actuaries' skills and the value that the profession brings to society.

Jennings said the program will first test every tactic to ensure that it maintains the profession's high credibility, objectivity, and nonpartisan focus.

The short list of policy issues developed for immediate action include Medicare, Social Security, tax reform, and the Superfund. Some strategies include developing media briefing kits and articles for newspapers' editorial sections and scheduling desk-side briefings with actuaries and reporters. A report on the implications of major tax reform and its effects on employee benefits was released to the public in separate briefings for the news media and other interested parties at the National Press Club in Washington on May 13. The Joint Committee on Taxation asked the actuarial profession, through the Academy, to assess the implications of major tax reform on employee benefits. The report was the subject of Capitol Hill legislative briefings with Senior Pension Fellow Ron Gebhardtshauer on May 9.

Forecast 2000 planners also are looking at ways to make the profession more influential in Canada, on the state level, and with the NAIC.

At the March meeting, several SOA Board members commented on the program. "I'm very supportive," said Dick Schreitmueller. "A lot of progress should be made this year." Norm Crowder said, "The contributions on

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Task force focuses on raising DFCA's visibility

Since the second edition of the *Dynamic Financial Condition Analysis Handbook* was released in May 1996, the SOA Task Force on the DFCA Handbook has been involved in several projects. Many have focused on increasing SOA members' awareness of DFCA and the information in the handbook. Following are some of the events and activities of the past year.

Action in Canada

In Canada, DFCA (called dynamic solvency testing [DST] in that country) is now required by law. An annual report of every company's DST analysis must be filed with Canada's Office of the Superintendent of Financial Institutions after it has been presented to the company's board of trustees. This new requirement appears to be well accepted by the industry and the actuarial profession. In 1998, property and casualty actuaries also will be required to carry out and report on DST studies. The government is considering extending this analysis to banks that are acquired by insurance companies.

In the United States

The American Academy of Actuaries' Task Force on Insurer Solvency is working with the NAIC to consider possible additional incentives to encourage companies to undertake DFCA. The emphasis has shifted from solvency to viability of the company. The SOA task force chairperson, James Reiskytl, has been working with the Academy task force on DFCA-related issues.

The SOA's DFCA Handbook task force has identified a number of potential incentives to encourage companies to do this analysis. These ideas will be shared with the Academy committee at its next meeting. They include:

- Credit on the risk factor RBC C-4 (miscellaneous business risks), which could reduce a company's capital requirements and free up assets
- Permission to continue providing a Section 7 opinion, saving the time and expense involved in doing the required cash flow tests

- Quadrennial rather than triennial exams by state insurance departments, saving insurers time and money
- Granting credits against guaranty fund assessments by the life and health insurance guaranty associations, reducing costs
- Working to communicate the value of DFCA to rating agencies, which might view companies using DFCA in a more positive light

The basic incentive for doing DFCA is always there: being a well-managed company. Any other incentives, such as those listed above, would just be "something extra" to encourage companies to commit the resources and time necessary to put a DFCA process into place.

SOA activities related to DFCA

Though a new paper version of the handbook will not be published in 1997, Chapter 1 has been updated. Both the new chapter and the entire handbook are available through Actuaries Online on CompuServe through October 1997. The second edition of the handbook incorporating the new opening chapter will become available through the SOA Web site (www.soa.org) this month. Updates to Chapter 2 and to the sample report in Appendix A are planned for later in 1997. They, too, will be available through Actuaries Online and the SOA Web site.

A session on DFCA at the 1996 SOA annual meeting in Orlando was well attended. Participants were given an update on U.S. and Canadian changes in this area. Also discussed was the latest research to develop techniques used in DFCA. A transcript of the session will be available on Actuaries Online and the SOA Web site in late June.

Activities for later this year include: articles on DFCA in various publications; Session 120 ("DFCA Update") at 8:30 a.m., October 29, at the SOA 1997 annual meeting in Washington, D.C.; and a November 14-15, 1997, seminar in Albuquerque, N.M. Participants at this seminar, through the use

of small groups and two case studies, will have a hands-on opportunity to do DFCA and to develop a recommended course of action for their companies' managers.

The task force welcomes your comments on the handbook and your ideas and reactions to the Academy and NAIC projects to encourage DFCA through incentives. Comments can be forwarded to Reiskytl at his *Directory* address or to Judy Strachan, education actuary, at the SOA office (e-mail: jstrachan@soa.org).

Copies of the *Dynamic Financial Condition Analysis Handbook*, published in a loose-leaf binder format for easy addition of updates, are available through Cathy Cimo in the SOA Books Department (phone: 847/706-3526; fax: 847/706-3599). The cost is \$40 for the complete handbook. Updates to the first edition cost \$15.

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policy issues should be considered as most important." "I'm heartened to see the development in direction," said Kurt von Schilling.

For updates on activities of Forecast 2000, see current issues of the Academy's *The Actuarial Update* and the April issue of *The Actuary*. They carry articles of actuarial contacts with legislators, regulators, and other organizations and report on monographs and studies of the issues. Although these articles do not always identify activities as part of "Forecast 2000," you can be confident that the work being reported is all part of meeting Forecast 2000 objectives.

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