



SOCIETY OF ACTUARIES

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# PONDERING RESPONSIBILITY

BY RUTH ANN WOODLEY

**OVER THE LAST YEAR OR TWO**, there has been a noticeable increase in the number of U.S. news topics that involve actuarial thinking. As a health actuary, I found it almost surreal to have my business in the news daily during the Obama-care saga and quite regularly since then. The long-term health of Social Security and related retirement concerns have long been a public issue, and became more prominent lately as government and union plans face huge funding challenges and the threat of bankruptcy. The currently hot question of how to reduce our federal deficit requires at least an understanding of the government's basic finances, and even this topic has actuarial aspects for long-term projections.

At first it was a nice feeling to see actuaries at the center of the action! But then I started noticing a problem. Much, or even most of the debate is conducted without any understanding of the actuarial concepts involved. It's no surprise when "man on the street" quotes display misconceptions about anti-selection; people not concerned with this in their daily lives wouldn't normally have reason to know what that

is. But I have seen more than one quote from prominent consumer advocates based on faulty statements about basic risk management, when their position should require them to know better. And these usually aren't corrected by the media, who also need to know better in order to cover the stories fully.

The most common topic where this catches my attention is the issue of pre-existing conditions. There seem to be many people holding the position that insurers should not be allowed to apply pre-existing conditions, and that individuals should not be required to have health insurance. It is possible to hold that position in an intellectually honest and correct way, but only if you also acknowledge the tremendous cost increase such a system would create, a fact I have never heard mentioned from any of those advocates.

In another example, a recent AP-GfK poll showed that almost half of the U.S. population believes the federal budget can be balanced without touching Medicare or Social Security. It seems

likely that those people are not familiar with these budget facts (from the Center on Budget & Policy Priorities):

1. Medicare and Social Security together made up 40 percent (and growing) of federal spending in 2010, and
2. 37 percent of total federal spending would have to be cut to balance the budget for that year.

I'm sure almost no one polled even realized that their opinion implies cutting all remaining spending by 60 percent, and by even more in future years. To make that problem worse, none of the reporting I read on the poll pointed out these facts.

Our background as actuaries makes us especially suited to understand and think about these issues. Does that mean we have a responsibility to help society become better informed too, rather than just complaining about the media or feeling frustrated with people who are less familiar with these numbers?

Our profession does a great job working with policy makers and legislators to educate them. An example of how that type of work can have an impact comes from my first example. During his campaign for the Democratic nomination, President Obama opposed an insurance mandate. Once he became president and was pushing health care reform, he changed that position as he had more information on its implications for pre-existing conditions. Regardless of whether you are for or against the reform legislation, it is more sustainable actuarially to have the mandate included than to have banned pre-existing condition exclusions without a mandate.

But laws are passed or defeated by politicians, and those politicians' actions are based on their reading of the public will as much as or more than on their understanding of the issues. The country would benefit from having the general public better understand these concepts too, so that popular opinion would be grounded in that understanding. Lately I've been wondering if there are ways that our profession could expand our work towards that end. Here are some ideas I have, presented mainly in the hope that they will encourage others to ponder this subject also:

1. "Think globally, act locally" sometimes seems like a trite slogan, but at least it's better than doing nothing. We can talk individually to friends, family and non-actuarial colleagues about these issues. It seems like the easiest step, but I admit it's something I myself rarely

do. Sitting pool-side with my friends, do I really want to keep thinking about this stuff, or just laugh about "Modern Family"? At Thanksgiving, should I risk starting a heavy political debate with my in-laws? But lately I have resolved to do more to make sure my immediate circle is making informed decisions. I hope to model my conversations on examples like the American Academy of Actuaries' effort to present facts and information, not necessarily positions.

2. The next step up from here might be looking for opportunities to speak to local groups like business leaders and political parties. Maybe there are opportunities for local actuarial clubs to have the kinds of conversations I'm trying to have individually, but on a slightly larger scale and targeting opinion influencers.
3. Up another level, should actuaries as a profession communicate more with the public? The profession has done some good work speaking in print and television media, both local and national, particularly on Social Security and retirement issues. The SOA has also stepped up efforts in this direction of late, getting results in increased coverage of our work and research. But my concern is that this material is not broad and basic enough. If the general public doesn't understand some basic insurance concepts, I'm not sure they can put our insights about problems with

the CLASS Act or the cost of medical errors into a useful perspective.



Obviously even **Ruth Ann Woodley** the simplest insurance fundamentals are not ideas we can just slap on a billboard or put in ads in *People* magazine. But is there a way we can spread some of that knowledge to a more general audience?

Educating the public is clearly a challenge, especially for a profession that is still working hard to bring its communication skills up to the level of its technical expertise. I certainly don't have answers on if or how to go about it, just the growing realization that it's something we need to support. So I'd love to hear whether others agree, along with further ideas or suggestions. **A**

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