



SOCIETY OF ACTUARIES

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# Chairperson's Corner

by Mark Freedman

*Editor's Note: Our section chair appears to be working too hard, and suffers periods when he thinks he is Dave Barry.*

**A**s I explained to you two newsletters ago, I spent quite a bit of time in my early days as section chair dealing with the green jacket issue. The question I left for readers was:

Should I dry clean the polyester jacket and risk that the signatures of the prior chairs vanish, or just grin and bear it and put up with the smell and the wrinkles, as my predecessors have done?

I appreciate the e-mails from many of you, who unanimously suggested cleaning it. So, if the signatures vanish, you ex-section chairs can't say I didn't give you a chance to object!

Now it's time for serious topics. Would you like a stronger sentence here, like, "Having solved that critical issue, I'm ready to attack an even bigger danger to the profession," or, "Having solved that critical issue, I'm ready to unleash the problem-solving skills I've developed against another major social problem?"

In a recent survey of employers conducted by the Society of Actuaries, actuaries were seen as not being the best communicators in the world. I was confident that the data was not analyzed properly, since I'm sure that financial reporting actuaries would not be characterized in this manner. However, the section council overruled me and thought we should plan our year around a central theme of improving communication by our members. In this article, I'll discuss how we plan to incorporate that theme into our activities.

As I mentioned in my last article, we are considering sponsoring a research project regarding company communications to the public, i.e., an analysis of financial reporting disclosures. Darin Zimmerman, chair of a task force reviewing these proposals, and Ronora Stryker, SOA research actuary, have assured us they are looking for a compilation of best-practice disclosures, such as one Darin said he saw recently:

"We lost \$50 million this year relative to plan. We really don't know why, but we think some of the reasons are as follows:

- Our plan was stupid.
- The accounting rules changed and we don't know whether that change is in the \$50 million or not.
- Our actuaries run models, our accountants add up numbers and we still seem to get nowhere.
- We have bad data, so we're likely to revise our estimate next quarter anyway."

Darin is also coordinating a seminar on performance measurement, which will occur immediately after the Valuation Actuary Symposium. Hopefully, he will use some of the communication concepts learned from the research project.

Dan Kunesh is coordinating a winter seminar called, "Analysis and Presentation of Strategic Financial Information," again stressing the communications theme. Here's a sneak preview.

CFO	We need to understand why we lost \$50 million relative to the plan.
Actuary	You set the plan, so that's your problem.
CFO	You run the models and come up with the bad numbers, both for the plan and for the valuation.
Actuary	OK, global warming was not anticipated in the plan. This warming caused ice caps to melt, causing high waves in North Carolina, causing surfers to get hurt. These surfers ended up in the hospital and we insured all of them.
CFO	Thanks.

We have continued with our webcasts of hot specific financial reporting topics with one on statutory accounting, coordinated by Barbara Snyder. This one featured statutory accounting

for living and death-benefit guarantees on annuity and life policies. A highlight of this seminar centered on an example of the usual excellent communication between a company actuary and a friendly regulator.

In the GAAP arena, we are once again planning the basic GAAP and advanced GAAP seminars, which will be held in September 2004.

Regulator	Your reserves are too low. Read the rules.
Actuary	Who needs rules? You should rely on my judgment.
Regulator	But your judgment always means lower reserves.
Actuary	But your rules always mean higher reserves.

In the basic GAAP seminar, participants will learn how to use GAAP terminology in full sentences. An example is: "Doctor, my deferred tax valuation allowance is impaired, so I thought you might want to look at it and give it medicine."

In the Advanced GAAP seminar, Dave Rogers promised me the communication theme will also be stressed, as participants will learn how to use GAAP terminology in paragraphs (in order to practice for replying to the SEC) and in foreign languages (so participants can effectively communicate when they go to another country).

In addition, the section council has used its communication skills by strong-arming Tom Herget into coordinating the second edition of the Society of Actuaries' GAAP textbook, which is planned for publication in mid-2005. Interestingly, Jack Nicholson has agreed to carry the new book to Lakers games.

The section's next webcast will be in the late summer, covering international accounting for insurers. Participants will learn how international actuaries communicate with international accountants (see 'International, Interdisciplinary Communication,' following.)

Other activities we're involved with in international accounting involve my work representing the Society of Actuaries in the International Actuarial Association's (IAA) Insurance Accounting Committee and Doug Doll's work chairing a task force that plans to review IAA actuarial standards. The first standard is titled, "How International Actuaries Should Communicate with International Accountants."

While this article describes a dose of our activity, we are doing much more, and soon we'll need to do even more, as the section councils will absorb the work of the practice areas, too. Tom Nace, vice chair of the section, has been fol-

**International, Interdisciplinary Communication**

Accountant	Dieses Produkt ist nicht rentabel. Betrachten Sie den Verlust auf Ausgabe. (This product is not profitable. Look at the loss at issue.)
Actuary	My projections show it's profitable.
Accountant	Denn, weil Ihre projizierten Profite von den Erneuerungprämien kommen und Erneuerungprämien treffen nicht die Definition eines Wertes. (That's because your projected profits are coming from renewal premiums, and renewal premiums do not meet the definition of an asset.)
Actuary	But the present value of future renewal premiums should be viewed as a reduction in the liability.
Accountant	Sie kennen ich hasse negative Zahlen. (You know I don't like negative numbers.)
Actuary	OK, my valuation allowance is impaired.
Accountant	Sprechen Sie mit einem Arzt und erhalten Sie Medizin für Sie. (Talk to a doctor and get medicine for it.)

lowing this quite closely, and he has attended recent Society of Actuaries events that discussed this change. We'll communicate to you in many ways (talking, screaming, phone calls,

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