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THE INDEPENDENT CONSULTANT

Smaller Consulting Firm Section

NEWSLETTER OF THE SMALLER CONSULTING FIRM SECTION

ASOP 41—The Do's and Don'ts of Effective Actuarial Communication

by Alan J. Stonewall

ASOP 41 has more day-to-day applicability to our work as actuaries than any other actuarial standard of practice. This statement is true whether you are a health, life, casualty or pension actuary or something in between.

It is also true that as you advance through your actuarial career, communicating will demand more and more of your time and effort. How well you succeed at your trade will depend directly on how well you communicate.

This is the first of a two-part series on effective actuarial communication. This article will focus on some fundamental communication do's and don'ts. The second part of the series will cover actuarial communications subject to ASOP 41, including your everyday conversations with co-workers.

There are good reasons why you should be familiar with the guidance contained in ASOP 41, Actuarial Communications:

- **It's the law—**at least for any actuary belonging to a recognized U.S. actuarial organization.

- **It's good practice.** Like all standards of practice, ASOP 41 defines generally accepted practice.

- **It covers oral as well as written communication.** You should be aware (and you may be surprised by) how often your every day conversations are subject to ASOP 41.

However, following the guidance in ASOP 41 will not guarantee that you are effectively getting your message to your client, co-worker or employer. There is both an art and a science to effective communication. As actuaries, we more readily relate to the scientific aspects of effective communi-

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Inside...

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This newsletter is free to section members. Back issues of section newsletters have been placed in the Society library, and are on the SOA Web site, *www.soa.org*. Photocopies of back issues may be requested for a nominal fee.

The purpose of the section shall be to encourage and facilitate the professional development of actuaries at smaller consulting firms through assistance with the educational, research, networking and other special needs that arise in their practice.

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Editor's column

We Are the Future of the Profession

by Ian Duncan

Our section is now in its third year; our membership is over 500. As a section, we comprise a unique group of actuaries, with unusual and highly valuable skills and experience. For example, we understand through personal experience what it takes to meet a payroll; what it takes to find and keep a new client; what it takes to develop new products and sell them in the marketplace. This set of skills is hard to acquire in a traditional actuarial job, and it is critical to the future of the profession. The future will consist of more independent actuaries, consultants and other professionals joining together in more *ad hoc* alliances to meet specific client needs. We need to make other sections and the Society more aware of what we have to offer. At the same time, the Society needs to be more responsive to our needs: We do not have deep resources behind us; often, our contribution comes directly from our own pockets, not those of our employers.

Before we become complacent, we would do well to question whether we are meeting our own section objectives and serving the short- and long-term needs of members. Peter Bondy's open letter, published in this edition, raises an important issue for many of us independent consultants: We want to participate in the management of the SOA, its sections and its continuing education, but we have limited resources. How can we ensure that the Society and its sections serve our needs, and that our voice is heard at the highest levels of the Society leadership?

As a section we provide for members:

- News and information through the newsletter. This edition is our fifth, and largest.
- Continuing education: this year, we will sponsor or co-sponsor 10 sessions (and a cocktail party) at Society of Actuaries' meetings.
- We are looking at sponsoring webcasts (the first may be a session on "restricted payouts").
- We sponsored the survey of pension plan valuation assumptions, which you can find on the section's Web page.

We will continue the work, but we need your support and ideas. If you have any ideas for issues that the section should be addressing, or skills that we should be transferring to others in the profession, let us know. *Iduncan@lotteract.com.*

Letter to the editor

Small Business Expenditures

Sir:

Colleen Fiore's article (in *The Actuary*) prompts this letter.

Having a small business requires that I attempt to carefully manage expenditures.

When attending a Society of Actuaries sponsored activity, this may mean using an airline other than the official airline and/or using a hotel other than the hotel where the meeting or activity takes place. In instances, I may be using frequent traveler program deals or points in order to be able to attend the meeting or activity. Thus, the big picture for me is to spend the limited available dollars in a manner that, I would hope, produces the best results for my firm and me.

With registration fees in the $1,000 range for a two-day meeting, the need to spend wisely for other items such as lodging is further highlighted.

Could it be that the issue Colleen raises really requires attention be directed toward the entire pricing structure used by the SOA for meetings and other activities that it sponsors? That is, registration fees, meeting site, hotel room rate, etc.? Might a revision in registration fees to a system based on firm size or revenue base be a timely consideration at this point?

Respectfully,

Peter J. Bondy

Editor's note: Peter Bondy is an independent consulting actuary in Plantation, Fla. He is a member of the Smaller Consulting Firm section. This letter was submitted for publication to The Actuary *and copied to* The Independent Consultant. *We publish it here because it raises an issue of concern to many independent consultants. We welcome your comments to* iduncan@lotteract.com.

cations: precise statements, logical conclusions, appropriate caveats. It is the art of communicating the "soft" edges of the written and spoken word that often eludes the actuary trying to communicate technical results to the lay world. Wonderfully precise, logical statements are worthless if their meaning is not clear to the reader. Without the art, the science is lost.

Here are some good, fundamental suggestions for communicating effectively.[1]

1. **Write at your reader's level.** For those of us who work with smaller clients, this presents particular challenges. We don't always have the luxury of explaining the financial implications of our report with a CFO. If you are delivering the report to the business owner, make sure you are communicating at his or her level.

2. **Write the way you speak.** In other words, be yourself. If you try to write like someone else, you will end up with an inconsistent message.

3. **Take a positive approach.** We often have to deliver difficult messages to our clients. If costs are going up, how does the increase for your client compare to others? Has the cost per head gone down? Are cost increases expected to slow in future years?

4. **Tell your readers what's in it for them.** Each time you prepare a communication, ask yourself, "What's the reader's WIFM?"—WIFM being an acronym for 'what's in it for me?' Then make sure you address your reader's WIFM.

5. **Pay attention to your tone.** It has long been recommended not to write a letter when you are angry. Do you want results or is your goal to show how angry you are?

6. **Be careful of using too many acronyms and technical terms.** Does anyone doubt this suggestion is applicable to actuarial science?

7. **Be concise.** A concise communication is more likely to get across the desired message than a long one. And, be prepared—it will take you longer to write your concise message than to simply ramble on. Thomas Jefferson once began a letter, "My Dear John, I am sorry I do not have time to write you a shorter letter."

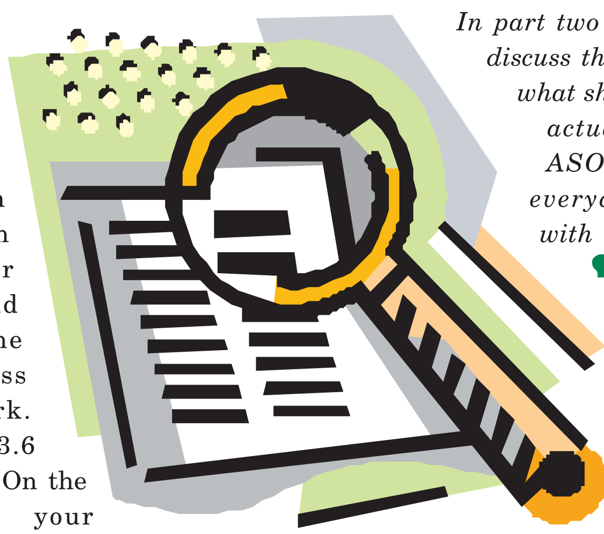
[1] Taken with edits from "10 Tips for Effective Business Communications," by Tina L. Miller, with the author's permission.

8. **Edit. Edit. Edit.** It is a rare writer who can edit his or her own work well. Too often, you will see what you believe is there, not what actually is. If you are going to edit your own work, edit later when you are refreshed. Better yet, find someone else to edit your work. Another set of eyes will do wonders.

To the foregoing list of general suggestions for communicating effectively, I would add some suggestions specific to your role as an actuary.

1. **Use an executive summary.** Providing an executive summary up front is an effective way to get the important message(s) in your client's mind before getting bogged down in peripherally relevant information. In 35 years of practice, I have never had someone tell me they did not like the executive summary. Also, forcing yourself to develop an executive summary can help you organize your report in a logical manner.

2. **Use appendices.** There are many forms of actuarial communication that need to include a lot of data and other information. For example, it may be that you want to include enough information that another actuary could evaluate the reasonableness of your work. (See Section 3.6 of ASOP 41.) On the other hand, your client, the intended primary audience of your work, may have no real interest in the details. Put the details and similar information in an appendix. In that way, you can keep your client focused on the big picture and still provide adequate disclosure.



3. **Pay attention to significant digits.** Just because the computer spits out an actuarial determination of $2,306,789.25 does not mean that is the result you should communicate. Seldom, if ever, do the cents matter. Moreover, they imply a degree of accuracy that may not exist. Moreover, $2.3 million is a lot easier for a reader to understand with one look, and it probably conveys the same message.

4. **Disclose. Disclose. Disclose.** There is a reason why every ASOP developed over the past decade has a section entitled Communications and Disclosures. Full and appropriate disclosure of methodology, assumptions, data, limitations and other relevant facts is not only a good communication practice, it is a requirement of ASOP 41.

In part two of this series, we will discuss the breadth of ASOP 41, what should be included in an actuarial report and how ASOP 41 applies to your everyday oral discussions with co-workers and others.

Full and appropriate disclosure of methodology, assumptions, data, limitations and other relevant facts is not only a good communication practice, it is a requirement of ASOP 41.

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There Really Are New Defined Benefit Plans

by George W. McCauslan

To paraphrase Mark Twain: "The reports of the death of defined benefit plans is an exaggeration" …at least for some types of businesses…

It is certainly true that many larger corporations have converted their traditional defined benefit plans to cash balance plans, or have terminated them and increased contributions to 401(k) or other defined contribution programs. New corporations are often foregoing defined benefit plans entirely. These changes have generated frequent articles in the public and business press, concern in Congress, lobbying by senior citizens' groups and the like. This activity is affecting a large percentage of the U.S. work force and, ultimately, those actuaries who provide services to larger corporations.

However, for very small businesses, the situation is quite different. (At least in the U.S.—see the companion article about the situation in Canada.) Since many of us who maintain small pension consulting practices tend to serve smaller businesses, this difference can mean a significant opportunity. At my own firm, for which the traditional defined benefit valuation practice is a fairly small piece of the whole, we saw over 30 newly established defined benefit plans for 2003.

Since many of us who maintain small pension consulting practices tend to serve smaller businesses, this difference can mean a significant opportunity.

As we all learned at some point in our exam careers, pension plans often play a very different role for small businesses than for large ones. That means that the forces that are leading the large businesses to jettison their defined benefit plans do not always apply to smaller businesses. For the small professional firm or other closely held business, the main purpose of tax-qualified retirement plans is often the tax-deferred savings for the owner. For many of these businesses, the traditional defined benefit plan provides the ability to contribute significantly larger amounts than could be contributed under a defined contribution plan.

There are several reasons for the growth of the number of businesses for which a defined benefit plan is appealing. Some of these are:

1. We are getting older. I mean this not as individuals, but as an average age in the workforce, particularly for professionals and business owners. Given the nature of pension plan funding, the available deductions are larger for someone who is older when the plan is established.

2. The law changed several years ago to allow us to ignore any amounts previously contributed to defined contribution plans in determining the benefit that can be provided in a defined benefit plan. This means that business owners with long histories of defined contribution plans can now "convert" to defined benefit plans and get increased contributions at earlier ages.

3. There is growth in the number of very small businesses, including the self-employed consultant (like many of the members of our section). For businesses without (or few) common-law employees, the defined benefit plan can operate more as a savings vehicle for the owner.

4. Folks who have been "downsized" by larger corporations, often with generous early retirement pensions, are

frequently starting businesses. They have less need for current income, and can use a significant percentage of their income to accumulate a larger retirement benefit to be used when they actually stop working.

5. In my experience, a larger number of CPAs and other accounting or tax professionals who serve smaller businesses have not been well informed about defined benefit plans and have not suggested them to their clients in the past.

The opportunity, then, comes from finding the small business for which a defined benefit plan makes sense and then providing services on a basis that is cost-effective for those businesses.

On the issue of finding the clients, we all have approaches to business development that work for us. We work in different sized markets and have different referral networks. However, for my office and for one of the rapidly growing pension administration firms for which we provide actuarial services, the effort of educating the CPAs and other financial advisors of small businesses on what a defined benefit plan can do for their clients has paid off in new business. Sometimes this can be an uphill battle, since some of these financial advisors were taught at some point in the past the defined benefit plans "didn't work" for small businesses. But, when you consider that one CPA could have dozens of good prospects for a defined benefit plan, the effort can be worthwhile.

Regarding cost-effective delivery of services, most of us have lots of experience. We certainly need to be fairly compensated for our time, or else it makes no sense to be looking at this market. Using standardized materials and plan structures (for most cases) can certainly help achieve a cost that is acceptable to both the client and the actuary.

It seems to me that there is a more general lesson here for the actuary in the smaller consulting firm. There is a danger in making a decision about where to focus your practice based on a general pattern of change in the environment, particularly one that is receiving much press coverage. If an actuary looks at his or her individual market, the likely changes may be quite different from the average change. This could arise because smaller consulting firms tend to provide services to smaller businesses, or because any individual may have developed a niche market from any other source. What is important is to identify clearly how an external change will affect you and your clients, not just some "average" actuary or client. In that way, you can make decisions that keep your practice alive and growing.

A related article about new defined benefit plans in Canada appears in the next edition of The Independent Consultant.

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Four Marketing Secrets to Make "Networking" a Thing of the Past

by Ken Lizotte

If you heed these four secrets, you will mine marketing gold that will surely make a difference in advancing your sales and bottom line.

Beyond the usual marketing advice of putting up a Web site, printing out a stack of business cards and designing a lavish four-color brochure lies a set of marketing techniques so little-used they can for all practical purposes be labeled "secret." Those of us who regularly practice them reap such enormous benefits that we wonder how we could ever have tried to market ourselves any other way.

Here are four such "secrets" you are free to adopt with my blessing. You'll be amazed how few of them will be likewise employed by your competitors:

Stay connected. Many negative connotations of networking are much deserved. When one's aim at a professional gathering is to pass out scores of business cards to as many attendees as possible, then go on home, this time spent is wasted. Instead, seek qualitative new connections and then devise ways to stay connected. First, send a "nice-to-meet-you" e-mail the next day while putting your new friend on your e-list. Over time, staying connected allows a connection to fall into productive categories; an ally, a partner, a referral source or—a new client!

Use e-mails strategically. As you plop your new connections onto your e-list, stay connected in ways that remind them what you're all about. Send a monthly e-newsletter, alert them of a new service, let them know when you win an award or when you publish an article. If you don't take such initiatives, your connections will easily forget you. Keep thinking up news about you to report to them so they will remember you.

Publish articles. One powerful marketing tool to stay connected is to write and publish articles, then make them available for free to those on your e-list. Published articles afford three big benefits; a) they help you flesh out and organize your ideas, b) they promote to the reader some core expertise, knowledge or message that displays why you are worth hiring, c) they elevate your professional credibility since a third-party entity has judged your ideas worthy of publication.

Speak to targeted groups. The impact of public speaking brings us full circle in that communicating your ideas to an audience of targeted individuals inevitably causes a few of them to want to know more about you and your ideas. Always tell your audience you would like to have their business cards so you can stay in touch. An offer to e-mail notes of your talk so that they can later review a full outline of what you have to say is much appreciated by an audience. Of course, you can then send everyone a "nice-to-meet-you" e-mail the next day (see secret #1) and thus keep the whole loop humming.

If you heed these four secrets, you will mine marketing gold that will surely make a difference in advancing your sales and bottom line. Using this method, I sometimes field calls from prospects that had been on my e-list for years, admitting that not until recently did they have any need

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Negotiating and Reviewing the Consulting Agreement

by David Rintoul

Congratulations! You've just landed a great assignment with a new client. You want to just sign the 10-page boilerplate contract the client sent you so you can get the work done and get paid. Don't let the joy and anticipation of a new project lead you to neglect the terms of the agreement. If the deal goes sour, you want to make sure you get paid for the work you have done, and can freely do business in the future the way you want to, without interference from a former client. By keeping in mind some of the legal issues discussed below, you'll have a better chance of feeling just as good at the end of the assignment as you did when you landed it.

Statement of Work. This is the guts of the agreement. If the statement of work is right, you are far along the path of making sure the agreement will work for you. Do you know exactly what you need to do at each stage of the project, and what the client is obligated to pay you at each stage? If the client terminates the agreement early, do you have the right to be paid for the work you have done at cancellation? What are the consequences of missing a delivery date? If there are firm due dates for deliverables, are there similarly firm dates for payment? If you are being paid at an hourly rate, does the agreement specify whether travel or any overhead expenses are covered? If travel expenses are to be reimbursed, is pre-approval of expenses required and what type of backup is required? Does the statement of work incorporate all material terms of any correspondence regarding the deal? It is likely that once you sign a formal agreement, any agreements in correspondence or made in conversations are likely to be unenforceable, so make sure everything is included in the statement of work or scope of work provisions.

Professional Considerations. If you are doing professional actuarial consulting, payment should not be conditional on the client's approval of the services provided. Your application of professional standards may result in your reaching a conclusion the client does not like. For a great article addressing professional liability issues in actuarial consulting, see "Malpractice Claims: What You Can Do to Protect Yourself" by David Godofsky in *The Independent Consultant*, Issue 1, January 2003, page 6.

Non-Competition and Non-Solicitation. Non-competition agreements restrict your ability to compete with your client. Non-solicitation agreements restrict your ability to sell to or service your client's customers. If you are performing actuarial consulting services directly for a client, no such clause would be appropriate, since it's unlikely that you will be competing with clients in this area. Such agreements are commonly included in boilerplate contracts, so they may be in the agreement even if they are not appropriate. If you are being hired as a contractor by an actuarial firm to provide services to its clients, you can expect such a provision.

If the client won't remove it or there are potential issues of non-competition, you need to determine whether it is going to be enforceable. Each state's laws vary, but such provisions are enforceable in most states, depending on their terms.

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Don't let the joy and anticipation of a new project lead you to neglect the terms of the agreement.

David Rintoul practices with the firm of Brown, Paindiris & Scott in Glastonbury Conn., and represents many independent consultants in addressing the legal and business issues arising from a professional consulting practice. David can be reached at drintoul@bpslawyers.com.

If the agreement provides for arbitration of disputes, try to have the arbitration be local, and decided by a single arbitrator.

Non-solicitation clauses are more likely to be upheld than non-competition clauses, particularly if they last only for the term of the agreement. Even if the provisions are probably not enforceable, the threat of even a baseless lawsuit can give your client an advantage in negotiating a resolution to any dispute, and can deter potential clients from doing business with you. The greater the restrictions on your right to do other business, either during the term of the agreement or on expiration of the term, the higher compensation you should receive to compensate you for any loss resulting from such restrictions.

Intellectual Property. If you are hired to create a deliverable, it will be considered a "work for hire" that will belong to the client. You will have no further rights in the deliverable, and the company will be able to modify it, sell it or license it to others at will. If this is not your expectation, you need to negotiate a license and define the company's right to modify your product, sell it or transfer it. Also, the agreement should set forth in an exhibit any existing intellectual property that is similar or related to the product you are developing for the client. You want to make sure that the client does not claim later that it is part of the "work for hire." If any of your preexisting intellectual property is used in the deliverable, you should expect to grant the company a nonexclusive, paid-up, perpetual and irrevocable license to use the intellectual property. You may want to try negotiating additional compensation to reflect the fact that the client is getting the use of this preexisting intellectual property without having to pay for its development.

Choice of law and arbitration clauses. If the agreement has a choice of law provision that states that the law of another state will apply to the agreement, or that any dispute must be decided in a court of a distant jurisdiction, your cost to enforce the agreement will be much higher than if local law and courts govern. If the agreement provides for arbitration of disputes, try to have the arbitration be local and decided by a single arbitrator. If you don't specify a single arbitrator, three arbitrators may be appointed to decide the dispute, which means paying thousands of dollars of arbitration fees to even start the proceedings.

Term of the Agreement. Does the term of the agreement automatically renew unless notice is given prior to the conclusion of the term? What are your obligations and the client's obligations upon the expiration of the term of the agreement? If you will incur upfront costs, such as obtaining equipment or making financial commitments to other contractors, you should try to negotiate an "upset" payment if the client exercises a right to cancel the agreement early in the term.

Use of Contractors. If you are going to subcontract some of the work, the agreement may require that the company approve the contractor. If the subcontractor will be working at the company's site, you can expect to be required to provide evidence of liability insurance. Some clients may require that you have workers' compensation insurance, which is generally not difficult to obtain, but can be expensive for a new employer, depending on the state.

No contract can guarantee that you will feel as happy at the end of a project as you felt when you first got the business. In the end, success and profit depend on the individuals involved. By keeping the issues discussed above in mind, though, the contract can contribute to making the deal successful and profitable for you and the client.

This is the first in a series of articles on business and legal issues confronting independent consultants. Feel free to send any comments or legal or business questions that you confront in your practice to drintoul@bpslawyers.com.

Four Marketing Secrets to Make Networking a Thing of the Past | from page 8

for my services. Because I stayed connected with them, I was the only logical service provider for them to call. The selling process is then easier, as well, since a pre-qualified prospect has typically come to know you and is already sold on both your value proposition and your capacity to deliver it.

Try this method for the next few months and you'll never go "networking" again!

Ken Lizotte led a workshop on marketing techniques at the 2003 SOA Annual Meeting in Orlando. (See http://library.soa.org/library-pdf/SCF0401.pdf*). Contact Ken at* ken@thoughtleading.com.

Ken Lizotte CMC is chief imaginative officer (CIO) of Emerson Consulting Group Inc., a Concord, Mass. firm that transforms business experts into "thought leaders." He can be reached at ken@thoughtleading.com.

Overcoming Fear of Sales Calls

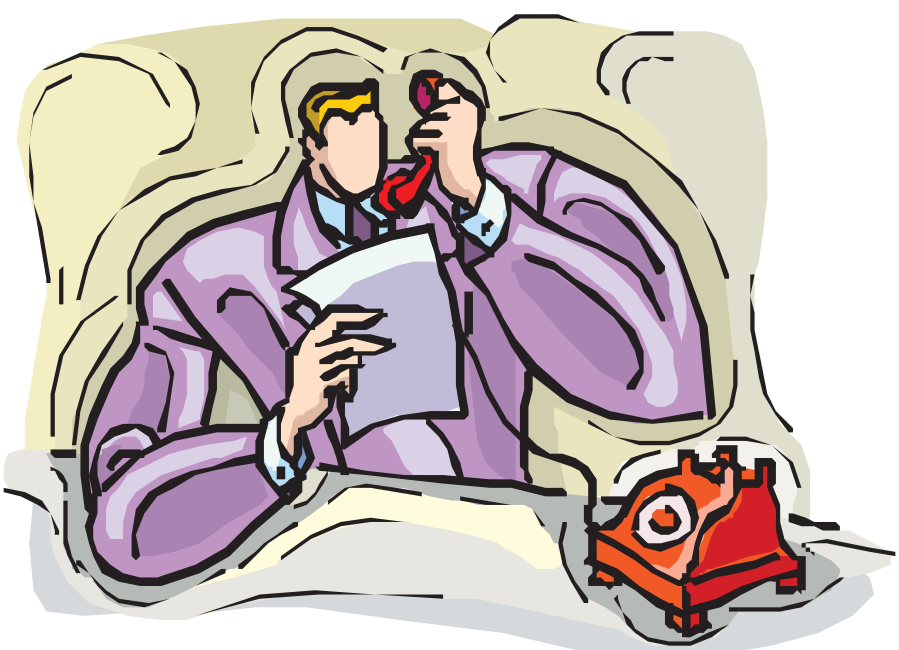
by David C. Miller

Almost every person in sales ironically dreads doing what is probably the number one key to their success—making sales calls. There are many reasons people feel that knot in their stomach when they are about to pick up the phone or approach someone in person—among the top reasons are fear of rejection, fear of being a pest and fear of coming across as manipulative (like the stereotypical "used-car salesman").

No doubt that underlying your dread of making calls is a belief that supports your fear.

If you are feeling this way, the truth is that these fears stem from your psychology around making these calls. More likely than not, these emotions are not based on the reality of any specific events, but simply a reality you are creating in your own head.

The result: procrastination, avoidance, no new clients, no new money! This makes you feel even less confident to make those calls. It's a downward spiral. So how do you turn this around?



Here are five steps to turning sales call reluctance into a party!

1. **Identify Existing Beliefs And Rules.** No doubt that underlying your dread of making calls is a belief that supports your fear. A belief is something we act on without thinking about it. For example, you probably did not think about whether or not the floor was going to support your weight as you walked into your office today. You simply walked in without even thinking about the integrity of your office building. What beliefs do you have about selling? To figure this out, ask yourself what you believe about yourself, what you believe about your prospects and what you believe about the situation. For example, you may have beliefs like the following: "My call will be viewed as an annoyance or interruption; no one is going to be interested in what I have to say; I hate bothering this person; selling is about manipulation—convincing people to buy what they really don't want; I don't have what it takes to do this" etc. Simply becoming aware of the underlying beliefs is powerful in itself.

2. **Evaluate Those Beliefs.** Now that you know what beliefs are operating in you, you need to evaluate them. Are these beliefs consistent with your values? Are they beliefs you truly want to live by? Are they congruent with who you are and what you're about? If not, then you will want to proceed to the next step.

3. **Destroy Those Beliefs!** You now want to get into a place where these beliefs no longer disempower you. There are a number of ways to do this—here are three:

- Question the limiting belief. By questioning the belief, you are creating doubt around the validity of that belief. For example, do you know for a fact the person you are calling will be annoyed with you? Is this real or is it a reality you are creating in your mind? Wouldn't it make more sense to let reality show up for itself?

- Reflect on references that don't support the limiting belief. References are events that happen in our lives that determine what we think, feel and believe about things. A reference acts like the legs of a table, supporting our beliefs. In this step, you want to reflect on both your own experiences, as well as experiences of others that do not support your old belief. For example, think of all the calls you have ever made—was everyone annoyed or were some people even grateful you called because they really needed what you offered? Are there other people making a great living in sales making these calls? Obviously they're not getting rejected all of the time. Stack as many of these references together until you create a ton of uncertainty around the old belief.

- Focus on what this limiting belief is costing you. Think about what this belief is costing you in terms of new sales and income. Then think about how it's affecting other areas of your life, such as your self-esteem, your physical health and your relationships. Then think about what your life will be like five years from now if you don't abandon this limiting belief. This will give you a ton of leverage to change.

4. **Engage An Alternative Empowering Belief.** Now that you have destroyed the old belief, replace it with an empowering one. Ask yourself the question, "What belief would totally empower me to make the sales calls effectively and even have fun while I am doing it?" You will come up with a new belief like "What I have to sell is extremely valuable and I want to make sure that I extend the invitation to as many people as possible." This is a much better alternative than believing that you are being a nuisance when you call. Everyone is different, so play with this to find one or more beliefs that really work for you!

5. **Take Action Now!** Now that you have found an empowering belief, it is time to engage it. The only way to really know if you have found a powerful new belief is to pick up the phone and start making the calls. By taking action, you will get feedback that will more often than not support your new belief and reinforce itself. Before you know it, you have built significant momentum!

David Miller will be speaking on "Promoting You" at the SOA San Antonio Spring Meeting and on "Selling Skills for Actuaries" at the Annual Meeting in October. (See related article on page 16 of this newsletter.)

David C. Miller, FSA, MAAA, is a preeminent business and sales coach. He is the founder of Miller & Associates, a company that focuses on helping businesses and individuals realize extraordinary results. He can be reached at dave@translifecoach.com.

Applied Actuarial Research Conference off to a Successful Start

by Ian Duncan

When was the last time an actuary personally paid to attend an SOA meeting or seminar?

The first Annual Applied Actuarial Research Conference was held on March 8-9 at the University of Central Florida in Orlando. Approximately 60 actuaries and some non-actuaries with insurance-related research interests attended. Based on the positive feedback, we expect to hold the event again in Orlando at the same time next year.

The conference has been structured to respond to an often-repeated need expressed in many actuarial forums for more research, and especially practical, applied research that can be used by practicing actuaries. We succeeded in attracting representatives of all major practice areas (including a paper by Donald Mango, FCAS, vice-president for research of the Casualty Actuarial Society). A number of papers of interest to actuaries practicing in health care were presented by non-actuaries active in this field. A quick look at the agenda for the first AARC showed the mix of papers on property/casualty, financial, group insurance and managed care, data mining, and retirement systems topics. If you are interested in seeing the agenda, check out: *http://www.cas.ucf.edu/statistics/AARC2004.htm.* Papers and presentations are also posted on this site.

Why should the average actuary care about research?

I wrote an editorial in the *Independent Consultant* newsletter last year in which I postulated that actuaries do not invest enough in themselves once they finish their examinations. (As a test of this hypothesis, answer the following question: When was the last time an actuary personally paid to attend an SOA meeting or seminar?) We are used to employers setting the continuing education and other requirements (as well as funding them), rather than taking responsibility for our own continuing education. Research and publication on a topic is an excellent way to advance one's own professional development, as well as that of the profession.

Why should actuaries support AARC?

1. Research (particularly applied research) should not be left solely to academic actuaries. Academic actuaries are relatively few, and most have teaching responsibilities. If the profession is to grow and flourish, the opportunities presented by research should spread to a wider field.

2. The smaller and more concentrated forum of the AARC provides better opportunities for networking and exchange of ideas than the Society's larger meeting formats.

3. The exchange between academics and practitioners is very important. Those of us who make our living as practitioners have real problems to solve; academic actuaries have techniques. Collaboration is essential.

4. Because we use university facilities during break time, fees are low ($100), as are accommodation charges.

5. The large consulting firms have their own conferences for clients or prospects. The AARC gives smaller consulting firms that are interested a vehicle for inviting clients and prospects (who often have continuing education needs and who are usually honored to be invited) to hear about new developments of interest to them.

6. Orlando in March!

How can actuaries become more involved in research activities?

1. There are many calls for papers advertised regularly on the SOA Web site, both in the research Section of the site, and on individual section pages. The SOA sponsors specific topic meetings through calls for papers, such as the "Living to 100 and Beyond" symposium of the Retirement Systems Section, or the Health Section symposium on prescription drug coverage held in Anaheim in May.

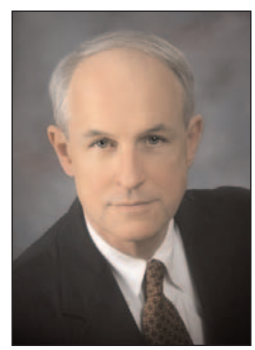
2. Many actuaries will have completed projects for professional development (PD) credit toward fellowship. These projects can often be presented as is, or further developed. We are actively seeking interested actuaries to present their PD projects at next year's conference.

3. Speak to the Society's research actuaries, or individual section leadership, about topics that are of current research interest to the membership. Financial support is sometimes available from the sections, or potential researchers can be paired up with academics or others interested in the topic.

4. For next year's meeting, we plan a day of teaching sessions on research methods and a statistical refresher, for those of us whose academic training needs upgrading.

5. Speak with Professor Lijia Guo of University of Central Florida, *lguo@mail.ucf.edu*, or me *iduncan@lotteract.com*).

Whatever route you decide to take, now is a good time to get involved in actuarial research!



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Smaller Consulting Section to Sponsor Sessions at SOA Spring and Annual Meetings

The Smaller Consulting Firm Section will sponsor two sessions at the 2004 spring meetings. One session is technical, and one (co-sponsored with the Management and Personal Development Section) covers professional development. Daniel P. Cassidy is coordinating all sessions for the Smaller Consulting Firm Section. Timing and location will be announced in the program.

SPRING MEETING SESSIONS

Session 1: Financial Economics: Impact on Small-to-Mid-Sized Pension Plans

Current debate about financial economics (2003 Vancouver meeting, SOA webcasts) has focused on their effect on large pension plans. This session will provide an open forum to discuss the application of financial economics on smaller pension plans, in particular those of private and nonprofit organizations. Panelists will discuss agency cost, closely held corporation issues, impact of bundled service arrangements and investment constraints. Audience participation will be encouraged to discuss how best to integrate financial economics into our consulting practice. Check the meeting's preliminary program for the panel.

Session 2: Promoting You: Become A Self-Marketing Machine

As a follow-up to their successful workshop for the Actuarial Society of New York, facilitators John Hadley and David C. Miller will provide a workshop in two sessions, tailored specifically for actuaries.

This workshop is for you if you:

1. Are seeking employment, a job change or a career change;
2. Aspire to internal career enhancement;
3. Wish you were more effective at promoting yourself to your boss and other key executives or
4. Long to masterfully sell your firm's products/services, get new clients and be a leader in business development.

In this interactive session, you will discover:

- The number one reason some people succeed while others don't
- Three keys to producing unstoppable confidence
- How to strategize a dynamic marketing plan that generates multiple opportunities
- How to master the art of networking

At the conclusion of this session, you will know what to do to set yourself up to win when it comes to marketing your number-one asset—you. You will also become more aware of any hidden challenges that may have gotten in the way of you achieving your professional and personal goals and be motivated to overcome them.

Be sure to also attend the follow up session (Promoting You: Clinching The Deal) to discover how to apply these strategies and learn the skills critical to get the ideal job, obtain the promotion and close the sale.

Session 2 Follow-up: Promoting You: Clinching The Deal

This is part two of a two-part interactive forum. Attendance at part one is NOT a prerequisite to attending part two, but the value you will get from this session is greatly enhanced by having attended part one.

In part one of this seminar, you learn the tricks of the trade in Marketing Yourself Effectively. In this follow-up interactive session, we will take that learning to the next level, teaching you:

- Secrets to selling yourself and your accomplishments
- Creating a pitch that sets you apart
- How to fashion the resume or engagement bio that invites you to the party
- How to hit a home run in every interview, client contact and sales situation

Marketing is only successful if it leads to a sale. At the conclusion of this session, you will learn the skills critical to get the ideal job, obtain the promotion and close the sale.

Section Cocktail Party

Back by popular demand, the Smaller Consulting Firm section will host a section cocktail party during the Anaheim meeting. Meet old friends and new, SOA staff members and the Smaller Consulting Firm council. Check the program for details.

ANNUAL MEETING SESSIONS

The Annual Meeting takes place at the Marriott Marquis in New York from October 25th–27th. The Smaller Consulting Firm Section is cosponsoring two sessions with the Pension Section:

1. Actuarial Nanotechnology: The Science Of Small Plans

Nanotechnology, the science of building useful devices out of very small objects, is one of the hottest new technological areas. "Actuarial nanotechnology," the science of building useful plans for very small plan sponsors may not lag far behind: Recent legal changes, such as the elimination of family aggregation rules and Section 415(e), as well as the 2001 tax act, have once again made defined benefit plans a viable option in this market.

Panelists discuss the unique nature of these "nanoplans" (1–5 participants) with emphasis on the following areas:

- Plan design & characteristics
- Funding & valuation issues for corporations, partnerships and sole-proprietorships
- Nondiscrimination issues
- The role of life insurance in the plan, including uses, deductibility, effect on plan funding calculations, taxation, legal requirements and potential benefits for estate planning

Attendees gain an understanding of the special rules and issues that need to be taken into account when working with plans of this size.

2. A Brave New World: Accounting Standards

This session is the first of the four-part series entitled "Redesigning The Pension System?"

What is the future of accounting? Have the current standards of practice failed us? Is one global standard the answer? Should the current rules-based approach to corporate governance that is used in the United States continue, or should the standards be principle driven? Has financial economics influenced any of the direction being taken by standard setters? This session is co-sponsored with the Financial Reporting Section and the Smaller Consulting Firm Section.

Accounting experts will discuss how accounting standards are evolving and what that might mean for pension plans and insurance companies.

Topics include:

- The concept of "fair value" accounting and "principle-based" accounting; what do they mean?
- Current transparency issues
- Principles on which worldwide pension accounting standards might be predicated
- Insurance accounting standards—what should change?

Participants learn about the proposals to update accounting standards.

In addition to these two technical sessions, we are sponsoring two professional development sessions:

1. The Actuary as Entrepreneur—Growing the Small Actuarial Firm

Actuaries are not generally thought of as entrepreneurial. Many actuaries have established and operate successful small businesses, and a few have grown start-ups into large corporations. How did they do it? This session features some of the successful actuarial entrepreneurs.

Panelists discuss:

- Building a successful actuarial business
- Finding, hiring and retaining talent
- Raising capital
- Partnering with, merging with, and acquiring other companies.

2. Selling Skills for Actuaries: Overcome Fear of Making Sales Calls

Every independent consultant dreads doing what is probably the number one key to their success—making sales calls. The result: procrastination, avoidance, no new clients, no new money!

Dave Miller is an actuary and professional sales coach. He will present some of the material he is presenting at the spring meetings. In this workshop, he will take participants through the Steps To Blast Through Sales Call Reluctance.

He will:

- Identify and evaluate existing beliefs and rules.
- Destroy those beliefs!
- Engage an alternative empowering belief.
- Take action now!!

What Was Your Best Investment as an Independent Consultant?

During the workshop on developing and promoting the smaller consulting practice held recently at the 2003 SOA Annual meeting in Orlando, participants discussed the early, key investments that they made when first setting up as independent consulting actuaries. In today's business environment, some purchases are probably obvious: a computer or a cell phone, for example.

In the last issue of *The Independent Consultant*, we asked members to send in suggestions for their "best investments." We have had a number of entries (thank you to those who submitted suggestions). We think that there may be other ideas out there, so we are EXTENDING THE CLOSE OF THE CONTEST to June 30. In the meantime, here is a compilation of responses that we have received to date:

1. Quality office space.
2. A color laser printer.
3. Customized, professional logo.
4. A professional Web site.
5. Hiring an image consultant.
6. A subscription to the *Wall Street Journal*.
7. A good data analyst who is adept at using Excel, Access, FoxPro, etc.
8. A good administrative assistant.
9. A few well-fitting business suits.
10. Good people, good people, good people.
11. I would consider my hiring a PR professional to be the best $10,000 I ever spent. I have kept him on retainer since hiring him and would encourage any other actuary to hire a PR person. Getting published allows me to establish credibility instantly with new prospects. With a small firm, this is critical to getting hired. Also, hiring a PR professional gets you to think about your business in ways that we as actuaries typically don't do.
12. An automatic three-hole punch machine. Why? Well, one of the things that I didn't realize getting into this business is the volume of information that you need to gather and have at your fingertips. My three-hole punch has allowed me to collect and store information in tabbed three-hole binders that stretch the length of my filing cabinets (about 20 feet). It kind of reminds me of the auto parts catalogues before computerization. Anyway, with all the information that I have punched over the last seven years, I am thankful for this machine that makes my information library possible.
13. A travel budget. After all, you have to go out and meet the clients at their locations (and if you are lucky, buy them lunch!)
14. A bank line of credit: After thinking about the normal capital items, I realized that my best investment in my business, in the early years back in 1993, was the activation of a secure line of credit through my bank. In Canada, a secure line of credit with a maximum dollar limit can be secured by using your home as collateral. You can then use your line of credit checks for any purchase without having to deal with a loans office at the bank. Besides, what bank is going to lend money to someone who is setting up their own business with one employee and no desire to grow? The interest cost varies monthly based on the prime lending rate, the interest rate is quite reasonable and less then an unsecured loan rate, and the loan can be paid off at any time. It has been very useful, especially in the early years, for periodic major purchases and cash-flow consistency when receivables were slow in being paid. The cost was about $500, since the line of credit is equivalent to a mortgage loan and the same legal steps must be followed. However, it was certainly worth the cost since it erased the concern about any short-term financing and allowed me to concentrate on my marketing and my work.
15. Quickbooks, and pre-printed check stock. We look like a "real" business with these!

Conference of Consulting Actuaries Offers Meetings to Smaller Firms

From the nuts-and-bolts of running your firm to networking opportunities, the Conference of Consulting Actuaries (CCA) offers meetings of interest to actuaries in smaller firms.

The CCA is offering a Small Consulting Firms & Practices Roundtable on the afternoon of Tuesday, September 14th at The Mirage in Las Vegas, Nev. This roundtable focuses on running and marketing a small business. The discussions will be led by CCA members with multiple years of consulting experience who run successful smaller consulting firms. This roundtable is appropriate for actuaries currently at smaller consulting firms, actuaries thinking about starting a consulting firm and actuaries planning to consult part-time after retirement. Much of the discussion will apply to small consulting practices at large firms also.

The Fairmont Orchid in Kohala Coast, Hawaii is the site for this year's CCA Annual Meeting, October 17 to 20, which is held in conjunction with the Annual Meeting of the American Academy of Actuaries. The keynote speaker is lawyer Stephen Jacobs, who will discuss the growing impact of malpractice suits against the actuarial profession. Later in the meeting, Mr. Jacobs will join a panel to address the effective use of peer review in order to provide value-added services. In addition to sessions specific to small firm practitioners, the annual meeting features up-to-the-minute information relevant to your area of interest.

As part of the CCA's Annual Meeting, there will be a networking meeting hosted by the CCA's Small Firms Committee on Tuesday from 3:00 to 6:00 PM. Anyone interested is invited to stop by, meet and discuss small firm issues, news and outlooks.

For more information about CCA offerings, visit their Web site at *http://www.ccactuaries.org/*.