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THE INDEPENDENT CONSULTANT

Smaller Consulting Firm Section

NEWSLETTER OF THE SMALLER CONSULTING FIRM SECTION

The Personal Actuary

by Mitchell Serota

There are many initiatives currently being undertaken by the Society of Actuaries to redefine our professional image. One that came to my attention last year was the Task Force on the Personal Actuary.

The notion of a personal actuary involves an actuary using his or her skills for an individual rather than for a group of people or a corporation. The concept is particularly relevant to members of the Smaller Consulting Firm Section, because many of us are personal actuaries already, although we never really thought about it.

- Consider the actuary who supports litigation of an individual plaintiff. The principal beneficiary of such support is the individual, even though he may not have hired us directly.
- When a health actuary determines the value of a structured settlement for a wrongful death or injury, his or her work impacts the finances of the individual (or family) who was impaired.
- In divorce cases, the measurement of present value of a defined-benefit pension benefit impacts the finances of two individuals (both spouses).
- Pension actuaries who administer one-life defined benefit plans are acting as personal actuaries.
- Life actuaries who compute viatical benefits are personal actuaries.

The task force is particularly important to members of our section because large consulting firms cannot handle individual clients effectively. Unfortunately, there are not enough actuaries in the country to handle the clear need for our services. Currently, attorneys routinely approach accountants and economists to handle actuarial issues in litigation. This practice is so prevalent nationwide, that most attorneys do not even realize that the problems of valuation they confront are really actuarial in nature!

However, the need for forensic actuaries pales in comparison to the burgeoning need for actuaries to assist recipients of lump-sum distributions. With the increased usage of defined contribution plans as the retirement plan design of choice for corporations, individuals are implicitly self-insuring their own longevity risk. The "great debate" over the proper methodology to value defined benefit plan liabilities will become moot as plan sponsors continue to shift to defined contribution plans. The need for the personal actuary can only grow as a result.

Millions of middle-aged Americans participate in 401(k) plans, sponsored by corporations whose executives were led to believe that such plans produce incentive for their employees to save for retirement. Holding off the question of whether or not this is an effective

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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.

Editor's Column

So Many Meetings, So Little Time

by Ruth Ann Woodley

In June I attended the SOA Spring Meeting in New Orleans, which got me thinking about this aspect of consulting work. One of the challenges I am finding in a small consulting firm is one that I think is common to many of us—managing my attendance at actuarial meetings and conferences. I took these for granted in my past life at a big company; going to one per year (or less) on the company's dollar was just a cost of doing business. But now there is much less difference between the company's dollar and my dollar, so this expense is a business investment that I have to consider carefully. And since time at a meeting is time not spent doing work for which I am paid, time has become a more precious resource too. As if that weren't enough, there is a much wider range of meeting choices today than in the past. So what's a small consulting firm to do? I don't have all the answers, but here is what has worked for me so far.

First, I am looking very closely at meeting content. I find I need more help staying informed of trends and developments in the industry and in actuarial practice now that I am working solo. But I'm taking advantage of new ways to get that information that are more cost effective, particularly webcasts and short, focused seminars (especially if they are local). I attended the recent Group Underwriters Association of America meeting co-sponsored by the Society, and found the smaller setting made for more focus and interaction. But I do have to be disciplined in choosing topics—I love my work so lots of the announcements sound interesting. For now, I need to stick to the areas where I'm actively working and building my business.

I am also much more conscious of meetings as a way to network with clients and colleagues. I've done much of my consulting business via phone and e-mail, and so far have "met" lots of people I have never seen. Going to meetings where I can spend time face to face with many of these people is very valuable. I have spent more time with existing clients and then am able to provide them with more effective solutions. I have also talked with speakers or other experienced actuaries who give advice or help me think through business problems. Of course, best of all is when I've met new contacts who turn out to be interested in hiring me! I am looking for the meetings with the biggest concentration of people I would like to spend time with, not necessarily the biggest number of attendees.

So far, looking for ways to balance these two goals in choosing meetings to attend has worked well for me. I've been able to limit my time at events, but feel that every minute was valuable to my business. The many new formats and forums the SOA has introduced do make it hard to choose, but they make it easier to get the most bang for my buck.

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Chairperson's Column

How Much Do You Know About the Actuarial Profession?

by Ian G. Duncan

Editor's note: The following article was originally planned as a chairperson's column discussing the role of the IAA. But since the questions raised were important ones, we decided to expand the article beyond the usual space of the column and include responses from the SOA leadership. As solo consultants and members of small firms, our section members are especially conscious of the cost and value of membership in actuarial organizations, and I hope this is only the beginning of a productive dialogue between our membership and the SOA and IAA. Please send us your thoughts and opinions to ruthann@ruarkonline.com.

A document came across my desk recently that caused me to think about the profession and the way it is structured and led, at least in the United States. The document that I read is a report by the International Actuarial Association's (IAA) Strategic Planning Task Force titled "A Strategy for the IAA." Now, I will confess to having only the vaguest idea of the existence of the IAA before I read the strategy document, but it gave me a lot to think about. I've had discussions with Steve Kellison, SOA president, and Jim MacGinnitie, past president of the SOA and chair of the aforementioned IAA Strategic Planning Task Force, about the SOA's link to the IAA and the issues it raised for me. As an owner of a smaller consulting firm, I'm not in favor of paying additional dues to more actuarial bodies. Also, I was confused about the role of the IAA and the national organizations; is the IAA intended to replace the SOA, internationally? I had some tough questions for Steve and Jim. Here are their responses.

1. *Who is the IAA? What is its constituency? Actuaries affiliate to national, not international bodies, so why do we need an international organization?*

   The IAA was originally formed in 1895 by the various national actuarial bodies, including the United Kingdom's Institute of Actuaries and the Society of Actuaries. The predecessor of the Canadian Institute of Actuaries (CIA) joined after its formation in 1907. For over 100 years it functioned as a membership organization of individual members, although membership in the council was allocated by country.

   The IAA was reconstituted in 1998 as an association of associations. The leadership for the change came primarily from the CIA (Paul McCrossan), the SOA (Walt Rugland), and the Faculty (Malcolm Murray) and Institute (Chris Daykin) of Actuaries (UK). Individual actuaries continue to affiliate with their national association. That association (the SOA, AAA, CIA, CAS, etc) is the member of the IAA. In the process of an association joining the IAA, membership in the IAA is conferred on that association's own fully qualified actuaries.

   The IAA was formed in response to the need to ensure minimum standards for the profession. But the profession also

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mechanism for generating retirement income, the more important question is who is advising the employee on how much to save?

The risks involved in retirement planning are woefully misunderstood by the public at large. A recent study commissioned by the Society, "Public Misperceptions About Retirement Security" (Sondergeld and Greenwald), demonstrates that individuals heed the advice of non-professionals all too often. When a financial planner is consulted, the value of the advice given is inversely related to the planner's desire to sell life insurance and directly related to the planner's ability to understand and apply individual life underwriting.

Individual life underwriting? Heck, yes! If the lifestyles or genetic makeup of an individual indicate that the life span will not be great, then little saving for retirement is necessary at all. If those same factors indicate a long life in retirement, then a totally different strategy is necessary. Individuals participating in defined contribution plans are self-insuring their longevity risk until they purchase annuities. Former SOA President Jack Bragg has taken individual life underwriting to the next logical level, analyzing how much of a retiree's resources should be set aside for assisted living and the final years of life.

The Society has sponsored two independent teams to develop software to analyze the process of investing for retirement and disbursing after retirement. The Retirement Probability Analyzer of Moshe Milevsky and Anna Abaimova (which can be downloaded from the SOA Web site) and the Retirement Income Model of William Leslie (which will be available soon) both beautifully illustrate the risk of self-insuring longevity. They also show how the individual life underwriting problem is exacerbated by improperly planning for long-term care. The individual has the choice of purchasing insurance or self-annuitizing this contingency and both models show the results of careful or poor planning.

Anna Rappaport chairs the SOA Committee on Post-Retirement Needs and Risks. She has constantly warned that retirees should not spend their lump-sum distributions immediately, nor should they be so penurious as to live in poverty for fear of running out of money later. Ron Gebhardtsbauer of the Academy exhorts policy makers to address the need to encourage thinking of a "stream of income" at retirement in lieu of amassing a pot of gold at the end of a working lifetime rainbow. Are personal actuaries the only people listening to these oracles? Unlike the cryptic predictions of their ancient precursors, Ron and Anna's messages are not stated enigmatically at all.

The Task Force on the Personal Actuary is looking for practitioners in this field to step forward. The SCF Section Council is committed to working with our colleagues in the Actuary of the Future Section to coordinate efforts and share information for the task force. As a new section just celebrating our third anniversary of existence, we have an enormous amount of energy to share with other sections to enhance the image of the profession. We are, after all, the entrepreneurs.

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has become indispensable in dealing with multinational bodies such as the International Accounting Standards Board (IASB), and the International Association of Insurance Supervisors (IAIS).

2. *I'm still confused. The Institute of Actuaries in the United Kingdom has traditionally been a highly international body (with many overseas fellows, including me), conducting exams, etc. in multiple international centers. The SOA is quickly becoming a highly international body. So there are associations with international members that can support those countries that don't yet have a national actuarial association. I agree that there may be a need for some coordination along the lines of the North American Actuarial Council (NAAC)[1] but I do not see the need for a permanent bureaucracy.*

Coordination along the lines of the NAAC is indeed necessary and desirable, and the IAA is fulfilling that role. The bureaucracy is quite small, consisting of an executive director, two assistants, some part-time help and a volunteer Secretary General. Most of their time is spent coordinating the meetings of the various IAA committees and council, and in assisting with the preparation of public statements. They are housed with the CIA in Ottawa, in a very symbiotic relationship.

One goal in the strategy document is to "enhance the capacity of the IAA to become the main forum for leaders of the profession and coordinate proactive guidance for the global profession." This objective would make the IAA into the global equivalent of the NAAC. The leadership of the SOA and Institute of Actuaries has been meeting for several years, together with the leaders of most of the other major English-speaking, examination administering bodies. This has led to some resentment in the non-English speaking world. The proposal is to remedy the situation by inviting all IAA members. It will probably be necessary to have some split sessions to let the smaller associations concentrate on their issues, while the larger associations discuss their own. But together they can help to guide the global profession.

3. *I've got some specific questions about the mission of the IAA:*

- *How can the international body promote the role of the actuary, which is practiced nationally? National bodies do this; any international intervention will simply confuse an already confused situation.*
- *How does the IAA promote professional standards? These are the responsibility of national professional bodies (and now the oversight body in the United Kingdom).*
- *How can the IAA represent <u>national</u> bodies in discussions with international bodies? There are probably some international bodies that influence our national bodies (IASB, for example). But the national bodies can respond to international requirements better than an inter national body. We need to starve international bureaucracy, not encourage it.*

The IAA functions primarily through volunteer committees, to which all national actuarial associations can appoint delegates. In practice, the major associations provide the majority of the volunteer manpower, but there are many outstanding contributors from smaller associations. Several of the committees have been successful in promoting the role of the actuary, particularly before the IASB and the IAIS. Providing a coordinated response from the many individual actuarial associations would simply not have been possible, particularly in view of the short time frames that these organizations have allowed for comment on their rapidly emerging standards.

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1 The North American Actuarial Council, formerly known as the Council of Presidents, is comprised of the presidents, president-elects and executive directors of the eight North American actuarial associations (SOA in U.S./Canada, CIA in Canada, AAA, ASPPA, CAS and CCA in the U.S. and two actuarial associations in Mexico). It meets quarterly to coordinate the work of the profession across North America.

The IAA also has been able to effectively represent the profession before several other international organizations, including the World Bank, the Asia Development Bank, the World Health Organization, the OECD and the International Social Security Association.

Regarding professional standards, the IAA works in two ways. First, it has minimum requirements for national associations who apply to join the IAA. This is not a concern in major developed economies, but in developing and emerging economies it has proved very helpful. Second, the IAA has been able to develop standards for actuaries who are working under International Accounting Standards. Indeed, the IASB was only willing to allow accountants to rely on actuarial work when they were assured that the IAA would develop appropriate standards.

4. *Does the IAA see itself having an educational role in addition to the national professional educational bodies? If so, why? What educational deficiency is it aiming to close, and what is wrong with the current SOA/Institute approach? As a fellow of both the Institute and the Society, I get occasional enquiries from students who don't know whether to signup for the Institute or Society examinations; this only will make the confusion greater.*

The IAA follows the principle of subsidiarity: don't do at the international level that which can be satisfactorily done at the level of the national association. So the IAA's educational work has been focused in developing and emerging economies, and there primarily on jump-starting the local process and providing continuing assistance. This work draws principally on the existing educational materials of the larger, more established, national associations.

The strategy document does raise the possibility of creating a lower-level, para-actuarial credential on a global basis. The credential would be something similar to the enormously successful CFA credential. Work toward this possibility would proceed only with the support of the several national associations after considerable study.

5. *A goal stated in the strategy document is to "expand supranational relations." What does this mean? My concern is this could increase bureaucracy and intervention in national affairs.*

An earlier response identified the World Bank, some regional development banks and WHO as supranational organizations with which the actuarial profession has already established relationships. Most of this activity is finding ways that we can work cooperatively, usually in helping the actuarial profession to develop in a sound manner in emerging and developing economies.

6. *In follow up, one of the tactical strategies for expanding supranational relations is to "outsource some activities to member organizations." I interpret this statement as the IAA proposing to tax local actuaries to set up an international bureaucracy to outsource these functions back to the national organizations. What am I missing here? Who, other than the bureaucrats, gains from this one?*

The outsourcing referred to is the use of volunteers or, where available, national associations. For example, the Swiss have taken primary responsibility for the IAA relationship with the WHO, since it is headquartered in Geneva. They are exploring the possibility of working also with the International Labor Organization. IAA relationships with the World Bank have been handled by volunteers from several countries, but the idea in the strategy document is to explore having the American Academy of Actuaries handle relationships with the World Bank for the entire IAA, since both are in Washington. Also, the Academy staff might provide more continuity than a frequently changing cast of volunteers.
The "tax" is primarily of volunteer

resources, and would only be paid on a voluntary basis.

7. *The strategic document notes a goal "to foster and sustain the resources of IAA." This is a taxation issue. I am a small consulting actuary; I pay a lot of dues as it is. Why I should pay for another set of oversight committees? I note that there will be a "continuous need for a relatively high number of specialized committees, subcommittees, working parties, task forces, etc." Why? What is the demonstrated need? What is going undone currently by the national organizations that the IAA needs to address?*

   First, the IAA does not invoice individual actuaries. However, each association pays a per-member charge to the IAA.[2] These dues entitle the member organization to participate in IAA activities, and name committee and council delegates; enabling the association's individual members to use IAA resources such as its electronic actuarial library search which accesses literature in the science from around the world.

   In the strategy document, the term "resources" predominantly refers to volunteers. In general, volunteers pay their own expenses. The number of committees in the IAA structure is significantly greater than envisioned in 1998 when the IAA was reconstituted as an association of associations. But each new committee was formed in response to a perceived and articulated need, and the larger member associations have appointed delegates to staff these committees. A few committees or task forces have been ended. The thrust of the strategy document is to try to keep the number of committees as small as possible, to use task forces or working parties wherever possible, and discharge them with thanks when their project is complete. The committees, and the IAA in general, make extensive use of electronic communication, keeping expenses and travel needs to a minimum.

8. *Finally, as a member of the SOA and a chair of the Smaller Consulting Firm Section Council, one of the things I like about the Society of Actuaries and its sections is that we are democratic. If the section council does something the members didn't like, they could throw us out, either literally or by voting to withhold dues payments. It has a way of sharpening the mind, as we consultants who constantly have to worry about the next invoice payment, are aware. What sort of oversight does the IAA have? How do I make sure their minds stay as sharp as ours?*

   Your best link to the IAA is through the SOA's IAA Council Delegate. For 2005, Immediate Past President Neil Parmenter fulfilled this role. Neil and Jim MacGinnitie, who serves as the SOA's International Secretary, are available to answer questions on IAA initiatives, as is SOA staff person, Martha Sikaras. You can also learn more about the IAA on their Web site, *www.actuaries.org*. We encourage you to give your input to the SOA's IAA delegate, international secretary or any of the SOA's IAA Committee representatives; after all, the IAA is your organization, too.

To read the report of IAA strategic task force go to *http://www.actuaries.org/CTTEES_EXEC/Documents/Strategic_Plannning_Report_02-05.pdf*, (or alternatively try *http://www.actuaries.org/index.cfm?lang=EN&DSP=CTTEES_EXEC&ACT=DOCUMENTS*).

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2 The IAA dues level was CAD $10 per member for 2005 and will increase to CAD $12 per member for 2006. Each member actuarial organization pays per fully qualified member; the SOA pays for each FSA (the CIA pays per FCIA, the AAA pays per MAAA, etc.).

You've Got the LLC—Do You Need an Operating Agreement?

by David Rintoul

Management of a multi-member LLC is governed by statute unless the members agree otherwise. When can you rely on the statutory provisions, and when do you need a separate agreement?

Choice of Entity: There is little debate regarding the best type of business entity for small consulting firms: a limited liability company (LLC) is the best choice. Like a corporation, it protects its "members" or owners from individual liability for the obligations of the entity. Unlike a corporation, however, the members can decide how it will be taxed, whether as a corporation, S-corporation or as a partnership, which most LLCs choose to avoid entity-level taxation.

How Will Your Company Be Run? The choice of entity is just the start of figuring out how your business will be run, who's going to run it, and what rights and obligations each owner will have. This article discusses some of these factors, particularly whether you should enter into an operating agreement regarding your LLC. An operating agreement is simply a written agreement among the members regarding how the LLC will be managed on a day-to-day basis and what the members' rights and obligations are. An operating agreement is optional; the LLC is formed when you file the form with the appropriate state agency, usually the secretary of state.

When do you need an operating agreement? The decision to enter into an operating agreement can be significant. You will incur $750 to $3000 in legal fees, depending on how active the negotiations are. Costs will be higher if some or all the members hire their own attorneys, which may be necessary depending on how contentious the negotiations become. Negotiating an operating agreement also tends to bring any simmering tensions among the members to the surface, as the members discuss who deserved to get what when. Entering into an operating agreement, however, provides a sound basis for the business to move forward, with every member having a better idea of what his or her rights and obligations are, and provides a structure for avoiding disputes, and resolving them promptly if they do arise.

To be able to discuss this topic in a short article, I have made some assumptions: all the members of the LLC will be employees of the company, or otherwise actively involved in the management and business of the company; and that you chose the "member-managed" LLC, where, like a partnership, all members are basically peers. The other form of LLC, the "manager-managed" LLC, is closer to the corporate model, with one or more CEO-types running the company with other members as passive shareholder-type owners or otherwise not involved in management. State laws vary widely on some important points regarding governance of LLCs, so you need to consult with a lawyer in your state before deciding what to do.

If you don't have an operating agreement, the LLC will be managed as provided in the LLC statutes. The statutory provisions which govern in the absence of an agreement among the members basically create a partnership where the majority rules. This article discusses some of the areas in which you may wish to alter the statutory scheme.

Majority Rules: Under the statute, the majority rules, either the majority of members, or the holders of the majority of the percentage interests in the LLC, depending on the state. The majority, therefore, could increase their own salary, sell all or any part of the company's assets, dissolve the company, fire another member, enter into contracts and admit new members, depending on the state. The only exceptions to majority rules, depending on the state, are a merger or consolidation, amendment to the written operating agreement or taking an action that contravenes a written operating agreement. These require either unanimous approval or approval by two-thirds of the member interests, depending on the state.

If you want to limit these powers in a meaningful way, you need to have a written operating agreement. In deciding who will vote on what, you may want some major decisions, such as whether to sell the company or fire a member from employment, to be voted on by each member having one vote, regardless of their respective percentage interests.

Even without an operating agreement, there are some limits on what a majority can do. They are subject to fiduciary duties to the other members not to unreasonably exploit their position for their personal benefit and to the detriment of the company. The scope of the duties and how they apply to specific circumstances is uncertain. Better to deal with it in the operating agreement than to try to guess what a court is going to order once a dispute arises.

Individual Power: In a member-managed LLC, each member has the right on his or her own to conduct all ordinary business activities of the company, such as signing contracts, buying equipment, hiring employees, etc. If you want to require consent by more than one member for significant actions or expenditures in excess of certain amounts, you need to have a written operating agreement.

Distributions – Share and Share Alike: Under the statute, each member has an equal right to share in any distributions from the LLC in proportion to the value of their capital contributions to the company. If the members want compensation to be determined by some other factor, such as hours billed, business originated or revenue generated, this needs to be dealt with in the operating agreement.

Withdrawal:

Voluntary: A member has a right to voluntarily withdraw from an LLC, though the withdrawing member may have to pay damages to the LLC if the withdrawal violates the operating agreement. Some states provide that a withdrawing member is entitled to be paid the fair market value of his or her interest, while in others like Connecticut, the withdrawing member is not entitled to be paid anything for the member's interest unless the company dissolves or otherwise makes a distribution to members. You therefore cannot force the person out as a member, even if they no longer work for the company. An operating agreement can provide for a compulsory buyout.

Involuntary: A member cannot be expelled involuntarily from an LLC unless the member

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is insolvent, unless the operating agreement provides otherwise. If you want the right to remove an unproductive member, you need to put that in the operating agreement. For instance, you could provide for a forced expulsion and buyout with the vote of all the members but the affected member.

Buyout Price: When the statute gives a withdrawing member the right to be bought out, or if the members decide to provide for a buyout, how will the buyout price be determined? By the withdrawing member's capital account? The member's proportionate share of the book value of the company? Will the value of goodwill and receivables be included? Will the value be discounted for lack of marketability or for being a minority interest? Unless you deal with this in the operating agreement, a court will decide these issues.

In some LLCs, the members envision that the company will be their full-time occupation.

Competition: If a member successfully withdraws from the company, the former member may be able to compete with the company so long as the former member can show that he or she is not using company secrets. If you want to restrict competition post-withdrawal, you need a written operating agreement.

Other Businesses: In some LLCs, the members envision that the company will be their full-time occupation. They expect that each member will devote his or her full time and energy to the company, and if any member becomes aware of a potential business opportunity, the member will give the company the option to pursue it before pursing it by him or herself. Alternatively, other LLCs are set up with the idea that they will only be one of many of the business activities of the members. No one expects that business opportunities will be offered to the company first, and may even be willing to have the members compete with the company. If you don't address these issues in the operating agreement, the common law corporate business opportunity doctrine will apply, with all the uncertainty and expense involved in getting a court to make a decision.

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Arbitration: If you want any intra-company disputes to be arbitrated, rather than settled in court, you have to have a written operating agreement.

Conclusion

This article has space only to discuss some of the issues that should be addressed in an operating agreement. Most LLCs probably should have a separate operating agreement, and not rely on the statutory default management provisions. Without a separate agreement, you will be guessing about how a court will rule if some dispute arises. By entering into an operating agreement, the members can decide what works best for them and the company, rather than depending on litigators and courts to work it out.

Feel free to send David Rintoul your feedback on this article or others he has written. If you have any legal or business questions that you confront in your practice, send them to drintoul@bpslawyers.com *and they may be the subject of a future column.*

Restricted Lump Sums Webcast

May 10, 2005

by George McCauslan

The Smaller Consulting Firm Section presented its first "technical topic" webcast on Tuesday, May 10. The topic was "Restricted Lump Sums," related to restrictions under U.S. pension law for payment of lump sum distributions to terminating participants in certain circumstances. The session was jointly sponsored by our section and the Conference of Consulting Actuaries. Our presenters were Lorraine Dorsa, FCA, MAAA, MSPA, of Dorsa Consulting in Jacksonville Beach, Fla. and James Hutchinson, Esq., of Alston & Bird, in Washington, DC. I served as moderator for the session.

This topic is one of these areas of pension law without much published guidance. Thus, a significant portion of the session was devoted to discussion of how practitioners are dealing with the "open issues" in their practice. The speakers presented both their own views and approaches that they have heard in prior presentations on this topic, giving the attendees a range of approaches and a sense of those which are most common. There were a large number of questions from the attendees. While the speakers were able to respond to many of these during the webcast, time restricted their ability to respond to every question.

This program was an updated version of a session that was held at the 2004 Enrolled Actuaries Meeting. My recollection of the session (which I attended) was that it drew about 150 people. For our webcast, there were over 100 sites registered. Based on the poll during the webcast concerning the number of individuals listening at each location, it appears that almost 500 people participated in the Web presentation. This was confirmation of the interest of our section members, as expressed in our section poll, for continuing education opportunities that do not require travel time and expense. As we are able to identify additional programs for webcasts, we hope to be able to continue providing this service to our members. If any of you have ideas for webcasts, please contact me or any member of the section council.

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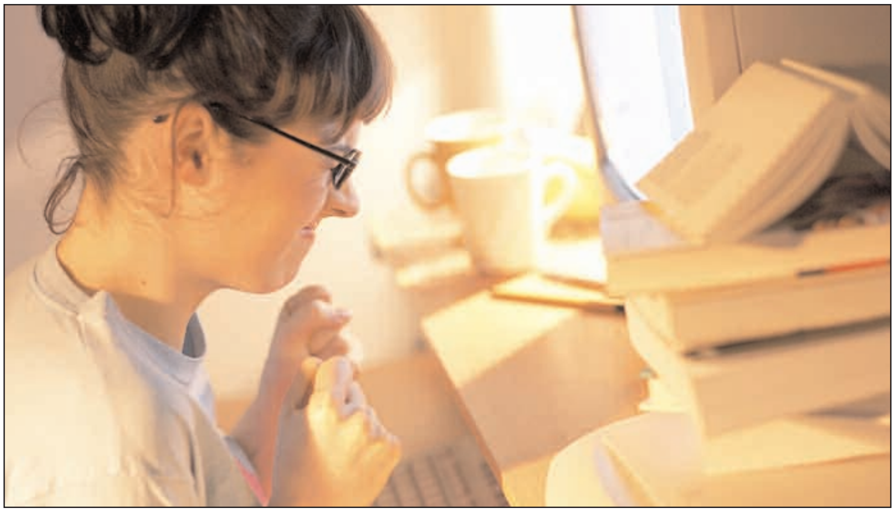
SCF Section and CCA to Co-Sponsor Seminar at Annual Meeting

The Smaller Consulting Firm Section and the Conference of Consulting Actuaries are co-sponsoring the seminar "Starting Your Own Consulting Business" at the SOA Annual Meeting in New York on Nov. 15. The session reprises successful seminars presented at both spring meetings in New Orleans, so you have one last chance if you missed those! Some actuaries who have started their own practice will share their experiences, and other speakers will discuss what you need to know about technology, the legal structure of your firm and marketing your practice.

Introduction to Research Methods for Actuaries

by Kara L. Clark



Author's Note: This article is a summary of the session "Introduction to Research Methods for Actuaries," presented at the SOA Health/Pension Spring Meeting in New Orleans in June 2005, and is based on the PowerPoint material from that session, which is publicly available on www.soa.org.

Where would you expect to find more than 90 actuaries at 8:00 in the morning in New Orleans? Enjoying coffee and beignets at Café Du Monde? Believe it or not, on June 16, you would have found them in the "Introduction to Research Methods for Actuaries" session at the Health/Pension Spring Meeting. Margie Rosenberg, PhD, FSA, of the University of Wisconsin-Madison and Henry Dove, PhD, of Yale University served as the session panelists; Ian Duncan, FSA, FIA, organized the session and served as the moderator.

This session covered a range of relevant issues on interpreting and conducting research for practicing actuaries. Research provides an opportunity to expand actuarial thought and application as well as enhance the visibility of the profession with other disciplines. Other disciplines such as medicine and law have a much more robust tradition of practitioner research. Granted, the actuarial profession is smaller, but we would all benefit from increasing our research output. Therefore, the presenters at this session strongly encouraged practitioners to take a more active role in original research (the health practice area in particular seems woefully underrepresented in the actuarial literature), but the lessons here also benefit those primarily interested in increasing their awareness and interpretation of the latest research in order to incorporate it into their daily work.

The Research Article

The most important aspect of the research is that its focus must be well-defined and manageable. We can't solve world hunger in a single paper. It must also clearly define the contribution it makes to the professional literature that already exists on the topic. What about it is unique?

The research article itself is typically comprised of the components described below. To illustrate the research process, the panelists referred to an article that appeared in *Medical Care*, April 1990, "Explaining Variability of Cost Using a Severity-of-Illness Measure for ICU Patients" by Rapoport, Geres, Lemeshow, Avrunin and Haber. (For a copy of this paper, contact me at the e-mail address below, or Margie Rosenberg at *mrosenberg@bus.wisc.edu*.) You can refer to any number of research journals to "follow along" with other articles, including *Health Affairs*, *Health Care Financing Review*, *Health Services Research*, *Journal of Managed Care*, etc. You don't need to fully understand the specifics of this illustrative article; what's important is that you get a sense of how the authors addressed each of the following components in the write-up.

Abstract
The abstract is a high-level overview of the research topic and methodology, as well as a summary of the findings. The form and length of the abstract may vary depending on the specifications of the publishing journal.

Introduction/Background
The introduction provides the purpose of the paper (that is, a definition of the problem that is being studied), background on the subject, a literature review and a sense of what is coming in the paper. For example, in the

Medical Care article, the authors' underlying question was whether the use of Diagnosis Related Groups (DRGs) may have led to inequities in Intensive Care Unit (ICU) reimbursement.

The literature review demonstrates that the author has researched the existing literature related to the topic at hand, and articulates how the new research "fills in" one or more of the gaps that might be present or extends previous research. For completeness and context, the literature search should also investigate research in disciplines outside those of the authors.

There are a few publicly available resources to support conducting a literature review, including *www.ncbi.nlm.nih.gov/entrez* and *www.scholargoogle.com*. Another option is to Google PubMed. As with many Internet searches, using a variety of search terms can help, including MESH-subject headings, journals, articles, exact words, etc. These can also be combined to help focus the results of the search.

Data

In this section of the article, the researchers should explain what data was used, how it was "scrubbed", etc. Data summaries should be explained in words in addition to any tables or figures (that is, the authors should not rely on the tables to get their points across).

In the illustrative *Medical Care* article, the data used in the study was those patients admitted to the General Medical/Surgical ICU of Baystate Medical Center in Springfield, MA from February 1, 1983 to January 20, 1985. The data was scrubbed to exclude certain types of patients.

Methods

This part of the article describes what methodology was employed and why. What is the methodology? (Describe it.) Why did the researcher choose to use this particular model versus others that were available? What other studies or resources can the reader refer to for more information on the methods and models?

In the *Medical Care* article, the main independent variables included:

- DRG (the paper focused on four specific DRGs),
- Length of stay in the ICU,
- Length of stay in the hospital,
- Age, and
- Mortality Prediction Model (MPM) probability.

The main dependent variable in the study was a cost "surrogate" equal to weighted hospital days. The researchers used three analyses to investigate the ability of MPM to improve the use of DRG classifications as a predictor of resource use.

Results

What were the outcomes of the study? Again, summaries should be explained in words and not only tables or figures. There are a few key statistics that often show up in the results section. If you're an actuary who remembers that exam fondly but faintly, a quick review may be helpful.

First, there are means and standard deviations. You probably remember how to calculate them (or know how to get Excel to calculate them!). One of the keys here is how large the standard deviation is relative to the mean. That will provide you a sense of how much variability there was in the data for that particular set.

For example, the *Medical Care* article includes the following table:

Table 1: Descriptive Statistics for Study DRGs (an excerpt)

DRG	Percent of All Hospital Admissions in this DRG that Spent Time in ICU	Weighted Hospital Days Mean (Standard Deviation)
1	78.5	32.7 (24.4)
5	72.5	17.0 (11.6)
10	72.4	31.7 (38.7)

Source: *Medical Care*, April 1990.

(continued on page 14)

You can see that the standard deviations are quite large relative to the mean weighted hospital days for each of these DRGs. That result implies that there was significant variability in the weighted hospitals days for those patients with each of these DRGs.

Another statistic that you will see quite often in peer-reviewed literature is the P-value. The P-value indicates whether or not two means differ "significantly" from one another. In many fields, including health services research, P-values equal to or less than .05 suggest "significant" differences.

Again, the *Medical Care* article includes the table below:

Table 2: Comparison of High ICU Users with Rest of Users (excerpt)

ICU Length of Stay	Top 10 Percent of Patients Based on ICU Length of stay	Other 90 Percent of Patients	P Value
ICU Length of Stay-Mean	16.9	3.8	<.001
Age-Mean	61.0	58.8	0.082

Source: *Medical Care*, April 1990.

Here, a P-value of <.001 suggests that, indeed, the means between these two groups are "significantly" different. However, in the case of mean age, the P-value is greater than .05, which suggests that the difference in age between these two groups is not significant.

Conclusion/Discussion

In the discussion section, the authors should comment on what the results and outcomes of the study mean. What are the implications? How can the results be used? These are essentially the "so what?" questions that follow from the results.

Following along with our example, the authors of the *Medical Care* article concluded that the use of "weighted days" is appropriate. They also summarized their key findings relative to the most costly ICU patients and the relationship of resource use and severity. In a business sense, their findings suggested that if a hospital has "sicker" patients that require more intensive use of medical resources, that hospital could be disadvantaged under a DRG payment system.

In addition, the article will describe the limitations of this particular approach to the research. All approaches will have some limitations; these do not suggest that the approach was flawed or otherwise inappropriate. Discussing the limitations provides the reader with some assurance that the thought process regarding the research was thorough and robust. The limitations outlined for the *Medical Care* article noted that the study did not address cost issues between ICU and non-ICU patients; that the conclusions were based on only four DRGs during a two-year time period soon after the payment system was introduced; that the MPM system is not appropriate for use with all conditions, and that the use of MPM requires additional data collection which could be cumbersome.

Finally, the discussion section will describe what follow-up research is suggested by the results of the study. For practitioners interested in conducting original research, reviewing this section of previously published articles can provide good fodder for new research topics. The authors of the *Medical Care* article suggested that beneficial future research might improve the misclassification rates of developed models and include the development of predictive models.

References

As important as the paper itself is the list of prior research that was consulted in the development of the study. Any article listed in the reference list should be cited in the paper, and likewise, any facts stated in the paper should be cited in the references.

Getting Published

If you are an actuary that has an interest in original research and its publication, it's important to "start with the end in mind". Knowing your target journal and its audience will influence how you write your article and perhaps how you organize the research. Each journal outlines instructions to potential authors, including the target length of the abstract and/or paper, the structure of the article, and the formatting of the bibliography. It's important to read a number of articles published by your target journal to determine its style; this approach can help you tailor your paper appropriately.

The process of publication can be arduous. There are peer-reviewed and non peer-reviewed journals. Those that are peer-reviewed are the most prestigious and can have low acceptance rates. Once you submit an article, it can take weeks to several months for a response. Peer reviewers will provide comments; you as the author will respond to those comments, and in the end, it is the decision of the editor as to whether the article will be put to print.

But as noted earlier, there are a number of benefits to conducting research and pursuing publication—it can enhance your personal reputation and is a great opportunity to collaborate and network with other disciplines, either within or outside of the actuarial profession. It can keep your work dynamic and interesting, and what's more, you may actually learn something in the process! Finally, as you have success, please let us here at the SOA know about it. We can help provide current and potential members as well as other disciplines with some visibility into your contributions, which helps enhance the profession's overall image.

I hope this introduction has piqued your interest and curiosity both in research and in publishing. Remember that the SOA has research funds available, and regularly calls for papers on a variety of topics. If you want to further explore the idea, Margie Rosenberg at the University of Wisconsin would be happy to serve as a resource for you; you can find her contact information in the SOA directory. Happy researching!

Kara L. Clark, FSA, MAAA, is a staff fellow at the Society of Actuaries in Schaumburg, Ill. She can be reached at 847-706-3576 or kclark@soa.org.

Solution in Search of a Problem

by Richard J. Tucker

A good consultant is supposed to come up with solutions to his or her clients' problems. However, the most elegant solution will not be perceived as such until the problem or issue is important enough to the client for them to want to spend time and resources on a solution. Until that time, your idea may gather dust on the shelf along with those of other dormant geniuses.

The consultant/client relationship comes in many forms. There is the traditional actuarial consultant with insurance company clients. Within an insurance company, a product actuary may be the consultant while the client is the marketing department or sales force. My situation as a reinsurance intermediary has me providing risk management solutions to my ceding company clients. Every type of consultant/client relationship can experience a disconnect between a solution and finding the pertinent problem to be solved.

I doubt that I'm alone in the number of times that I felt that I had the best idea since sliced bread, and couldn't understand why others were not as excited as I was about it. Being a Douglas Adams fan and having recently seen the movie version of "Hitchhiker's Guide to the Galaxy," it is somewhat like coming up with the answer "42" to life, the universe and everything, but not knowing what the question was. (The next book tells us that the question is "What is six times nine?").

Once you have the solution and go looking for the problem to solve, you could find:

1. Your constituents are sitting by the phone waiting for you to call and solve their problem.
2. The solution is indeed elegant, and clients want your assistance in due order.
3. Your clients need your assistance in understanding and evaluating the problem that you have come to solve.
4. The problem you perceived does not exist, at least not at the magnitude that you thought.
5. Your idea stinks.

Item (5) is a potential topic for another article, item (2) is an enviable position to be in, and I've never experienced item (1). Items (3) and (4) are the range of what this article addresses.

An example of this that I'm currently working on is the reinsurance of equity-indexed annuities. The concept is that equity-indexed annuities are a natural product hedge for variable annuity guaranteed benefits. EIAs are "call-based," meaning they produce value if the market goes up. Variable annuity guaranteed benefits are "put-based," meaning they produce value if the market goes down. An insurance entity containing both products will have a more balanced risk profile than an entity containing just one or the other. I believe that the ceding and/or assuming of these risks can facilitate the employment of this natural product hedge.

When this idea was first broached by my company over 10 years ago, it was ahead of its time because neither of the product areas had sufficiently matured. Variable annuity guaranteed benefits matured first, but the EIA market is just maturing now. For the first time, our clients are interested in learning about this solution. The education process must be completed before I finally find out if I've found a viable solution to a problem in need of a solution.

This education is a two-sided process. I start out briefing my ceding company client on the reinsurance structure I've created for their benefit. The solution is based on needs and desires that I've distilled from ongoing discussions with my clients as well as industry-based knowledge. Any solution needs to be refined as it goes through a continuous feedback loop with the client.

Using my EIA example, one of my reinsurance programs helped to stabilize the cost of providing the index participation inherent in the product. As background, when capital market derivatives are used to fund the index participation, the cost of doing so is sensitive to interest rates and equity volatility. One of the features of the substitute reinsurance program was to reduce the cost sensitivity attributable to both factors. Upon discussion with the client, I learned that it is better to continue to allow the cost of reinsurance to float with the level of interest rates. As interest rates go up, the amount of money available from the EIA product to fund index participation goes up, so it is appropriate for the reinsurance cost to similarly reflect the level of interest rates.

Not every idea takes 10 years to come to fruition. In fact, most will die much sooner than that. To maximize your efforts, you need to maintain a close ongoing relationship with your clients. Understand their needs and problems. Keep abreast of where the marketplace is heading. This should minimize your harebrained schemes. The surviving ideas need to find their place among the economic priorities of your clients. This gestation period is not readily predictable. Your role as a consultant is to counsel your clients and to be there when they need you. Present them with new ideas and opportunities. If the idea is truly valuable, it will usually reach the point of economic viability. You cannot predict when this will occur, so it is best to always have multiple ideas in various stages of consideration.

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U.S. Tax Reserves for Life Insurers Book Signing at Annual Meeting

Never before has there been such a comprehensive, updated document on life and health insurance tax reserves … until now! *U.S. Tax Reserves for Life Insurers* is authored by SOA President-Elect Edward L. Robbins and Richard N. Bush, both experts in their fields. This new, innovative textbook provides authoritative guidance and mathematical approaches to calculating both statutory and tax reserves for all major product lines written by life insurance companies.

The text provides an introduction to statutory and tax reserve planning and includes a detailed discussion of the pertinent parts of the authoritative guidance, including extensive references to specific cases and rulings.

An added bonus! Also included, at no extra charge, is an interactive, Web-based feature that provides book buyers with access to the original Excel files used for most of the tables within the text … an excellent way for readers to comprehend the more complex mathematical calculations and concepts discussed in the book.

Authors will be on site at the Annual Meeting in NYC. Don't miss this opportunity!

Networking in Chicago

by Charles E. Ritzke

On May 10, the Smaller Consulting Firm section (SCF) continued efforts to deliver cost effective networking opportunities closer to home by jointly sponsoring our second regional networking event with the Chicago Actuarial Association (CAA). The meeting was organized by SCF section council member Mitch Serota in collaboration with Emily Kessler of the SOA staff and Tom Edwalds of the CAA. The first meeting was held in Boston in February. Future meetings are tentatively being planned for New York, Toronto and other to-be-determined locations.

Over 20 current and prospective members met at the downtown offices of Blue Cross Blue Shield on a nice spring evening in Chicago to hear Gary Pines give a presentation on "Rain Making Ideas." Gary, in addition to being a FSA, is a rain making trainer and coach with Harding & Company in a suburb of Chicago.

My first thought was "Hey, it's a nice spring evening in Chicago. Why would we want ideas on making rain now? A few months ago, I'll admit I could have gone for ideas on stopping snow. Wouldn't this guy be better off doing this talk at our Tucson meeting?" But of course, Gary defines rain making as "the art of meeting people, building relationships and turning these relationships into new business." Gary led an interactive discussion that centered on three topics:

1) "How your thinking habits impact rain making" – Discussing how our emotional reaction to situations can create losing or winning behaviors.
2) "Two for ones" – Discussing how all kinds of social situations can be opportunities to create business value.
3) "The routine" – Discussing the importance of defining and sticking to a networking routine.

After the presentation, we had the opportunity to network with Gary and each other over beverages and hors d'oeuvres.

If you are interested in contacting Gary Pines, he can be reached at 847-256-3925 or at *garypines@aol.com*.

Based on our discussions after the presentation, we felt that the meeting was an unqualified success. We discussed the possibility of making this May meeting an annual event in Chicago. The CAA holds regular monthly meetings, but has always had difficulties with May attendance because of actuarial exams, so this idea was a benefit to both organizations.

If you have ideas for future meeting locations and speakers, please contact anyone on the SCF council. In particular, if you are involved with a local actuarial organization, a joint sponsorship like we did in Chicago may work well with your organization too.

Charles E. Ritzke, FSA, MAAA, is president of Problem Solving Enterprises, Inc. in West Dundee, Ill. He may be reached at chuck@myactuary.com.

Tips on Breaking through the Isolation and Building Your Business Future

by Emily Neustadt

Relationships Matter

All business is done through people, but many solo actuaries or members of small firms feel somewhat isolated. They feel like they have to have all the right questions, all the right answers, and all the right priorities; network; develop marketing ideas; and execute it all perfectly. Or worse, they wish they didn't but can't seem to break the cycle of doing everything alone.

Two heads are better than one. Three heads are often better than two, at least when it comes to brainstorming. If you're looking to build your business, create a small group of trusted colleagues who can support you. They should be either in your firm or in a similar service profession. The key is they should be similar enough to be able to help, but different enough not to compete with you. Together, you can set clear goals for your meetings, discuss some of the ideas listed below, commit to following up and then meet again and report your progress. It works and it's important for your future.

The world is changing. Our work is changing. We're either reactively just getting by or we're proactively creating the kind of business we want. It truly is your relationships that shape your business. They connect you with clients who keep coming back year after year, lead you to many referrals, increase your knowledge of the marketplace and trends in the industries you are serving … or they don't.

What have you done lately to nurture the relationships that matter to you? How have you engaged your clients and people who know and believe in the quality of the service you provide?

Take stock

Make a list of your most treasured clients, past and present. Look at who has generated the most revenue for your firm or practice and look at who has given you important referrals. List the clients who give you the most pleasure, the ones whose values most resonate with your own. Is it time to let them know what you appreciate about them? Is it time to thank them for their business, to share with them what you see about their strengths and needs? Brainstorm with your trusted friend or colleague ways in which you can reach out to those clients. Share together some of your favorite client conversations from the past.

Think big

Now make a list of the clients you want. What kind of future do you want to create for yourself and your firm? Who do you most want to be doing business with over the next five years? Who would you be proud to say selected you? Select one target client you'd like to meet with and start working toward making a real connection. Let people know that you want to make a connection, share with them what you admire about your target clients. If you're genuine and you truly have something to offer, people will be attracted to your cause. Get support, get feedback and enjoy the results.

Emily Neustadt is an executive coach specializing in leadership and strategy. Emily can be reached at EBNeustadt@aol.com or online at www.neustadtconsulting.totalpicture.com.

Overcoming Your Fears of Top Executives:

When Selling, Target "The Investor"

by Duane Cashin

A friend of mine who owns a very successful advertising agency lamented to me recently: "We have to fight for every scrap of business we get today. There is definitely lots of business out there for us but our competition seems to be oozing out of the woodwork. It's insanely difficult to keep up." Yet even with today's business market so incredibly competitive, I am constantly meeting sales professionals who, fearing outright rejection or the expected impossibility of getting through to them, tell me they are hesitant, intimidated or outright terrified of calling upon top executives as a standard approach in their sales practice.

The bottom line however is that very few products or services today, when standing on their own merits, appear to be unique. Even when a company does come out with a distinctly innovative feature or benefit, that competitive advantage is usually short-lived. With so much readily available and affordable technology around today, it has become a fairly straightforward process for virtually any competing organization to mirror the advantages of such a "breakthrough."

This means that today's marketplace is becoming increasingly challenging for buyers to distinguish between competitive offerings, whether products or services or consulting services. Thus whenever a buyer feels that a product or service looks too much like a competing one, the buyer tends to default to pitting all sellers against each other, demanding the lowest price and the highest deliverables, obviously a most unpleasant position to be in for anyone in a selling role.

So the million-dollar questions today are: "What can I do to differentiate myself from my competition? How can I successfully sell my consulting services in a manner that reaps a profitable arrangement for us both?" The answer, which might sound counterintuitive, is to reach for the top! Begin your sales cycle, not with a manager in the middle, or at a lower rung, but with your prospect firm's ultimate decision-maker, the president or chief executive.

There are numerous advantages to calling on the top decision-maker, or "The Investor" as I like to call him (or her). The biggest reason to do so is that The Investor is REQUIRED to deliver concrete results and therefore will always focus on your service's likely return on investment. As a result, The Investor is typically less concerned with the investment amount than you might expect. So by creating perceived value and proving that desired results will indeed occur, you are likely to enjoy success in your selling efforts.

Here are some other advantages of calling first on The Investor:

- You will quickly discover whether or not you stand a chance of earning this company's business, chiefly by learning of any existing loyalty that The Investor may have to one of your competitors.

- You will learn whether The Investor sees a gap between the organization's current level of performance and where he/she believes it should be. If, for example, The Investor sees no need for improvement, it will be extremely difficult to earn his/her company's business.

- By calling the top executive, you have the opportunity to learn where the influence and authority lies within the organization, such as whom, other than The Investor, you need to convince.

- By reaching The Investor you'll find out if a budget is available for implementation of your services.

- By working the process from the top down, you'll accelerate your sales cycle while reducing the cost of acquisition. This puts dollars in your pocket faster.

- After successfully winning this company's business, you are perfectly positioned to be referred by The Investor to other Investors, a development that can radically boost the level of your practice success.

Now that we've identified all the many reasons for calling on the topmost executives, why do many consultants or sales reps that attempt to do this often fail? The principal factor is lack of preparation. When underprepared, you'll forget to ask the right questions and do a poor job of presenting yourself in a way The Investor would perceive you or your services as representing high value.

Though you are primarily a consultant, think of yourself during your selling process as a "revenue professional." That way your thinking will be compatible with that of The Investor you are targeting. You don't want to be focused on simply selling your wares; instead, as a Revenue Professional, you want to be seeking ways to establish with The Investor a long-term relationship based on trust.

"But do Investors really want to hear from us?" I can hear you saying. YES, YES, YES! Investors are paid a lot of money to lead companies in profitable directions. A main reason they earn the big bucks is the fact they are expected to see into the future! Two primary ingredients that enable them to forecast upcoming business trends and opportunities are experience and knowledge. So, "timely" information will be their most precious capital. As a revenue professional as well as an expert in your field, you live out in that field, constantly hearing/seeing things that could be extremely valuable to the Investor. With change so prevalent and rapid in business today, this perfectly positions you to act as a valuable information conduit to any investor.

What types of knowledge should you be transmitting? Here's a short list:

- Challenges that The Investor could be facing in his/her particular industry;
- Facts abut The Investor's competition;
- Opportunities available to The Investor in his/her industry;
- How your consulting service provides the kind of results an investor is looking for.

One excellent source for gaining the knowledge you need is of course on the Internet. Another would be from a company's annual report. A third (a favorite of mine) is from what I refer to as the "Inside Supporter." Find one of these by introducing yourself to someone in The Investor's company who can feed you helpful information from time to time. I personally usually start with the sales department as they are sympathetic toward my goals, and thus, they are surprisingly willing to help out.

At this point, you should have a pretty fair understanding of how calling high in a prospect company can benefit you, and why it is so necessary in today's marketplace to differentiate yourself from your competition. Imagine how fantastic you will feel and how much more effective you will be when you successfully make the transition to "Revenue Professional!" So why not go out and get started today? All those Investors out there are awaiting your call!

Duane Cashin is a sales success consultant and frequent keynoter at business development conferences and professional events. He can be reached at duane@duanecashin.com *or 860-916-7081.*

Understanding—and Protecting Yourself from—Viruses and Spyware

by Daniel K. Kehoe

When spyware and viruses frolic about your PC, performance grinds to a halt, and annoying pop-ups make attempts at working impossible. This phenomenon affects mostly Microsoft Windows users—Linux and MacOS are relatively safe from these attacks, mostly because the desktop share favors Windows making it a more satisfying target for hackers.

Understanding the Culprits

First, a few lessons are in order about the differences between these maladies. They do different things to your PC, they arrive differently, and their removal requires different actions on your part.

Viruses are malignant computer programs that tend to have destructive behavior. They may delete files, create files or cause the system to crash. Usually these are downloaded as attachments to e-mail with innocent looking names, such as a greeting card or holiday screensaver, and are often supposedly sent by a friend. Viruses tend to propagate themselves to other systems by e-mail (they like to send themselves to everyone in your address book) but put someone else's name in the "From:" slot, usually a random name from your address book.

For instance, if you get a virus on your PC, and list Don and Sandy in your address book, the virus might mail itself from your PC to Don but say it is from Sandy. (This is perfectly legal in e-mail protocols, which don't care about the authenticity of the sender information.) So Don gets the virus and calls up Sandy to complain when it actually came from you! Don't bother looking in your outbox for clues either—viruses of this type usually include their own mailing engine embedded in the program.

Spyware is less destructive, but very annoying. Downloaded to your PC by clicking somewhere on a webpage, spyware attempts to "spy" on you and collect information such as the sites you go to. It sends this marketing information to the mothership, which then instructs the spyware to cause pop-ups of that advertising genre to fill your screen. The worst class of spyware includes browser "hijackers." These take you to their own malicious site first, take note of where you wanted to go, then forward you on. In the meantime, you get lots of pop-ups.

More proactive spyware attracts more of its own ilk, as if to broadcast, "Hey, we've got an open PC here!" and suddenly more and more spyware gets downloaded—often by itself.

Best Defense

First and foremost, make sure you are up-to-date on your Windows Update downloads. As holes in the operating system are found, they are plugged. It is especially important to keep Internet Explorer up to the latest revision (which keeps Outlook Express updated) and Outlook too, if you use that instead. Internet Explorer now has its own pop-up blocker that works well. If the Windows operating system is equally updated, many of the holes will be plugged that allowed spyware and viruses to propagate to systems always connected to the Internet (take note all you DSL and cable-modem customers).

Since most of the nasty stuff comes in through e-mail, just watch what you open. Don't use the preview pane in Outlook and Outlook Express because that automatically opens the e-mail for you. Using an e-mail virus scanner that comes with part of Norton, McAfee or Grisoft's free AVG offering is a good way to catch those you don't see.

As for spyware downloaded from Web pages, some feel that using Mozilla's Firefox browser is a better and safer alternative to Internet Explorer. But here again, watch what you click on. Many spoof pop-ups look like Microsoft Windows messages. They may look authoritative and warn "Spyware has been located on your system—click here to remove!" but if you look very closely, in the corner in almost the same color as the background it says "Advertisement." And if you click on it, you've just told Windows, "Yes—ignore the security I've set up. I want to download whatever it is they are offering!"

Best Offense

Once spyware and viruses get onto your system, you have to go on the offensive and root them out. Running a complete virus scan in Windows Safe Mode (a minimal version of Windows before any viruses or other programs start up) will usually clean them out, so long as your virus database is updated. But really tough ones, like weeds, need to be pulled out manually with virus removal tools, sometimes by editing the system registry. Virus removal tools that are downloaded from the major anti-virus vendor Web sites are meant for specific, hard-to-clean viruses. These are especially useful for viruses which actively prevent anti-virus programs from running!

Spyware removal is done with free tools such as Ad-Aware (which concentrates on removing things that cause pop-ups) and Spy-Bot. Microsoft has just released Microsoft Anti-Spy which also does a great job of removing spyware. I personally run all three when needed because they each catch something slightly different. Beware: while it is safe to run multiple spyware removal tools in sequence, they may report each other as spyware. Also, never run multiple anti-virus programs at the same time, or even have them simultaneously installed because all kinds of problems can occur!

One last bit of advice we'll discuss in more detail in a future article: use a firewall, especially if you're directly connected to the Internet at all times. You can either use the Windows Firewall that came with Service Pack 2, or one of the ones from the anti-virus vendors. Best is a hardware firewall that is incorporated in many of the routers you buy today from Netgear, D-Link, Linksys, Microsoft and Belkin to gain wireless network connectivity. These help screen out attacks while you're sleeping. And with today's aggressive spyware and virus activity, you can use every bit of help you can get.

Once spyware and viruses get onto your system, you have to go on the offensive and root them out.

Daniel K. Kehoe is president of Bigfoot Labs in Connecticut. He can be reached at bigfootlabs.com.

Rejection Reality Check

by David C. Miller

One of biggest obstacles for consultants when it comes to developing business and getting clients is the fear of rejection. What does fear of rejection cause you to do?

For one thing, it causes you to avoid the things you need to do to succeed. It will prevent you from getting out of your comfort zone and taking the necessary risk to offer your services with confidence.

If you fear rejection, you're not going to pick up the phone and call on prospects. If you fear rejection, you may speak to prospects but not call them to action. If you fear rejection, you'll have a selling conversation without inviting the person to participate in what you have the offer them. If you fear rejection, self-protection becomes more important than the needs of the prospect. In short—fear of rejection stops forward progress.

The irony is that if you're not experiencing ANY rejection, then you're not playing a big enough game. You're not really going for it and you're probably missing out on a lot of success!

I remember several years ago when I realized I needed to deal with my fear of rejection. What I realized was that the only way not to get rejected was to be invisible. I certainly didn't want that—I wanted to make a difference—one that my clients would be sure to notice. So I decided that if I wanted to make an impact on the world, then I needed to be OK with being rejected.

Selling your services WILL involve rejection—it's not optional. To say, "I want to get clients but I don't want to get rejected" is like saying, "I want to be a swimmer but I don't want to get wet"—it's impossible. So if you want success, you need to make friends with rejection.

What are ways to make friends with rejection? Here are a few principles that have helped me, which I call the Rejection Reality Check:

Reality Check #1: My consulting services are not for everyone.

The key here is to develop a realistic expectation about close ratios. If I believe that my solutions are for everyone, then I set myself up to feel really bad when someone doesn't want it. I mean the kind of bad that feels like an electric shock or getting punched in the gut! Then I'll avoid offering my services to the next prospect, because my last experience was so painful.

I just returned from a conference for professional speakers where I met some of the most successful professionals when it comes to selling from the platform. Do you know what their expectation is? They're thrilled when they close 10 percent of the room (that's a 90 percent rejection rate)!

We know we have a winning direct mail campaign if we have a 2 percent response rate (that's being rejected 98 percent of the time). If I fail seven out of 10 times in baseball, I'm considered an excellent hitter.

Not everybody will want what you're selling. But it's critical to know that for the right prospect, you have the right answer! Changing this mindset will make it so you're not trying to sell everything to everybody. Rather you're selling something to somebody. So if your expectations about closing are realistic, then you can take the "no's" in stride and move confidently to the next prospect.

Reality Check #2: There are always people out there ready to say "yes" to your offer.

This is the "there's plenty of fish in the sea" principle. Ponder this: "if you have ANY clients, then you have a reference that there are probably more out there." Why would you think that you've found the only one or two people (or companies) in the world who would want your services? Why wouldn't you think there are more? If you've done your homework and found that there's a need in the marketplace, then go forward and market yourself with confidence.

Reality Check #3: Rejection is not personal.

When it comes to going out on the limb and marketing ourselves, it becomes personal and any rejection really hurts. So we need to change our mindset about rejection.

You must not take rejection personally. Why? Because usually it's not! We tend to take rejection personally because we invest so much time and effort into our product or service—so it's understandable. The truth is that we would care a lot less what other people think if we really knew how little they think about us!

When someone doesn't want to use your services, it's usually not about you. Most of the time the prospect's reasons for saying "no" have nothing to do with you: it's not the right time, it's not a great fit, they're not ready yet or maybe they have trouble making decisions. So you need to move on. Yes, keep in touch with them but move on.

Finally, ask yourself this question: "If I didn't fear rejection, how successful would I be in marketing and selling my services?"

Take yourself through this reality checklist and learn to make friends with rejection. Then go out and take action!

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Actuarial Student Study Programs – Contest Continued

In our June issue, we promised a prize for the best feedback on best practices with student study programs. Because of the short window between when that issue was released and when this one goes to press, we're extending the time for responses. As a reminder, we asked questions like: Do you provide study time, and if so how much? How flexible is the time—can you allow students to miss several days of work time just before the exam, or does the time have to be spread out more? Do you pay for all study materials, keep a library of materials for the firm, or require students to support any of those costs? How about paying for exam fees? Do you provide bonuses and/or automatic raises with passed exams?

Share your practices about these and any other student study issues, and if applicable what you've leaned NOT to do from past practices. Again, there is a prize at stake for the best response!

Resources from the SCF Section

Don't forget to check the Resource Center in the SCF Section's page on the SOA Web site whenever you're looking for helpful information about running your business. In fact, it's a good idea to check periodically for content updates. Topics covered include marketing, legal, continuing ed, professionalism and general business help. And if you have ideas for resources or information you'd like to see added, please contact me (*ruthann@ ruarkonline.com*) or any member of the section council.