



SOCIETY OF ACTUARIES

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# The Actuary

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## Getting involved from the inside

**T**raditionally, actuaries have not sought public office. Will this change as issues such as health care reform make actuaries more aware of how their input at policy level can benefit society? Or will the specter of campaign debts, low pay, no job security, and having half your colleagues disagree with everything you say keep actuaries out of the political game?

At least one actuary has taken the challenge. The following is an interview with Dave Vanderscoff, FSA, conducted by Judy Bluder-Wohlt, assistant staff editor. He is owner of Vanderscoff Management Services, Inc., Bismarck, North Dakota. In April, he is seeking the Republican nomination from North Dakota for a U.S. Senate seat.

**Q:** How did you get involved in the Senate race?

**A:** Career politicians in Washington, D.C., are destroying the private enterprise system, small businesses, and the tax base with unfair laws and regulations. I'm unhappy with their lack of fiscal responsibility on budgetary matters. We need someone with good actuarial principles and management skills to instill fiscal responsibility in government.

Lawmakers lack understanding of the private pension system. As a result, their laws have been damaging, and we're seeing defined benefit pension plans being eliminated in great numbers. This is putting extra pressure on our Social Security system.

I've decided to do something about it and get involved from the inside, because legislators seem to make decisions without input.

**Q:** What issues are key to you?

**A:** My platform is to reduce taxes in general and reduce government waste and unnecessary spending. I'm in favor of the balanced budget amendment, line-item veto, and term limits. Our

government has grown too large, and we need to downsize it.

Clinton's Health Security Act is the most blatant government action toward socialization that we've ever seen. It will add unnecessary layers of bureaucracy. But I believe certain elements of the plan, like universal coverage, eliminating consideration of pre-existing conditions, and portability are worth considering.

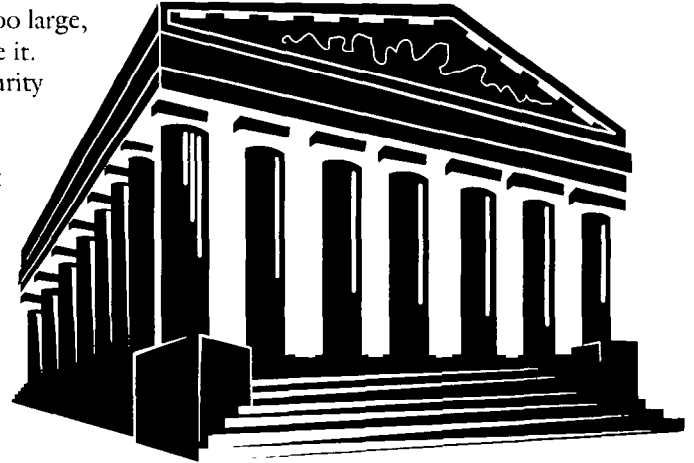
It's more important that the private sector take the lead and have government get out of the way. The private sector should take into account access, availability, quality, and cost of health care.

**Q:** Why is it important for you as an actuary to get involved in the political process?

**A:** Actuaries have unique skills in business and management techniques; they bring a sense of discipline; and they are trained in analyzing risk. As an actuary, I can bring a unique perspective, especially in the pension area and employee benefits field. There are many projects that Congress is working on now that my experience could have an impact on. I'm most interested in working on the committees involving finance and budget matters and affecting insurance, employee benefits, and pensions.

**Q:** What changes would you like to bring about?

**A:** My approach to business and handling a problem is working from a macro perspective first, down to the smaller issues. I have a simple approach to solve the country's deficit problem. We need to freeze aggregate government spending. Otherwise, it's too difficult to get our hands around the



spending problem. We first have to cap aggregate spending at the \$1.4 trillion level and then decide how much money needs to be spent in each program. We need tax cuts and investment tax incentives to stimulate capital growth, which will promote additional jobs. This plan will increase our tax base and eliminate the deficit in four or five years.

We also need a moratorium on new regulations, especially on small businesses. We need to reduce government restrictions to stimulate small business growth.

**Q:** What recommendations do you have for actuaries who want to get involved in the political process? Where do they start?

**A:** Actuaries can start on the local level with school boards or other community boards, especially those involving finance and community planning. They should develop a level of expertise with local government and then move on to state government in similar areas. Actuaries can offer assistance in their areas of interest including insurance, health care, employee benefits, and other related fields.

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### “Valuing American Options in a Path Simulation Model”

by James A. Tilley



**James A. Tilley**, FSA 1977, is head of fixed income research at Morgan Stanley. Before joining Morgan Stanley in 1983, he was employed at The Equitable

Life Assurance Society from 1981–83, at John Hancock Mutual Life Insurance Company from 1978–1981, and at Sun Life of Canada from 1975–78. He did his undergraduate work at McGill University and earned his B.Sc. in physics in 1971 and did his graduate work in theoretical solid state physics at Harvard University, earning his Ph.D. in 1975.

Tilley has served on various Society committees and task forces, and from 1983–86, he was on the Society’s

Board of Governors. In 1991, he was elected as the U.S. representative to the AFIR Council of the International Actuarial Association.

He serves on the editorial board of the *ASTIN Bulletin*. He has conducted research and published in the areas of interest rate models and asset/liability management. He regularly speaks on these subjects at universities, professional association meetings, and industry meetings and conferences.

His papers in the *Transactions* include “The Pricing of Nonparticipating Single Premium Immediate Annuities” (Volume 31, 1979), which was awarded the Triennial Prize for 1976–79; “The Matching of Assets and Liabilities” (Volume 32, 1980); and “An Actuarial Layman’s Guide to Building Stochastic Interest Rate Generators” (Volume 44, 1992), which won the Annual Prize for 1992.

## Committee publishes 5 new specialty guides



Five new specialty guides were recently published by the Life Insurance Specialty Guides Committee. The specialty guides are intended to help keep actuaries current in their specialty or to help them train in a new specialty.

The five new guides include:

- Annuities
- Individual Underwriting
- Nontraditional Marketing
- Long-Term Care Insurance
- Individual Medical Expense Insurance

Specialty guides are distributed to appropriate SOA Sections. Single copies are available from the SOA office (708/706-3526).

This brings the total number of published specialty guides to 20 since the forerunner Professional Actuarial Specialty Guides Committee was formed in 1989.

Several guides in the life insurance practice area are being developed, including demutualization, dividends and non-guaranteed elements, reinsurance, and field compensation. For more information on these, please call Becky Chase-Warren, 708/706-3538.

### Involved (continued)

When I first started out, our mayor asked me to chair a citizens’ advisory committee to review all levels of city government and improve departments and programs. I went on to become a consultant for our state insurance department for six years. Two years ago, I ran for school board, because I was upset with the way school finances were handled and the lack of educational rigor in curriculum. It is important for actuaries and citizens in general to get involved and get rid of the career politicians.

**Q:** *What kinds of issues should actuaries get involved in?*

**A:** They can get involved in various committees that need their expert advice and can act as special assistants to their mayors, state representatives, or senators. Call your elected officials and ask them where they need help and tell them your area of expertise. It’s certainly one way to see how the system works.