

WHEN NOT TO TAKE AN ASSIGNMENT

By George McCauslan

For those of us who maintain small consulting offices, often having only one actuary on the staff, our focus is frequently how to get more work. We need the work to generate income to cover our overhead and give us the level of income that we want. This goal has given rise to many articles for the small business on effective marketing, setting fees, collecting on invoices, etc.

The purpose of this article is to offer some thoughts on the other side of this process: When should we consider turning down work that comes to our door? Even when we have free time and less income than we want, there are still times when turning down a new assignment that is offered may be the right decision. My thoughts will be sorted by the reasons for saying “no.”

Qualification Standards

We are all subject to the Qualification Standards of the Actuarial Standards Board. These rules set more or less detailed standards for providing different sorts of actuarial services. For certain activities, there are specific rules, for most, however, the rules are expressed more generally. These rules involve both initial qualification in an area of actuarial practice and the requirement for continuing education in that area. If you have not carefully reviewed those standards, as they apply to the actuarial work that you do, you really should take the time to do so. (The Qualification Standards also contain forms for recording continuing education, both formal and informal, which can be helpful for recording your ongoing compliance.)

The principal underlying the Qualification Standards is Precept 2 of the Code of Professional Conduct: “An Actuary shall perform Actuarial Services only when the Actuary is qualified to do so on the basis of basic and continuing education and experience and only when the Actuary satisfies applicable qualification standards.” Even when there is no specific requirement in the standards, you need to be able to say (as well as believe and demonstrate) that you have the professional background to do a job.

Clearly, if you do not meet the Qualification Standards for an assignment (and cannot come to meet them in the time frame required for the assignment), you cannot take the assignment—and do it yourself. Your only option for taking the assignment would be to associate with another actuary who does meet the Qualification Standards. You could do much of the detail work, but the qualified actuary would need to provide the structure to the work. This is one area where the Smaller Consulting Firm Section hopes to be of assistance to its members—by preparing a detailed directory of members and their specific areas of practice.

A Changing Professional World

I started my professional career working for a life insurance company. After about 4 years, I moved to a consulting firm and started working on pension plans (at the dawn of ERISA), but continued providing services for life insurance companies. I was clearly qualified for the life insurance company work and, by the time that I was actually the “signing actuary” for the pension work, I would have qualified under the current rules for that area of practice, as well.

While my practice became more and more focused on pensions, I continued to do some life insurance company work, as assignments came my way. Ultimately, however, there were significant changes in valuation and non-forfeiture laws, coupled with other changes in the industry, and I was left with two choices: invest a lot of time learning the new rules, or stop practicing in that area. For me, this was a relatively simple choice, because life insurance work had become a very small part of my annual billings. It simply made no sense (on a cost-benefit basis) to invest the number of (unpaid) hours that it would have taken to become fully acquainted with all of the changes, and to integrate them into my existing programs. The probable amount of paying work was just too small. So, I “walked away” from doing life insurance company work.

Clearly, the continuing education requirements of the Qualification Standards can make this decision a bit clearer. However, the “12 hours per year” requirement (in each major area of practice) is far less than the amount of time I envisioned needing for the life insurance changes. Also, even within a general area of practice, there may be specific types of assignments for which you were once clearly qualified, but where the passage of time and changes in the environment mean that it may no longer be appropriate for you to accept the assignment.

A Changing Focus to Your Practice

Even if there is no change that would lead to the cost-benefit decision to leave an area of practice, the development of your practice may be in the direction of one (or more) of the specific types of work for which you are qualified. In a small firm, trying to keep up to date in multiple areas of practice can be impractical (so that this is, in part, a qualification issue). However, even if you could remain current, it may not be the best use of your time and energy. The development of your practice may be better served by some limiting of the assignments you accept.

Over the years, in addition to my “regular” practice, I had occasionally done valuations of lost wages and benefits for wrongful death or injury cases. The present value calculations are similar to those done for pension benefits, with the “twist” that various legal rules may influence the setting of assumptions. I had found that I was comfortable with, and good at, court testimony, and could explain to a jury what these numbers meant. Ultimately, however, I found that I simply did not do enough of these cases, and felt like I was starting from scratch each time. Just as with the life insurance work, this was not a significant part of my billings, and I stopped accepting those assignments.

Scheduling

In a small firm, available resources are limited. We can only work so many hours in a day, even if we are willing—at least for a short time—to devote every waking hour to work. It is tempting to accept any offered assignment, since it will generate additional income and may lead to more assignments in the future. However, it is important to be certain that we really can deliver the requested work product on the requested schedule—or to re-negotiate that schedule up front.

There can always be true emergencies which result in assignments not getting completed on schedule. However, accepting an assignment that will require you to work 12 or 14 hours per day for weeks on end may simply be asking for problems. Depending on the assignment, late delivery may not simply be inconvenient—it may be the same as non-delivery. The client will probably not be interested in paying for something that they get so late that it is useless. However, even if the work product can be used and the client pays for it, failing to meet the schedule will probably hurt your chances of getting further work—both from that client and others whom they know.

The nature of my own practice is that many of my assignments do not have great urgency. My clients will wait until I get to the work. Even then, there can be psychological effects from having a huge backlog of work. More than a few times, I have stopped taking new work—generally by not accepting new clients, while continuing to accept assignments from existing clients. Not only do your clients need to be comfortable with your schedule—so do you.

Do You Like the Work?

When we start a small practice, we generally accept any assignment for which we are qualified and which we believe that we can complete as required. It is pure survival, and is a way to develop the practice. However, over time, we will all discover that there are types of assignments that we like, those that are OK, and those that we really do not like. Clearly, there will always be work that we do that is not our favorite. But, if there are types of assignments that you really dread, which seem to hang over you from the day you accept them until they are completed (possibly to the extent that it influences your ability to do other work), you need to consider whether you should continue taking those sorts of assignments.

How much you will consider this will depend on how much other work you have. Over the years, I have stopped accepting certain types of assignments when I found myself with more to do than I had time to do it—even for a short period. If something needs to go, make it the work you dread doing. Even if you are not particularly busy, you should consider the possible affect that these assignments have on your attitude and how you do your other work. The short-term income may not be worth it.

Client Issues

Just as we accept any reasonable assignment when we are starting out, we generally accept assignments from anyone who comes to us (and we believe will pay for the work). Over time, we will find that certain clients, or certain types of clients, frequently generate problems. There may be clients with whom we are simply not comfortable. (I am not even thinking about clients who are asking us to assist them in something that is illegal or unethical—that is an easier decision.) There may be clients who consistently fail to give us what we need from them to do the assignment, and are unresponsive to our requests for missing information.

We do not (absent contractual agreements) need to accept work from anyone. When we are not comfortable with a client, it may be better not to accept the assignment (or future assignments, if you have already accepted one). Otherwise, we may devote an inordinate amount of time and energy to dealing with the problem, and not to getting the work done (for that client and others).

Obviously, a particular version of this issue goes to getting paid. There are different approaches to billing and retainer agreements. However, a client from whom it is consistently difficult to secure payment is a problem client, and you need to decide whether it makes sense to continue providing services.

Your Life

Finally, we need to remember that our professional practices are not our entire lives. It is an important part of our lives and will, from time to time, take over our lives completely. However, that cannot be the way it is always. We need to have some sort of balance in our lives, or we will have nothing to give—to our clients or others.

Each of us will set the limits on this trade-off differently. However, if we are successful, each of us will come to a point where he or she needs to turn down an assignment in order to have time for the other aspects of life. In the long-term, that may indicate that it is time to add to staff (or find another actuary in a small firm who has extra time and can take on some assignments). In the short-term, we need to be true to our personal values and our priorities.

It is certainly important to develop our practices and to try to be as successful as we wish to be. However, professional responsibility, as well as focus and growth in our practices, will sometimes mean that turning down an assignment is the correct decision.

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