

Taking a Stand Without Taking Sides

“In religion and politics people’s beliefs and convictions are in almost every case gotten at second-hand and without examination, from authorities who have not themselves examined the questions at issue, but have taken them at second-hand from other non-examiners.”

—Mark Twain

“Perhaps too long we have hesitated to speak as actuaries on social welfare and other subjects. If we continue our silence about matters within our knowledge and our skill, some other, and possibly less capable, group is going to make itself heard.”

—Andrew Weber, Society of Actuaries president, 1964

Recently, over lunch with a state commissioner of insurance, we talked about my job with the American Academy of Actuaries. As I was explaining the various legislative and regulatory issues the Academy is involved with, she interrupted with a very pertinent question. “Why,” she asked, “should actuaries care about public policy?”

Why indeed. She wasn’t alone in wondering just what the Academy hopes to accomplish in weighing in on issues of public policy. I’ve often heard the same question from actuaries themselves: Why should the actuarial profession be involved with public policy and its loud, often untidy stepchild, politics? Wouldn’t it be easier, and safer for the profession, if it didn’t involve itself with Congress, state legislatures, or regulatory agencies?

At the most basic level, actuaries help people understand the financial impact of future events. Actuaries analyze the way in which people and institutions are influenced by the larger environment in which they operate. For example, actuaries may work with employers to help them adapt to changing health care trends. The actuarial profession provides a valuable service to the public when it contributes these analytical skills and knowledge to the debate over public policy issues.

But it’s not enough just to talk to policy-makers about the issues that concern us. Many actuaries feel strongly that the Academy should never give an opinion about public policy issues. According to these actuaries, the Academy’s role is only to give policy-makers the “pros and cons” of issues and let them decide

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what to do. They express the fear that the Academy loses its neutrality when it tries to take a position on issues.

It’s true the Academy prides itself on not favoring one side over another in the public policy debate. Our mission statement clearly establishes the Academy’s role as “as-

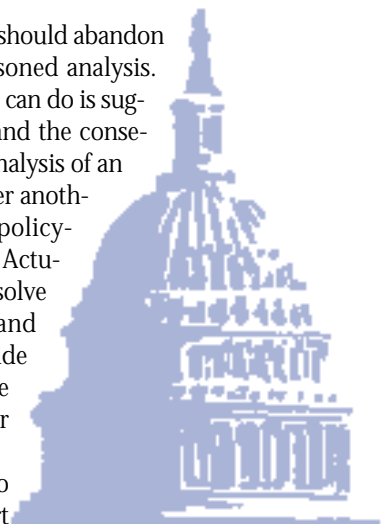
sisting in the formulation of public policy by providing independent and objective information, analysis, and education.” One of the reasons the American Academy of Actuaries is successful is that it’s not viewed as being conservative or liberal, Republican or Democrat, pro-business or pro-consumer.

But the actuarial profession should never confuse being nonpartisan with not having an opinion. If there’s something in a legislative proposal or regulation that doesn’t make sense, we should not hesitate to say so and suggest an alternative that does.

How can actuaries expect policy-makers to listen to their analysis of the issues if they never voice an opinion? What good does the Academy do if it only outlines five reasons in favor of and five reasons against a particular course of action? Why tackle the questions if we don’t have the courage to give answers? The actuarial profession does a disservice to the public when it fails to express its views on important issues of public policy.

This isn’t to say that actuaries should abandon their reputation for careful, reasoned analysis. There are times when the best we can do is suggest different courses of action and the consequences of each. But when the analysis of an issue leads to one conclusion over another, the Academy should make policy-makers aware of the end result. Actuaries aren’t afraid to analyze and solve problems for their employers and clients; why shouldn’t they provide the same skills to Congress, state insurance regulators, and other policy-makers?

Obviously it’s unreasonable to expect that politics won’t be a part



of public policy. It's often necessary to have spirited debate in order to bring the parties to compromise. Too often, however, the debate over public policy focuses on the political controversy and not on the facts. The actuarial profession can assist the process by clarifying the issues and, if possible, providing its views about potential solutions.

Of course, we should never discount the matter of self-preservation as a powerful motive for being involved in the public policy arena. The same insurance commissioner who asked me the original question is in charge of a state agency with almost 200 employees whose major function is the regulation, in sometimes minute detail, of how the insurance market operates in her state. According to the National Association of Insurance Commissioners, the state and territorial insurance departments collectively have over 10,000 employees with combined budgets of around \$800 million.

There are also state agencies dealing

with issues of tax policy, health care, banking, and securities regulation that affect the ability of actuaries to do their jobs. These agencies act in accordance with legislation approved by state legislatures that annually debate and pass new laws dealing with the insurance, pension, and financial services markets.

The structure of state regulation has a counterpart at both the national and international levels. The U.S. Congress is currently considering legislation that could impact the actuarial profession on issues that range from the use of genetic testing in the underwriting of insurance products, to providing prescription-drug coverage for Medicare beneficiaries, to initiatives to reform Social Security. In addition, there are numerous federal agencies such as the Internal Revenue Service, Pension Benefit Guaranty Corporation, and Health Care Financing Administration that deal with issues of importance to actuaries. We also see the growing impact of international bodies, such as the

European Union, on the business practices of the actuarial profession.

Clearly, one important reason why the American Academy of Actuaries exists is to advocate for the interests of the actuarial profession. To remain silent on issues of public policy is to risk the creation of a regulatory framework that unduly restricts the ability of actuaries to do their jobs.

The American Academy of Actuaries was founded to serve as the voice of the actuarial profession, and the public policy work done by the Academy is part of this effort. The Academy must continue its involvement in the debate over public policy issues. But it can be effective in that debate only if it's not afraid to take a position when it's called for—even if that position might be unpopular or controversial. And the Academy can be an effective advocate for the profession only if it takes a stand on those issues that are important to actuaries. For the Academy to do less fails its members and the public. ●