

The Reality of Perception

THERE'S BEEN A GREAT DEAL of talk within the actuarial profession lately about how the public perceives actuaries and how the actuarial profession would like itself to be perceived.

In March 2002, the Council of Presidents-Elect (COPE) laid out a very interesting and bold vision statement for the profession that the council would like to accomplish by the year 2020: "The public recognizes actuaries as the architects of financial security." By COPE's own admission, this is very ambitious.

In the process of attending conferences and dealing with the public as an Academy health policy analyst in Washington, I find myself addressing many of the COPE goals. But I've seen a number of interesting incidents lately about how actuaries are regarded by several of their target audiences and how the Academy might proceed toward attaining some of the profession's desired outcomes.

EXAMPLE ONE: National Conference of Insurance Legislators (NCOIL) meeting, July 2003

Donna Novak, one of the Health Practice Council's most active volunteers, is testifying before NCOIL's Health Committee.

Donna explains some of the finer points of the Association Health Plans legislation under consideration by the U.S. Congress, basing her discussion on the Academy's [April 2003 letter](#) on the subject, as well as her own knowledge and experience. It's a short discussion, only about seven minutes or so.

She finishes her talk, and several legislators raise their hands. The first question—asked by a representative from Texas—is, "So, why do actuaries care about this stuff, anyway? Shouldn't you be in a back room crunching numbers or something?"

This legislator isn't the only one at the NCOIL meetings who's asked this sort of question. NCOIL consists mainly of people who are on insurance and financial services committees in their states, so it's encouraging that their members and attendees understand anything about actuaries. Still, if we want these people to "always seek actuarial expertise," they'll need to understand the vast array of situations in which actuaries can be uniquely helpful.

We're starting to accomplish this, at least with this targeted group of state legislators at NCOIL, by increasing

our visibility at their meetings. But there's so much turnover in state legislatures, the work of publicizing the profession's qualities and contributions is never over.

EXAMPLE TWO: Council of State Governments (CSG) meeting—May 2003

I'm attending this CSG meeting to do some scouting for the Academy, to see if it's an organization to which we might be able to contribute health policy expertise.

Between sessions, a property/casualty insurance industry lobbyist and I strike up a conversation. I mention that I work for the Academy, and his face lights up.

"You guys are so valuable!" he says (meaning actuaries, not policy analysts). "You have expertise no one else has. You can say things and contribute perspectives in the policy arena that no one else can."

That's probably the most enthusiastic unsolicited response I've ever gotten from someone outside the Academy. Fortunately, this lobbyist isn't alone in feeling this way. Most of the people I've encountered who are really familiar with what actuaries do, and with how the Academy operates, have a high respect for both.

But it's not that easy.

Professionalism plays a major role. How the ethics of the actuarial profession are viewed from the outside will be as important as, if not more so than, getting legislators and regulators to read and consider Academy publications, and to listen to Academy input at their conferences.

EXAMPLE THREE: National Association of Insurance Commissioners (NAIC) meeting, September 2003

After hearing rumors of discontent from a few NAIC members, it's decided that the Academy needs to have discussions about professionalism with the actuary regulators to air potential concerns and for the regulators to provide feedback to the Academy or the Actuarial Board for Counseling and Discipline (ABCD).

A few regulators have voiced concerns about their inability to trust all actuaries to do a good job in all circumstances.

INCREASED SCRUTINY OF ACTUARIES AND THEIR WORK MAKES PROFESSIONALISM EVEN MORE IMPORTANT.

JOANNA OSSINGER IS STATE HEALTH POLICY ANALYST FOR THE AMERICAN ACADEMY OF ACTUARIES IN WASHINGTON.

Academy General Counsel Lauren Bloom and Chairman of the ABCD Frank Irish address sessions of the Life and Health and Casualty actuarial groups at the NAIC meeting.

Numerous regulators attend an hour-long session on actuarial professionalism, and it's clear they want more information, so they decide to schedule a further discussion for the next NAIC meeting.

During another part of the NAIC meeting, an Academy interim report is being discussed, and a regulator gets up to the microphone to comment. He disagrees vehemently with the report and states his case.

At one point during his comments, he says, "This report shows that the Academy clearly doesn't understand the nature of the ... insurance business."

Ouch.

His concerns are not with the actuarial aspects of the report, but with the natural policy conclusions one could draw from it. He has some good points about

the policy effects, though I personally would disagree with his opinion of that Academy group's comprehension level.

This is one place where the profession needs to be pretty careful, because a number of very logical-sounding conclusions in which the numbers add up in all the right places can be highly unpopular or highly risky policy recommendations.

Though these examples don't mean that all regulators distrust actuaries, it's clear that the members of the NAIC have a keen interest in actuarial professionalism. A lot of people are watching how well the profession handles itself in the coming years (not least of which is the trial bar, which has already begun to test the waters with lawsuits against actuaries).

In the policy arena, motives will always be questioned to some degree, no matter what pains are taken to present facts or to be unbiased. The skillful navigation of those waters between what is good actuarial practice and what makes

sense from a policy perspective will be key, as will a determination to present high-quality, unbiased information.

The Academy and its members will have to navigate a difficult course—that of promoting the profession in numerous political and public arenas to increase awareness, maintaining continuous output of efforts that underscore the unique value of the profession, and active management of the professionalism environment coupled with a sensitivity to the concerns and perceptions of those key publics.

On top of that, a balance must be struck between greater openness and awareness of what actuaries do, with a greater and continuing level of trust from the public—something at which a good part of the corporate and financial services world has already failed.

These tasks aren't easy, but if any profession is equal to this challenge, I'm convinced it's the actuaries. ●



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