

V. Actuarial Communications

Introduction

Communications, as it relates to the actuarial profession, is a multi-faceted topic and plays an integral role in each of the other topics covered by this review. Without proper and effective communications, the actuarial profession cannot adequately serve the actuarial needs of the public or live up to its full potential.

The topic covers communications among actuaries, between actuaries and the users of their services, as well as the general public. It encompasses the numerous forms of written, oral, and electronic presentations.

Each of the five U.S.-based actuarial organizations, as well as the various offspring of the U.S. actuarial profession, devotes significant resources in terms of staff, volunteers, and finances in preparing, distributing, and presenting communications. The primary thrust of the profession's communication efforts has been directed at its members and selected segments of the public served by the profession, most notably legislators, regulators, and other professionals.

In general, communications with the direct users of actuarial services and work products have been left largely to the individual actuaries who provide their services. Although some efforts have been made in the past to direct communications to the general public, usually such efforts have not been very effective, and the actuarial profession remains either unknown or something of an enigma in the eyes of the public.

There are numerous projects and activities currently underway by the actuarial organizations to improve communications directed at the users of actuarial services as well as at the general public. It is beyond the scope of this review to comment on these efforts individually, but the number and breadth of these activities show that the U.S. actuarial profession recognizes that improved communications can help it serve the public's actuarial needs by promoting better recognition and understanding of the profession.

Based on a review of the results of the CRUSAP surveys of actuaries and non-actuaries, the major issues relating to actuarial communications were classified under four broad headings:

- Communications by actuaries to the users of their services;
- Understanding of actuaries, the actuarial profession, and actuarial work products by the users of actuarial services;

- Communication activities by the actuarial profession;
- Visibility of actuaries and the actuarial profession to the general public.

The CRUSAP Task Force explored these issues in separate interviews conducted with a number of current and former leaders of the actuarial profession and prominent non-actuaries who have substantial exposure to actuaries and the actuarial profession. These interviews and the elaborations on the responses contained in the surveys provided additional insight into these issues and offered a significant base of comments, examples, and suggested approaches for dealing with these issues.

Analysis

Communication by Actuaries to the Users of Their Services

The survey results provided an interesting insight into the differences between the way actuaries and non-actuaries perceive actuaries' ability to communicate effectively with the users of their services. Although the questions were worded somewhat differently in the two surveys, 75 percent of the actuaries responding felt that the users of their services had a reasonable or better understanding of the nature of actuarial services, including the inherent uncertainty of actuarial conclusions, while only 55 percent of non-actuaries felt actuaries did an acceptable job of communicating the nature of actuarial work and its inherent limitations. A significant majority of those interviewed, both actuaries and non-actuaries, felt the need to improve the communication skills of actuaries in order to better deal with the users of their services.

Effective communication of the nature of actuarial work, its inherent limitations, and the uncertainty associated with the result is difficult. Actuarial work is frequently quite complex, using highly specialized mathematical and statistical concepts, arrays of assumptions, manipulation of volumes of data, and sophisticated computer modeling. Some of these concepts are not easily explained in simple, understandable language, and there is a tendency for some actuaries to lapse into actuarial jargon and technical terms (actuarialese) when communicating with laypersons.

By the very nature of the mathematical underpinnings of actuarial science, the profession tends to attract individuals whom psychological testers classify as being "thing oriented" as opposed to "people oriented." This may, in part, contribute to some actuaries having less highly developed oral communication skills. An excellent work product, poorly communicated, may well be perceived as a poor work product.

Admittedly, the users of actuarial services may not be the most receptive audience. A number of the respondents cited the limited mathematical skills among some users, making it difficult for them to understand such basic concepts as simple statistical measures, let alone loss development methodologies and stochastic processes. Another problem frequently noted was that some users are interested only in the answers and want to avoid getting bogged down in the details. However, these difficulties should serve to sharpen the focus on how the actuary's communication skills might be improved.

A natural adjunct to better actuarial communication skills is an understanding by the actuary of the business operations and needs of the users of actuarial services. Both the appropriateness of the actuary's work in meeting the needs of the users and the ability of the actuary to communicate effectively with the users are significantly enhanced if the actuary is familiar with their differing needs.

If actuaries were to increase their communication skills, the users of actuarial services would be better served and they would have more respect for actuaries and the actuarial profession. Numerous suggestions have been offered on how communications training might be undertaken, including:

- Requiring such training at the academic level as a prerequisite to credentialing;
- Adding such training to the syllabus of the examinations leading to credentialing;
- Making such training a part of an expanded pre-Fellowship and/or pre-Associateship training program (e.g., the Fellowship Admissions Course and the Associate Professionalism Course of the Society of Actuaries);
- Giving credit for such training as a part of a continuing education program or requiring a minimum of such credits periodically.

Understanding of Actuaries, the Actuarial Profession, and Actuarial Work Products by the Users of Actuarial Services

Both actuary and non-actuary survey respondents and interviewees generally agreed that many users of actuarial services don't adequately understand the inherent variability and uncertainty that attach to actuarial opinions and projections. This lack of understanding was regarded as one of the most significant communication problems the actuarial profession currently faces. It has frequently resulted in unintended and unrealistic expectations on the part of users; if and when adverse results develop, users tend to be dissatisfied and distrust individual actuaries and the profession. Too frequently, point estimates are assumed to be gospel and ranges are taken to be ironclad boundaries. At the same time, it was felt that placing too much emphasis on the variability of actuarial results could undermine the perceived value of actuarial services in the eyes of the users.

Users of actuarial services often fail to appreciate the constraints placed on actuaries and their work products by professional standards, regulations, accounting requirements, and the potential for litigation. Regulators in particular frequently fail to appreciate fully the professionalism of actuaries.

Users also fail to comprehend the magnitude of data, assumptions, and the work that may go into producing a single value or range of values. There is too frequently the assumption that actuarial results derive from a "black box" at the push of a button, without any actuarial input or judgment.

Some users equate actuarial work, which deals with developing values that reflect the economic effect of future contingent events, with accounting work, which deals with the developing values based on currently existing amounts. They expect a degree of exactitude that is neither intended nor possible. Users need to be made aware of this distinction.

It was also noted that some actuaries fail to communicate adequately how their services and work products might be best utilized by their clients in evaluating alternatives, monitoring operations, and making sound business decisions. In such cases, the value of the actuarial services fails to attain its full potential, and neither the client nor the actuarial profession is well served.

Both actuaries and non-actuaries appear to agree that the actuarial profession would benefit from an increased effort on the part of the profession in educating the users of actuarial services about actuaries and their work products.

Communication Activities by the Actuarial Profession

The U.S. actuarial profession, through its five membership organizations, The Actuarial Foundation, the Actuarial Standards Board, the Actuarial Board for Counseling and Discipline, the local and regional actuarial clubs and forums, and other organizations, undertakes a vast array of communication activities directed at the groups' membership and/or various segments of the public.

In terms of printed communications, these organizations currently prepare and distribute numerous journals, magazines, yearbooks, newsletters, committee and task force reports, white papers, monographs, comment letters, discussion papers, professionalism standards, practice notes, study notes, other education materials, manuals, brochures, press releases, amicus curiae briefs, and other documents.

Oral communications are disseminated through presentations at regional and national meetings of the membership organizations and local and regional actuarial clubs and forums; seminars; testimony; hearings; television and radio interviews; meetings with regulators, legislators, and their staffs; and meetings with other professionals.

In addition, extensive use is made of postings on the many websites operated by these organizations, audiocasts, webcasts, telecasts, e-mail, tape recordings, CDs, DVDs, and other forms of electronic communication.

It is virtually impossible to catalogue all of these communication activities, let alone comment on them individually.

In general, the profession gets high marks for its communication efforts directed at the U.S. Congress, federal regulatory organizations, the National Association of Insurance Commissioners, and the accounting profession. However, there were a number of comments, observations, and suggestions that emerged from the survey, interview responses, and subsequent research that are worth noting.

- There is a significant duplication of effort and expense in the vast array of communications currently emanating from the various actuarial organizations.
- Some of the effectiveness of the profession's communication efforts is lost because users perceive the profession as unable to speak with a single voice.
- Actuaries typically receive more communications from the profession than they can effectively use.
- Many users of actuarial services, as well as the general public, are either not aware of, or fail to make effective use of, the full range of communications made available by the actuarial profession.
- While the actuarial organizations have developed numerous websites as effective communication vehicles, they are, for the most part, directed at their memberships and are not necessarily easy for non-actuaries to navigate. (Nor are they for some actuaries.) The available material is of little interest, of no benefit, or too technical for most non-actuaries.
- The profession would benefit by initiating some new communication efforts aimed at addressing the perceived problems of certain classes of users of actuarial services.

The duplication of effort and expense and the failure to speak with a single voice are largely attributable to the current structure of the U.S. actuarial profession and are addressed more fully in Section VI.

It has been said that while actuaries are bright, they don't read. This bit of hyperbole does address a real issue. Because actuaries tend to work under extreme time pressures and have such a large volume of technical material and regulations to keep abreast of, they frequently don't have enough time to read many of the communications the profession directs to them. So it should come as no surprise that many actuaries and non-actuaries are unaware of many of the profession's current communication activities. In several instances, respondents suggested initiating communication efforts that were already being performed.

One area where it was felt that the profession might benefit from a targeted communication effort would be to better educate users of actuarial services, especially regulators, as to the actuarial professionalism standards (conduct, qualification, and practice) and the actuarial counseling and discipline system.

Another area of potential benefit would be in educating users of actuarial services in some of the more technical aspects and uses of actuarial work. This would show them how to make better use of actuaries by giving appropriate recognition and consideration to the actuarial communications and advice that are available to management for planning and decision-making purposes. One approach would be to develop easy-to-understand brochures on such topics as the uncertainty inherent in actuarial estimates and projections, a comparison of various pension-funding methods, the responsibilities of the appointed actuary, and cash flow testing.

Another approach might be for the profession to offer instructional seminars for specific classes of users aimed at providing a better understanding of the actuarial work performed in their area and how to use it. Such users might include insurance company directors and pension plan trustees.

Visibility of Actuaries and the Actuarial Profession With the General Public

The general public does not seem to know very much about the actuarial profession or appreciate what actuaries do or are capable of doing. While public understanding may be greater than it was in the past, it still remains at a level far below an understanding of the work of other professions such as law, accountancy, and medicine. It also lags behind the awareness found in a number of other countries.

In part, this lack of recognition stems from the relatively small size of the U.S. actuarial profession, the highly specialized and technical nature of its work, and its fragmented structure. Further, members of the general public do not usually have reason to use the services of actuaries directly, as they might those of lawyers, accountants, or physicians.

Arguments have been presented on both sides as to whether the profession should take specific actions to increase its visibility with the general public. On one hand, a number of respondents felt that because of the profession's size and limited resources, any communication efforts directed at educating segments of the public might be more profitably employed by targeting direct users of actuarial services. A frequently encountered reaction was that the general public doesn't know much about actuaries and "really doesn't care." A number of respondents felt there was no advantage to increasing the profession's visibility with the general public since it does not directly employ actuaries.

On the other hand, some felt that since the profession has a responsibility to the general public, increasing public awareness of the profession would better position it to respond to the public's needs. As the actuarial profession seeks to apply its skill sets in non-traditional areas, greater professional visibility might result in more prospective employers seeking out the services of actuaries to fill their risk management needs rather than turning to other experts with greater visibility, such as MBAs, accountants, and economists. A recent survey conducted by the Society of Actuaries in connection with a report on opportunities for the actuarial profession found that only seven percent of Wall Street professionals knew why they would want to talk to an actuary. Also, some felt that a higher visibility among the general public might attract more qualified candidates to the profession.

The most frequently suggested approach to increasing the visibility of the profession, while at the same time serving a recognized need of the general public, was for the profession to prepare communications aimed at the general public and designed to explain the actuarial aspects of current national issues, such as Social Security, Medicare, and pension reform. Even though the profession has already undertaken several such efforts, which have been reported by the media, they apparently have gone relatively unnoticed by the public and members of the profession.

Alternatively, a number of respondents believed that a better way to increase the general public's awareness of the profession would be for individual actuaries to become versed in the actuarial aspects of the important national issues and to take every opportunity to address them at non-actuarial meetings, in letters to the editor, and in discussions with friends and associates.

Finally, several survey respondents felt that the profession would gain greater recognition and stature if it took public stands on certain issues, rather than just providing impartial analysis to decision-makers. In particular, such stands would be taken when proposed legislation was deemed, from an actuarial perspective, to be seriously flawed or not in the public interest. A number of the interviewees felt that, while this might be a good idea, they questioned the profession's ability to secure a timely consensus on the issue, if at all.

Conclusions

Based on a review of the comments, observations, and suggestions made by the survey responders and interviewees, the input and guidance received from the Advisory Panel, the available literature, and additional research, the CRUSAP Task Force feels that the following conclusions best summarize the most important actuarial communication issues:

1. The oral and written communication skills of actuaries, which are critical to users' proper understanding and utilization of the actuary's services and work products, are in definite need of improvement. If actuaries were to improve these communication skills, there would be fewer misconceptions and misunderstandings, a greater appreciation of actuaries and actuarial services, and an improved atmosphere to allow the actuary to better serve the needs of the user and the public.

To this end, the actuarial profession should require training and/or demonstrated proficiency in communication skills as part of the basic education of actuaries leading to their credentialing. Such training and demonstrated proficiency should include both oral and written communication skills, at both the basic and technical levels.

The training in basic oral and written communication skills could be satisfied by requiring the successful completion of appropriate speech and composition courses at the academic level.

The requirement for technical writing skills might be satisfied by including the topic in the actuarial examination syllabus materials; proficiency would be tested by essay examination.

Training in technical oral communication skills might be accomplished through required participation in activities such as Toastmasters clubs. Negotiations are currently underway between the Society of Actuaries and Toastmasters International to establish chapters specifically for actuaries and others involved in financial services.

Further, the profession should develop and encourage continuing education training in communication skills. The continuing education requirements of the qualification standards should allow credit for such continuing education activities. The continuing education requirements in the current qualification standards, and in the most recent exposure draft of the proposed revisions, do not allow for such credit.

Ideally, the continuing education requirements should mandate some minimum number of hours, devoted to periodically maintaining and enhancing communication skills. Recent changes to the Canadian Institute of Actuaries' continuing education requirements have a minimum requirement in the areas of business management, communications, and professionalism.

2. Direct and indirect users of actuarial services do not adequately understand the variability and uncertainty inherent in the opinions and projections of actuaries. The CRUSAP Task Force viewed this as one of the most serious communication problems facing the actuarial profession. This lack of understanding frequently leads to unwarranted expectations on the part of users of the actuarial work product, resulting in disappointments, criticism, and a feeling that actuaries and actuarial skills are not adequate to the tasks. In some instances, this lack of understanding may lead to unwarranted litigation. This is an area that needs to be addressed not only by the individual actuary but also by the profession. In addressing this area, the profession must be careful not to place so much emphasis on the uncertainty of actuarial work as to demean the value of actuarial services.

3. Many users of actuarial services do not adequately understand and appreciate the abilities of actuaries, their education and training, their professionalism, and the standards and discipline procedures to which they are subject. Communication efforts in these areas need to be directed to all users of actuarial services, both direct and indirect.

The U.S. actuarial profession should develop a nonpartisan website devoted exclusively to the users of actuarial services, potential users of actuarial services, and the general public. The website should:

- a. Be user-friendly, highly intuitive, and employ easily understood language.
- b. Identify itself as being a development of the U.S. actuarial profession as an entity, without focusing on the multiplicity of individual organizations.
- c. Provide information that might be of interest to the various segments of the actuaries' public. This includes:
 - the education and training of actuaries;
 - the structure of the actuarial profession;
 - a description of actuarial credentials;

- areas of actuarial expertise;
 - traditional and non-traditional applications of actuarial services;
 - actuarial professionalism standards and the discipline process;
 - a description of actuarial work products;
 - an explanation of actuarial terminology;
 - positive explanations of uncertainty that attaches to actuarial estimates and opinions, including what point estimates and ranges are intended to convey;
 - descriptions of responsibilities imposed on actuaries by laws and regulations; and
 - explanations of national issues having actuarial aspects, such as Social Security, Medicare, and pension reform.
- d. Provide a description of, and linkage to, the relevant areas on the websites established by the actuarial organizations and their offspring.
- e. Be widely publicized.

4. The communication activities of the profession, while significant in scope and activity, are not as well directed and effective as they might be. To a significant extent, this may be attributed to the large number of actuarial entities engaged in the process without any consistent, overall planning and coordination among them. As a result, many identifiable needs of users of actuarial services are not currently being met.

The U.S. actuarial organizations should develop an effective structure for coordinating communications activities, monitoring the information needs of the public, and establishing priorities. Not only would this better utilize the profession's limited resources, but it would also be a step in the right direction of allowing the profession to speak, if not with a single voice, at least with fewer voices. Among the priorities to be addressed are:

- a. The education of all users of actuarial services on the inherent uncertainty of actuarial estimates and projections. Possible approaches include:
- Developing brochures that explain this concept in consistent, understandable layman's terms.
 - Preparing articles for *Contingencies* and the pension and insurance trade press that address this issue.
 - Developing program presentations and providing speakers for meetings of interested user groups.
- b. The education of specific classes of users of actuarial services, such as insurance company directors and pension committees, in order to provide a better understanding and appreciation of actuarial work products and responsibilities as they apply to their areas.

- c. The education of regulators, especially insurance commissioners, on the professionalism standards and disciplinary system to which actuaries are subject and how to deal with what they perceive as inappropriate work by an actuary.

5. Further, the actuarial profession should retain a firm specializing in professional organization communications to perform a study of the current communication activities of the U.S. actuarial organizations and their offspring. The study would have the following objectives.

- a. Identify the duplication in communication activities among the various organizations.
- b. Examine the degree to which various audiences are making appropriate use of the communications directed at them.
- c. Compare the actuarial profession's communication vehicles, methods, and effectiveness with those of other professions.
- d. Develop a suggested plan for the implementation of an integrated communication program for the profession to identify, prioritize, and meet the needs of the profession, its membership, and various publics. It should:
 - Create an appropriate understanding of actuarial work products, their uses and their value among current and prospective users of actuarial services.
 - Educate the users of actuarial services about the inherent uncertainty of actuarial work products in a way that avoids negative connotation.
 - Provide regulators with a better appreciation of the skill sets and professionalism that actuaries bring to bear, including the profession's standards and discipline procedures, and its procedures for dealing with suspected poor performance.
 - Emphasize the image of the U.S. actuarial profession as an entity, as opposed to the multiple organizations it encompasses.

6. The actuarial profession continues to have extremely low visibility with the general public. The CRUSAP Task Force recognizes that the limitations imposed by its size, resources, and areas of greater priority prevent the actuarial profession from making a concerted effort to educate the general public about the profession and what actuaries are capable of. It does believe that any efforts expended in this area, especially if they can be tied to other communication activities, would benefit the profession. Such efforts would facilitate the profession's entrée into non-traditional areas, attract more qualified candidates to actuarial careers, and enable the profession to better serve the needs of the general public.