



# THE INDEPENDENT CONSULTANT

NEWSLETTER OF THE SMALLER CONSULTING FIRM SECTION

## ASOP 41—The Do's and Don'ts of Effective Actuarial Communication

by Alan J. Stonewall

**A**SOP 41 has more day-to-day applicability to our work as actuaries than any other actuarial standard of practice. This statement is true whether you are a health, life, casualty or pension actuary or something in between.

It is also true that as you advance through your actuarial career, communicating will demand more and more of your time and effort. How well you succeed at your trade will depend directly on how well you communicate.

This is the first of a two-part series on effective actuarial communication. This article will focus on some fundamental communication do's and don'ts. The second part of the series will cover actuarial communications subject to ASOP 41, including your everyday conversations with co-workers.

There are good reasons why you should be familiar with the guidance

contained in ASOP 41, Actuarial Communications:

- **It's the law**—at least for any actuary belonging to a recognized U.S. actuarial organization.
- **It's good practice.** Like all standards of practice, ASOP 41 defines generally accepted practice.

- **It covers oral as well as written communication.** You should be aware (and you may be surprised by) how often your every day conversations are subject to ASOP 41.

However, following the guidance in ASOP 41 will not guarantee that you are effectively getting your message to your client, co-worker or employer. There is both an art and a science to effective communication. As actuaries, we more readily relate to the scientific aspects of effective communi-



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cations: precise statements, logical conclusions, appropriate caveats. It is the art of communicating the “soft” edges of the written and spoken word that often eludes the actuary trying to communicate technical results to the lay world. Wonderfully precise, logical statements are worthless if their meaning is not clear to the reader. Without the art, the science is lost.

Here are some good, fundamental suggestions for communicating effectively.<sup>1</sup>

1. **Write at your reader's level.** For those of us who work with smaller clients, this presents particular challenges. We don't always have the luxury of explaining the financial implications of our report with a CFO. If you are delivering the report to the business owner, make sure you are communicating at his or her level.

2. **Write the way you speak.** In other words, be yourself. If you try to write like someone else, you will end up with an inconsistent message.
3. **Take a positive approach.** We often have to deliver difficult messages to our clients. If costs are going up, how does the increase for your client compare to others? Has the cost per head gone down? Are cost increases expected to slow in future years?
4. **Tell your readers what's in it for them.** Each time you prepare a communication, ask yourself, “What's the reader's WIFM?”—WIFM being an acronym for ‘what's in it for me?’ Then make sure you address your reader's WIFM.
5. **Pay attention to your tone.** It has long been recommended not to write a letter when you are angry. Do you want results or is your goal to show how angry you are?
6. **Be careful of using too many acronyms and technical terms.** Does anyone doubt this suggestion is applicable to actuarial science?
7. **Be concise.** A concise communication is more likely to get across the desired message than a long one. And, be prepared—it will take you longer to write your concise message than to simply ramble on. Thomas Jefferson once began a letter, “My Dear John, I am sorry I do not have time to write you a shorter letter.”

<sup>1</sup> Taken with edits from “10 Tips for Effective Business Communications,” by Tina L. Miller, with the author's permission.

- 8. Edit. Edit. Edit.** It is a rare writer who can edit his or her own work well. Too often, you will see what you believe is there, not what actually is. If you are going to edit your own work, edit later when you are refreshed. Better yet, find someone else to edit your work. Another set of eyes will do wonders.

To the foregoing list of general suggestions for communicating effectively, I would add some suggestions specific to your role as an actuary.

- 1. Use an executive summary.** Providing an executive summary up front is an effective way to get the important message(s) in your client's mind before getting bogged down in peripherally relevant information. In 35 years of practice, I have never had someone tell me they did not like the executive summary. Also, forcing yourself to develop an executive summary can help you organize your report in a logical manner.
- 2. Use appendices.** There are many forms of actuarial communication that need to include a lot of data and other information. For example, it may be that you want to include enough information that another actuary could evaluate the reasonableness of your work. (See Section 3.6 of ASOP 41.) On the other hand, your

client, the intended primary audience of your work, may have no real interest in the details. Put the details and similar information in an appendix. In that way, you can keep your client focused on the big picture and still provide adequate disclosure.

- 3. Pay attention to significant digits.** Just because the computer spits out an actuarial determination of \$2,306,789.25 does not mean that is the result you should communicate. Seldom, if ever, do the cents matter. Moreover, they imply a degree of accuracy that may not exist. Moreover, \$2.3 million is a lot easier for a reader to understand with one look, and it probably conveys the same message.
- 4. Disclose. Disclose. Disclose.** There is a reason why every ASOP developed over the past decade has a section entitled Communications and Disclosures. Full and appropriate disclosure of methodology, assumptions, data, limitations and other relevant facts is not only a good communication practice, it is a requirement of ASOP 41.

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*In part two of this series, we will discuss the breadth of ASOP 41, what should be included in an actuarial report and how ASOP 41 applies to your everyday oral discussions with co-workers and others.*



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