

The Independent Actuaries Network - A Small Consulting Firms Success Story

by David C. Hart with peer review by Marcus A. Robertson

Congratulations. You have now formed your own actuarial consulting firm and you are ready to provide exceptional work for all of your current and future clients. But wait ... how do you keep up to date? Who do you turn to when you need to discuss a particular issue? Where do you find other specialized actuarial expertise you need for a particular project? And what about peer review? In other words, how do you replace the organisational benefits of a large firm when your firm has limited resources?

These are some of the questions that faced a group of three actuaries who left a large international firm in 1991 to form a new consulting firm. Their answer was to propose regular meetings of similarly situated actuaries, to share their views and expertise they and to develop relationships with other actuaries; in other words, to answer the questions that they themselves were asking.

The Independent Actuaries Network first met in the spring of 1992. The structure and practice of the Network is simple:

- Membership is limited to actuaries working for firms with no more than 5 actuaries on staff (the exception to this rule is one pension lawyer, who is a sole practitioner)
- The group meets once a month, nine times a year
- Meetings always follow the same format - an evening meeting which includes social time with a light meal, followed by a formal discussion which lasts about two hours
- One member of the Network is charged with co-ordinating the formal discussion for the meeting, either by leading the discussion or by recruiting an outside expert to lead a discussion (discussion topics are chosen one to two months in advance of a meeting)

- One other member of the Network is the Treasurer charged with collecting a small fee (\$35) for each meeting and booking the meeting room and the meal.

In 1992, the Network included 25 to 30 members. Membership now stands at more than 50 actuaries, with 20-30 attending the monthly meetings, with attendance depending on the topic of discussion. Most members provide pension or actuarial evidence consulting, with a few life-insurance consultants. The pension lawyer brings a fresh outlook to many issues. Actuaries from the Financial Services Commission of Ontario (the provincial insurance and pension regulator) have also joined the Network, giving them access to the views of the smaller actuarial firms in the Province.

Examples of the Network's past activities include the following:

- In 1995, several members of the Network took a leading role in presenting motions from the floor of the Canadian Institute of Actuaries (CIA) annual general meeting (a first in the history of the CIA), in an attempt to bring several issues to the CIA membership. These motions led to vigorous discussion at the meeting and, ultimately, to changes in the CIA's committee structure that allow more volunteers to participate. Network member efforts also led to a delay in the introduction of standards of practice that many actuaries felt were flawed - talk about grassroots democracy in action!
- Presentations from merger and acquisition lawyers provided information that is useful when clients are acquiring a new business or are being acquired.
- Discussions with insurance company group pricing actuaries help use to produce more practical and useful valuations of post-retirement, other-than-pension benefits.
- At one meeting, members used a modified (abbreviated) Delphi Method to develop economic assumptions for actuarial valuations. This not only provided a practical application of the Delphi Method, but also stimulated discussion amongst members about the various economic assumptions.
- At another meeting, members who have actuarial evidence practices provided samples of their actuarial reports for the valuation of pension plan assets on

marriage breakdown. Copies of the reports were provided to all of the members at the meeting and one report was reviewed in detail by the group. That meeting led to three worthwhile changes to my standard report, and probably increased the quality of future reports for everyone who participated.

Looking back over the history of the IAN, I now realize that it has certainly fulfilled its primary objective as a discussion forum for independent actuaries. But there has also been a secondary effect, which is the development of contacts among the members of the group and the establishment of trust between many of the small companies.

As a sole proprietor, I have developed working relationships with a number of actuaries in the Network, which allows me to consider them as affiliates when I prepare a new business proposal. I regularly call other actuaries to discuss particular real client issues, we keep each other current with developments in the industry, and we get out to lunch regularly which means that we do not become isolated.

I hope that this discussion about the success of the Network will encourage similar developments for members of the Smaller Consulting Firm Section.

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