

Mr. Smith Comes to the Academy

AS THE AMERICAN ACADEMY OF ACTUARIES COMMEMORATES ITS 40th anniversary this year, it's appropriate to acknowledge its accomplished public policy goals and revisit whether its ongoing mission and strategies match the needs of the profession.

Like Mr. Smith in the motion picture classic *Mr. Smith Goes to Washington*, the Academy seeks to affect public policy the old-fashioned way: Focus on the facts, argue the merits, stand up for what's right, and hope that good outcomes follow. But not all Washington players have the same agenda.

The basic tools of the trade in Washington include lobbying, campaign contributions, and issue advocacy cam-

year congressional term. On the campaign finance side of the ledger, \$1.2 billion was raised for congressional races, and \$1 billion was spent on primary

and general election activities (including the national conventions) for the presidential campaign. Currently, there are over 4,000 federal political action committees (PACs), making a total of \$310 million in direct contributions in the last campaign cycle.

The Academy is non-partisan and non-ideological. It does not "lobby" in the true sense of the word (advocating a "yea" or "nay" vote in the lobby of the houses of Congress, or any other forum, for that matter). It does not have a political action committee. Its membership is too small and widely distributed to have significant grass-roots impact. And costly ad campaigns run into the millions of dollars for just one significant media buy on a single issue, which would decimate its entire annual budget.

Instead, the Academy offers its expertise to legislators, regulators, and anyone else serious about public policy. But what happens when the debate is no longer about what's right but rather about who's too far right or left? And where is the substantive debate when elected officials are routinely accused of acting at the behest of special interests?

Outside users in the public policy arena view the Academy as an unbiased and objective source of expert advice. This sets the Academy apart from the legions of advocacy groups and special interests, which enables the Academy to help shape outcomes in at least three distinct ways:

IF YOU BUILD IT, THEY WILL COME—Policy-makers in search of fresh ideas will comb through the Academy's work product, looking for ways to craft policy solutions to problems, such as the solvency concerns of Social Security and Medicare, the plight of the health care uninsured, the diminished offerings of defined benefit pension plans, and specific remedies for untenable private market liabilities such as medical malpractice reform, terrorism insurance, and asbestos reform. Publications in all these areas have resulted in direct contact with policy-makers of all stripes seeking guidance on crafting legislation. Each and every issue brief, monograph, and comment letter is a calling card, an invitation to work with the Academy to "get it right."



paigns. And because of the recent campaign reform law of 2002, a number of shadow organizations have made the mix even more complex..

Lobbyists have been around since the Magna Carta in the 13th century and our own Declaration of Independence and constitutional Bill of Rights. Lobbying is nothing more than citizens petitioning government to influence policy. But what is an acknowledged right of all Americans has become a highly lucrative big business for skilled operatives and a necessity for career politicians.

In 2004, more than \$2 billion was spent on federal lobbying, and an additional \$1 billion was spent lobbying in the states. More than \$404 million was spent on broadcast and print issue advocacy during the last two-

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WHEN OPPORTUNITY KNOCKS (THE DOOR IS ALWAYS OPEN)—Much time and energy have gone into the Academy’s objectives for emerging pension funding reform legislation, in the form of published white papers and fact sheets, and in press interviews. The feedback from congressional and administration officials tells us these efforts have been helpful in instructing the debate as the legislation advances. More informal, and less visible, are the numerous private calls and meetings over the past year with stakeholders drafting the legislation. Just as the murky world of lobbying is seldom seen (except through lobbying financial disclosures), the Academy’s work can be incremental and evolutionary, one member of Congress at a time.

Overtures for help are a regular part of daily Academy work. We often find ourselves discussing health care affordability options, Social Security, terrorism risk insurance, and federal regulation of insurance reforms at the same time, and each stakeholder may embrace one part of an Academy position while disagreeing on another.

Because the Academy comes to the table as an honest broker, the motivations and ideological biases that usually accompany the “are you for me, or agin’ me” proposition don’t enter the picture; policy-makers accept the facility of working with the Academy one issue at a time, independent of the next one coming forward.

A STAR IS BORN—When the Academy is called upon to testify before congressional committees, federal agencies, state legislatures, and NAIC meetings, we act as casting director to match members with the appropriate expertise, often on very short notice. The overriding hurdle to clear is whether the witness’s analysis suits the perspectives of either majority or minority members on a committee, since the decision to invite witnesses rests with the committee chairs and ranking members (allocated by pre-arranged rules). To the extent that either (or in rare instances, both) finds a witness compelling to estab-

lish a base of knowledge on the subject at hand, and to provide a representative perspective for the hearing record, committees extend invitations selectively.

The Academy has been asked to testify eight times in the past year on Social Security reform, medical malpractice reform, pension funding reform, and medical privacy reform. Additionally, Academy members frequently participate in federal agency hearings on regulatory offerings, NAIC open meetings, National Conference of Insurance Legislators hearings, state legislature hearings, and stakeholder forums sponsored by the FASB and other venues.

Even when we’re not invited, the Academy can and does insert itself through such offerings as Hill briefings and submission of written comment, including testimony and comment letters, on pending legislation. During the 2004 presidential campaign, we published a series of election guides for voters, reporters, and even the candidates on key issues such as Social Security, Medicare solvency, and health insurance coverage for the uninsured.

Shaping public policy often begins with shaping public opinion. The Academy, through its effective media relations program, makes Academy members available for interviews and press events. Leading spokespeople for the Academy are trained to speak to the media. And with a high degree of frequency, the Academy’s Senior Fellows, Ron Gebhardtshauer and Cori Uccello, are called upon to provide insight, background, and perspective on leading issues.

But the Academy’s quiet microphone is competing with the public megaphone. For each and every issue the Academy might speak to in the various lines of practice, other parties (corporations, trade groups, organized labor, think tanks, etc.) spend significant resources to retain full-time professional spokespeople, expert at delivering well-crafted news bites complete with their sponsoring organizations’ positions. Nothing makes news like a flat-out confrontation.

What’s the measure of the Academy’s success in the public policy arena? Is it the number of headlines it generates, or is it the number of calls for assistance that come from policy-makers at all levels? By maintaining its reputation for unbiased credibility and objectivity, the Academy has provided guidance on pension funding rules, ways in which prescription drug benefits could work within the Medicare program, ways in which medical reinsurance might fit into a public health insurance program, insights on improving the solvency of Social Security through retirement age adjustments, the impact of new terrorism risk insurance legislation, the drivers of premium increases in medical malpractice insurance coverage, and more.

The list of projects underway at the behest of state insurance officials is even more extensive in both number and scope, including new principles-based reserving methods for life products, examining ways to evaluate finite risk transfer in P/C reinsurance contracts, seeking models to address the closed block problem in the individual health insurance market, and much, much more.

These calls for Academy assistance would not continue without the ability of its membership to be responsive. The willingness of every volunteer to contribute expertise (not to mention time and other resources) to develop impartial, well-crafted policy analysis enhances the likelihood that, at the end of the legislative day, the actuarial perspective will be adopted, and real, practical outcomes will benefit actuaries in practice.

The American Academy of Actuaries may operate out of a different toolbox than other Washington institutions, but, then again, it’s building meaningful policy and expanding real opportunity for its members. ●

For a complete account of the many public policy activities of the Academy mentioned above, and for information on myriad others not listed, visit www.actuary.org.