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**ACTUARIES AND THE MEDIA
HOW TO EDUCATE JOURNALISTS**

by

Eric Short MSc, FIA

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ACTUARIES AND THE MEDIA.

HOW TO EDUCATE JOURNALISTS

1. INTRODUCTION.

The greatest misfortune that ever befell man was the invention of printing. Printing has destroyed education.

Benjamin Disraeli.

Earlier this year, the Planning Joint Committee of the Institute and Faculty issued its now famous document (1) **STRATEGY FOR THE 1990s** - details of which appeared in the April 1991 issue of *The Actuary*, the official magazine of the actuarial profession in the UK.

The Strategy appears to the author to be very much akin to a political manifesto, with its introductory Mission Statement followed by five areas of activity to which this strategy will be applied over the next decade:-

- * Standards.
- * Education.
- * Professional Development.
- * Standing.
- * Influence.

If readers had the stamina to plough through the entire Strategy statement they would have read that the fourth strategic objective in the area of Influence - the final item in the Strategy - is that:-

We will work actively to educate and influence journalists to better understanding of the actuarial contribution.

The author is not certain in his own mind who "We" is or what precisely is "the actuarial contribution", even though the Committee explains the aim and purpose of this objective namely:

Although journalists do not create policy and take decisions regarding future legislation and other developments, they can be very influential in determining the direction in which matters develop. The profession needs to concentrate resources on improving communication with journalists, educating them in an actuarial approach to issues and in the important contribution that can be made by actuaries to particular topics, in the expectation that better informed articles will result with consequent benefits in terms of influencing the course of events.

The author has been a Fellow of the Institute for thirty years, though for the past two decades he has earned his living as a journalist on a leading UK quality daily newspaper writing on a variety of subjects, many with an actuarial flavour - life assurance, pensions and personal finance.

Had he not retired from full time journalism this year, he would have been on the receiving end of this educational process - the only regret he has in retiring is that he will have missed this experience and discovered at first hand the identity of "We" and what is the actuarial contribution.

Still time marches on and the purpose of the paper is to communicate the author's thoughts and experiences acquired in dealing with a variety of actuaries in connection with a variety of subjects over the past twenty years in the hope that it will assist those actuaries who in the 1990s will have this task of communicating with and educating journalists.

There is no doubt that the need for the actuarial profession to communicate with journalists has never been greater.

When the author stated writing full time, unit-linked life companies, spearheaded by Mark (now Sir Mark) Weinberg were making a major impact on the UK life assurance and personal finance market and getting all the attention in the media.

The actuary was a very shadowy figure in the background when these companies and their products were being promoted. Journalists at the time learnt about traditional with-profits life assurance from Mark Weinberg and the message was that while with-profits had been a good savings/protection vehicle in the past, it was now outmoded and unit-linked products were the vehicles of the future. The implication was that actuaries in life companies also fell into this category.

However, past attempts by the profession to communicate with journalist and try to ensure that journalists learnt about actuaries from the profession have, to be frank , achieved very little success or made much impact. And as will be shown, where there has been some impact, such as with Aids, the journalists in the subsequent articles has not written up the profession in a favourable light.

Over the past few years other professions, notably the accountancy profession, has become increasingly involved in matters that were once regarded as being exclusively actuarial matters. Increasingly over this period the author was finding that he was receiving communications from accountants on actuarial matters. He feels certain that his former journalistic colleagues are learning about actuaries and actuarial contributions from accountants. And no matter how unbiased the accountants are in such presentations, the impression left with journalists is that actuaries are somehow subordinate to accountants in these areas, being mere technicians.

Now banks and building societies are setting up or swallowing up life companies. If the life assurance industry becomes subordinate to the banking industry, will actuaries become subordinate to bankers?

However, if the actuarial profession is going to achieve any success in implementing this objective of communicating with and educating journalists, then they will need to be far more systematic in how they go about the exercise. It is not just a matter of issuing press releases, and/or waiting for journalists to contact the Institute or Faculty press office. It will require an in-depth, ongoing properly thought out communications process and the actuaries involved in this process must believe in what they are doing.

The attitude of the profession towards the media has changed completely during the years while the author was working as a journalist, from an attitude of complete indifference to one of paying close attention to what the papers say.

The work carried out by the Faculty Marketing Research Group into a marketing audit of the profession and published⁽²⁾ earlier this year included an analysis of the coverage achieved by the profession in the national press, compared with the coverage of the accountancy and legal professions.

One key conclusion was that the actuarial profession achieved very low coverage in the national press compared with the other professions and that when the word actuarial was used, it was as an adjective in either an incorrect or a derogatory sense - such as "actuarial mumbo jumbo".

The main achievement of the Research Group's report as far as media coverage was concerned was, in the author's opinion, to highlight the size of the mountain which the profession has to climb in communicating the actuarial view to journalists.

The author hopes that his views and comments will help those actuaries developing this communication process.

2. WHO IS BEING EDUCATED? - A TYPICAL FINANCIAL JOURNALIST.

*You cannot hope
to bribe or twist,
thank God! the
British journalist.*

*But, seeing what
the man will do
unbribed. there's
no occasion to.*

Humbert Wolfe.

*When a dog bites a man that is not news, but when a man bites a dog that is news.
John B Bogart.*

For any communications exercise to stand any chance of success, the communicator must have a some understanding of the people with whom he is communicating.

So what kind of person is a financial journalist? How does he or she think?
How do he or she work?
What information does he or she require?
What is his or her real aim in their writing?

2.1 THE PERSON.

There is no such creature as a typical financial journalist, just as there is no such creature as a typical actuary, though many journalists like to think that there is - but that subject will be dealt with later. But the author has noticed certain traits among the journalists he has worked with over the years, particularly financial journalists.

But first there is a need to dispel the view, still held by some people, that all journalists are uncouth, hard drinkers who inhabit the Fleet Street bars at all hours and get their stories from gossip with each other and file their copy on the basis of these stories.

This view may have had a modicum of truth in the past, but no longer. The relocation of newspapers away from Fleet Street has meant that the pubs in that area now have a different clientele. The modern journalist still tends to drink, but not during the day and tends to use different pubs that are far more widely spread - to the bane of public relation hacks endeavouring to keep up their contacts and story dropping with journalists.

The journalist of today will almost certainly be an arts graduate, the majority appear to be history graduates. Many will have graduated from Oxbridge, some even with double firsts. The proportion of women in financial journalism seems extremely high compared with other branches of journalism.

So the first point to bear in mind is that journalists are bright and well educated; certainly they are far from ignorant. Some are even intelligent.

But this is offset by the fact that most journalists appear not only to be innumerate but to regard that factor as being a positive virtue in that by being innumerate they are down to earth and have every other virtue.

Words not numbers is the material which journalists use and through which they communicate to their readers.

Having said that, journalists love to quote figures in their stories - it will cost £10bn or over one million people will be hit by the change.

Journalists, by the very nature of their job, have to be investigative and question facts and figures being given them. They have to check out stories, though many of them take the investigative function too far to the point of disbelief. Hence anyone endeavouring to explain the actuarial contribution must be prepared to explain and possibly justify any message, fact or statement being communicated.

Fortunately, the modern actuary in his daily work is expected and expects to have to explain and justify any report and recommendations made to clients or senior executives. Gone are the days when an actuary's word was accepted without question.

Journalists rarely accept facts at face value, at least at the first communication, unless it fits in with their preconceived ideas.

These two features do not help actuaries in communicating with journalists, since actuaries tend to use numbers as much as words in their communication with each other.

Two simple examples to highlight the problems caused by this inability to understand numbers.

- (A) Actuaries all understand that the advantages of "pound cost averaging" arises from the simple algebraic fact that an harmonic mean is less than an arithmetic mean. But try telling that to a journalist and expect him or her to accept that explanation. You have to set out an example to show how the pound cost averaging works and given their reluctance to come to grips with numbers, it can take some time before journalists accept that pound cost averaging does work.
- (B) An actuary with a friendly society which is a top performer in the with-profits sector had his society's maturity figures questioned by a young lady journalist who could not understand how such good results could be obtained with a terminal bonus rate of only 50 per cent when life companies with lower maturity values had a terminal bonus rate of 150 per cent. To her 150 was greater than 50, therefore it should have produced a higher maturity result.

Next, journalists are mobile workers both within the newspaper and between newspapers and journals. The old adage still applies that a competent professional journalist can be expected to write intelligently on any subject given half-an-hour to read up that subject.

One of the author's former colleagues, a history graduate, has successfully filled the posts of property correspondent, leading financial writer, economics correspondent, parliamentary editor and US editor.

While this mobility results in journalists acquiring widespread knowledge of many subjects, the depth of that knowledge tends not to be great.

It is still the rule that journalists, as such, have no formal training in journalism. The majority of journalists, like the author, learnt as they went along, though there are courses for journalists at some higher education establishments. The author shudders when he reads some of his early writings - his journalistic immaturity showed through clearly in almost every article.

Many journalists, unlike the author, do their initial training on provincial newspapers. This experience certainly teaches them how to write and to sniff out news stories, but does not really prepare them for writing in-depth on highly technical subjects like life assurance, pensions or even personal finance.

In addition, financial journalism, particularly personal finance tends to be the area in which journalists - either brand new or fresh from a provincial newspaper - cut their teeth in "Fleet Street".

The trade press also tends to be one area where fresh graduates endeavour to break into journalism.

As such, actuaries often find themselves dealing with young journalists who are highly enthusiastic, but inexperienced, endeavouring to get established in a highly competitive industry.

This means that in dealing with financial journalists, actuaries often have to:

*** Explain everything from scratch in words of one syllable to journalists with little or no experience of knowledge of the subject or the financial sector generally, except what they have read from previous media articles.**

Despite their inexperience, the author has found that this does not daunt the journalist one iota in their enthusiastic questioning of actuaries or anyone else at press conferences. With few exceptions, the author found journalists to be extrovert in character and all too often adopting an attitude of doing someone a great favour simply by writing about them.

However, like most human beings, they do mellow in time. Above all, the journalists with whom the author worked were, without exception, very quick learners.

To cap all this, actuaries will find that just when they have given a modicum of education to a particular journalist and established a rapport with that person so that what they explain is accepted first time, the journalist moves on to a different field and actuaries have to start all over again with a fresh face.

Actuaries must be prepared to give the same message over and over again to different people and to continually start from square one in the communication exercise.

The author a year or two ago attended a press conference given by a life company related to its managed fund. At lunch there was a young lady journalist from one of the trade magazines who had only been in the UK three weeks from Australia, where she had been a general reporter. As such she had little experience in the financial market in Australia, let alone the UK market. The actuary spent the whole time over lunch explaining to her how unitised funds worked.

However, the author found on many occasions that these innocent, fresh faced, lady journalists could wheedle information out of hard bitten marketing executives when his questions on the same subject had been stonewalled. So perhaps there is an element of sour grapes in his analysis of former colleagues.

Nevertheless, there are a handful of journalists who have stayed in the financial sector, though not necessarily with the same newspaper or magazine. These journalists should form the first target for this education strategy and on whom the initial efforts should be concentrated.

The other problem facing actuaries endeavouring to make contact with journalist involved in matter in which actuaries are interested is that the split of jobs within most newspapers goes right across the subject.

Take for example pensions coverage. A typical spread of jobs within the pension field would be:

- * State pensions - Social services correspondent.

His main responsibility and interest is the health service. When he or she writes about social security, it will be mainly about short-term benefits, such as child benefits and income support. He or she will regard the rebate as falling within their remit, but the coverage will tend to be concerned that it has been reduced, without every understanding why.

If it is an announcement in Parliament, then the Parliamentary correspondents might cover it.

- * Occupational pensions - Either the City correspondents or the journalist responsible for the industry to which the scheme relates.

For example, news and stories about the Teachers Superannuation scheme tend to be covered by the Educational correspondent.

The City correspondents never get interested unless it is about the investments of pension funds, when they will wax lyrical about the story.

If the story involves employees and/or pensioners fighting the trustees or the employer or a trade union is involved, then the Labour correspondents will cover it.

* Personal Pensions. This will be covered by the personal finance team.

This split of jobs highlights the problems of contact and of getting consistent and coherent coverage of a subject like pensions.

A similar split is found in life assurance, with the insurance correspondent and the City correspondents covering the corporate side and the personal finance team covering products.

Now that the banks and building societies are running their own life companies, the banking correspondent will be writing on life assurance.

2.2 HOW JOURNALISTS THINK AND WORK.

One question the author was asked very frequently when working as a journalist was "Who decided what stories and What subjects to write on". The answer given was that much was left to chance and subjects that needed writing about seem to come up of their own accord. This generally left the questioners amazed and perplexed that anyone could work hard all the time with this Micawberish attitude that something will turn up.

Yet the author found that he was kept constantly busy just doing his work as it came up. There was very little need to plan in advance. This can make a journalist mentally lazy, simply reacting to events rather than anticipating them. The author at times became extremely lazy mentally.

So it does mean that on many occasions actuaries wishing to communicate their views on a particular subject must make the first move.

Here one needs to distinguish between journalists working on a daily newspaper, on a weekly newspaper, on a weekly magazine and a monthly magazine.

Daily Newspaper.

On a daily newspaper, a journalist's first priority is to write news stories to get into the next day's newspaper. As such, all efforts by the journalist are concentrated on the subject of the news story. He or she will think about other subjects in subsequent issues of the newspaper when the occasion arises. Then the subject of the news story will be followed with one or more features about it.

So the journalist will want information on that subject not just quickly but immediately, if not sooner. Journalists are handling the most perishable commodity in the world - News. It can go stale very, very fast.

This need for instant information is highlighted on Budget Day.

On Budget Day, the journalist on a daily newspaper is literally writing against the clock on highly technical subjects. When the author first started writing, very few people were prepared to provide the instant comment and analysis needed by the journalist. So those few who were prepared to comment not only had their views published, but went on the journalist's contact list for future reference.

Now there is a plethora of contacts available on Budget night, contacts that can be useful for the rest of the year.

Many journalists when they contact actuaries will be looking for instant information and views. Those actuaries engaged in the educational process must be prepared to provide such information instantly. The actuary must be clear and definite in providing that information and views, even if he or she is not clear or definite about it at the time.

But space in a daily newspaper is always at a premium and journalists writing about low profile subjects have to fight, and be prepared to be disappointed on occasions, to get their story in the paper.

Always the journalist never has sufficient space to describe adequately the subject he is writing about. He is always subject to the eternal cry of the news editor - "Keep it Short". One of the author's nicknames was Keepit.

Daily newspapers have several editions - the paper for which the author worked had four. A story which appeared in full in the first edition could well be cut or even dropped in subsequent editions to make room for stories covering events that occurred later in the day.

The author was more widely read in Scotland, Wales and the North of England, which received the first edition of the newspaper than in London, which received the final edition.

So actuaries must not be disappointed when having spent several minutes explaining their views to find little or no reference to what they said.

They stand a higher chance of a story appearing if they issue the press release and contact the journalist early, preferably by early afternoon. A story breaking in the early evening will usually get spiked unless it is earth shattering.

Subjects in the financial sector tend to be low profile, unless they involve controversy or scandal.

For example, no one wrote about insurance advisers/pension consultants until one London firm went bust and was being investigated by the Serious Fraud Office. Then it became a high profile subject with every aspect covered, including searches for the next likely candidate to go bust and get investigated by the police.

If the subject is highly newsworthy, then it will be featured prominently and even have an editorial written. Sometimes the journalist who wrote the news story will write the feature. Sometimes it will be a more senior journalist within the newspaper who will write the feature and the editorial.

The journalist, having written a story, has that story sub- edited by a sub-editor. The sub-editing process can vary from simply checking the syntax, to a virtual rewrite of the story. Much depends on the sub-editor. Above all, the sub-editor usually selects the heading, rarely, if ever, consulting the journalist about the heading to his story.

Sub-editors are not specialists in any subject. They cover the whole range of stories put before them. Nevertheless, this does not stop them from rewriting stories.

The author was fortunate with his sub-editors in that they rarely changed the meaning of them in a paragraph without consulting him. Unlike many unfortunate journalists, the author never had cause to complain that the sub-editor had altered the phraseology of his stories so that the meaning of the story was lost or changed - either the sub-editor could not understand what the author had written but would not admit it, or he was too busy correcting the author's appalling English.

Actuaries must not be surprised if the story that appears and the headline used convey a different impression of a subject compared with what they told the journalist. It may not be the journalist's fault.

The journalist has more time to write follow-up articles and features, but often not very much more time. Often features are required the next day or the day after the news story has been written. So journalists in their follow up articles are still seeking information and views quickly.

Even when journalist have a few days to write a feature, they tend to leave it to the last moment - what is referred to as the adrenalin of a deadline. The author was particularly guilty in this respect, particularly with this paper.

Journalists build up their own contacts and have their own sources of information, often regarding such contacts as their own personal property which they will jealously guard, particularly from other journalists. Their contacts will tend to be those persons who have been helpful and co-operative to journalists from the start.

The author certainly had his list of contacts for particular subjects, some of whom he kept to himself, others where he was prepared to share with colleagues.

This does mean that journalists working on the same paper will have different contacts for the same subject.

So actuaries need to be co-operative with journalists from the first contact if they are going to be regularly contacted by journalists.

As pointed out earlier, it is rare for a journalist on a daily newspaper to specialise in depth on a subject of interest to actuaries.

The insurance correspondent will handle both life assurance and general insurance and reinsurance. It does not take actuaries very long to find that the main interest of insurance correspondents is Lloyd's of London, almost to the exclusion of anything else. When he or she writes on life assurance, it will tend to relate mainly to corporate results, unless there is something of outstanding interest such as the fiasco of one major life group going into and coming out of the estate agency business.

The personal finance team will cover the whole gamut of personal finance and savings subjects - retail banking, unit trusts, investment trusts, personal insurance and life assurance and personal pensions.

The author found that most personal finance journalists knew the retail banking scene backwards - the mortgage rates and the savings rates of banks and building societies. They were also well versed in unit trust operations, with an obsession for performance tables. Knowledge of life assurance operations and products tended to be more superficial.

For example, there are regular articles comparing which life companies are most competitive for level annuity rates, but far fewer articles discussing the relative merits of different types of annuities and how the investor should choose his or her annuity.

Actuaries will often be contacted by and talking to journalists who are all rounders in the personal finance field and whose strengths are not generally life assurance and pensions.

Most daily newspapers now have supplements one day, usually a Saturday, in the week when events which happened during the week are reviewed and subjects such as personal finance are written about.

This gives the journalist the opportunity to analyse the happening or the subject and the contacts used by the journalist the opportunity to expand on the subject and influence that analysis.

For example, most actuaries will remember the 1989 Budget with its sweeping changes in the pension field, including the introduction of the Cap on earnings for pension purposes.

On Budget night itself, journalists wanted a very brief summary of the changes and their effects. Any reactions by pension actuaries had to be "off-the-cuff" and the author was very lucky to get some very good instant reactions.

The follow-up to these changes in the pensions field was an in-depth analysis of these changes and what it would mean to the various sectors in the pension field and in the personal finance articles what it would mean to individuals, particularly the higher paid executives. There was plenty of scope for actuaries to provide help and advice to journalists.

Weekly Newspapers and Journals.

The author has never worked on a weekly or a monthly publication. The following views are what he has distilled from talking to his journalistic colleagues who have worked on weekly and monthly publications.

Such journalists will usually be writing on a subject or news that came earlier in their week and has already been dealt with in the daily papers. These journalists claim that dealing with a subject that has already been covered in the dailies is both an advantage and a disadvantage.

To start with, they can judge whether the subject was worth writing about in the first place, so they can pick and choose their subjects.

As a result, the journalists usually have more space to write about a subject since they have eliminated the mundane stories that can take up a lot of space in a daily to no purpose.

Secondly, much of the basic research will have been done for them by the journalists on the daily newspapers. They can build upon that research.

However, no journalist likes to repeat what other journalists have written. They always need a new angle for a story or subject and this may be difficult to achieve and write afresh on a subject that has been done to death by the dailies. The story has to be a more analytical article rather than a news story.

This is particularly so when the weekly publications have to write on the Budget. The author always found that the Budget articles in the Sunday newspapers, for example, tended to be mundane simply because the subjects had been so completely covered by the daily newspapers that there was literally nothing fresh to write about.

However, since journalists on these publications are seeking analytical views, actuaries have the opportunity to present those views to journalists having considered matters in advance and there is every chance that those views, if properly presented, will be shown in more detail.

City journalists on a Sunday newspaper tend to concentrate on the stockmarket, reviewing the weekly events, leaving the personal finance journalists to generally cover life and pension matters among all the other personal finance subjects.

The weekly publications tend to be what is known as the trade press, that is they tend to specialise in certain sectors of the financial market - such as the insurance market or the personal finance market.

These publications have the space to go more deeply into a subject, often a subject in which actuaries have an interest. Their journalists tend to specialise once they have found their feet. Actuaries could well find that such publications more receptive to the education process, but these publications do not usually get read by the general public.

Monthly Publications.

These publications are all trade press covering a variety of financial subjects.

Most editorial space in a monthly publication is taken up with quite lengthy features on a particular subject, and the journalists writing about those subjects have the time and opportunity to do considerable in-depth research.

Many of the articles in these publications are written by outside contributors - some of these articles are even written by practising actuaries.

As such the monthly publications are probably the most receptive to the actuarial view either indirectly by through communicating with the staff journalists on the publication or directly by writing the articles or being interviewed. Unfortunately, the readership tends to be limited and all too often, the view would be going to other actuaries.

Freelance Journalists.

The past few years has seen a steady growth in the number of freelance journalists in the personal finance and pensions sector. Two of the most experienced (in the author's opinion) pension journalists now writing on a regular basis are freelance. But most freelance journalists, in order to make reasonable living, have to be prepared to write on any subject.

Freelance journalists need information, but only tend to seek it when they are writing a commissioned article about a particular subject. Since time is money for them, they usually want that information quickly and concisely. As such, they tend to rely very heavily on their known contacts.

2.3 HOW JOURNALISTS WRITE STORIES.

The techniques for writing articles tend to vary according to whether it is a news story, a news analysis or a feature and who is the target readership. It also will vary according to the paper itself and the individual journalist.

It must be emphasised that writing a newspaper article is completely different to writing an actuarial report or even a paper for the Staple Inn Actuarial Society.

Most actuarial reports start with an introduction and background to the subject of the report and lead up to the principal subject of the report much later and finish with the conclusions and course of action.

The reverse happens in a newspaper article, particularly a news story, when the main conclusions should appear in the first paragraph, possibly in the first sentence. Any other important, but secondary conclusions should appear in the second paragraph. The introduction and background would then appear, together with an explanation of the conclusions. This can result in the end of the story being rather pedantic, everything else has appeared earlier and sub-editors tend to cut from the bottom of a story if space is at a premium and the story is too long.

This can happen when a story appeared in full in the first edition, but had to be cut in later editions in order to make room for other stories that had arisen after deadline for the first copy.

A story has to make an impact on readers or, more importantly, with the news editor if it is going to get into the newspaper. So journalists, if not exactly looking for blood, are looking for controversy in a story in order to get it published. So the controversial part will appear in the first paragraph and the other side of the argument much further down in the story.

Since the controversy tends to be attacks on actuaries by outside bodies, such attacks on low surrender values, or unequal annuity values for men and women, then these attacks will form the main part of the story with the actuarial response being dealt with almost at the end of the story.

Naturally, the headline attached to the story will be taken from the main theme in the first paragraph, that is the headline will refer to attacks on actuaries and the profession.

This results in the portrayal of actuaries in a negative, defensive position compared with a positive attacking position of their critics.

One feels that if actuaries want to get the pole position in a story they must project a controversial message and get the headlines of "Actuaries Fight Back".

Journalists always use superlatives in the story, primarily to make it look more important, or controversial, than it really is and thereby stand a better chance of appearing in the newspaper or journal.

For instance, a mild dispute appears as a major disagreement and mild criticism as a bitter attack and people being affected by a change appears as millions hit hard by the change.

Actuaries must not be surprised if any statement or view given is exaggerated and magnified. As such, they have nothing to lose by being positive in their views given to journalists.

All too often, the journalist concentrates on what to the actuary, and also to the author, are sideshows rather than the main theme.

For example, each year a leading firm, specialising in investment performance measurement, publishes its findings in the form of the median or average returns - sufficient information for an in-depth analysis of how pension schemes were investing their funds and achieving their overall objectives.

But all most journalists ever want is a league table of which funds and investment managers were top performers and which were bottom. When they fail to get that information, they either try elsewhere or ignore the story.

Actuaries must not expect an in-depth analysis of a subject to appear every time.

2.4 HOW JOURNALISTS GET THEIR STORIES AND INFORMATION.

The sources of information from which journalists obtain their stories, information and material are many and varied, the most usual sources being:

- * Press Conferences.
- * Press Notices.
- * TOPIC Screen and News Agencies.
- * Stories in other Publications.
- * Stories provided openly to journalists.
- * Stories provided secretly to a particular journalist - the so-called scoop.
- * Information bulletins.
- * Informal meetings, usually lunches but occasionally breakfast or dinner.
- * Conferences.
- * Informal talk among journalists and Public Relations personnel, usually after work.

All these sources have a role to play in providing journalists with stories and information. And here a new player enters the stage - the PR consultant.

Public Relations Consultants.

The PR man or woman plays an important role in the communication of information between the outside world and the journalist, being the liaison between the and the journalist. They usually issue the press notices, organise the press conferences and the informal lunches and arrange the exclusive leak to specific journalists.

Some major companies and most official bodies have their own in-house public relations departments. But most companies use external public relations firms.

PRs are supposedly the professional communicators who know the workings of the media and the journalists thoroughly and how to ensure that the information being conveyed was communicated in a form that was clear, concise and easily understandable. At least that was the theory.

PRs, like journalists, have no formal training. They learn by experience. Often they are ex-journalists seeking fresh pastures and a higher salary. But most PRs tend to find difficulty grasping and communicating anything technical. Like journalists, they are not usually numerate.

Some years ago, the author received a press release from a notable PR firm which stated that its client, a mutual life company, was switching from a simple to a compound bonus system and as a result policyholders could expect higher maturity values.

They were very put out when the author pointed out to them that the type of bonus system had no effect whatever on the amount of surplus of the company, only the way it was distributed.

In practice, the author tended to find that PRs fell into two categories - the good and the terrible.

The Good PR.

The good PR knew the journalist and tailored his or her approach accordingly.

If the journalist was experienced, then the PR provided that journalist with the basic story, but let the journalist get on with his own job, providing help when asked by the journalist. Above all, the PR never pestered the journalist as to why the story never appeared in the newspaper or journal.

If the journalist was inexperienced, then the good PR would help that journalist through the story, providing all the necessary contacts and background information.

The good PR also trained his client never to expect too much in the way of stories appearing. They never promised their clients that they could ensure that a story appeared in all circumstances.

The Terrible PR

These PRs were pains in the neck, to say the least.

They regarded the story they were promoting as the hottest news since Margaret Thatcher's resignation and expect you to see it in the same light.

With just a simple press release, the story would be sent by fax. They would phone to see if the journalist had received the story and if not it was faxed again. The hard copy would be sent around by special delivery. The author recalls once receiving eight copies - three fax and five hard copies - on a very routine matter, with other copies to his colleagues at the newspaper.

When the journalist had received the story, they would be on the telephone again explaining it in words of one syllable, often wrongly. They would ask whether the journalist had enough information and did he want to speak to the chairman/managing director/marketing director/ anyone else about the release and they would arrange a telephone/personal/any other sort of interview.

When the story never appeared, they would be on the telephone immediately to enquire (a) had the journalist received the press release? (b) did the journalist want more information? in which case they would get it (c) was there any possibility of the story appearing on the next day or at the weekend? and finally (d) if not, why not?

The only way to get rid of them was to be brutally frank and tell them that their hottest news story was both trite and boring and that it contained nothing new.

Nothing infuriated the author more than to be treated by a PR as if he was a newcomer to the financial world and wet behind the ears. In particular the author was incensed when the PR told him, as if it was a great and special favour, that they could arrange a meeting with a leading person in their client life company, when the author had known that leading person quite well for years and had dealt with him constantly over the years.

Still, the author accepts PRs as a necessary evil, particularly useful where young, inexperienced journalists are concerned.

The Institute of Actuaries has a Public Relations Committee and a person whose task it is to liaise with the press. That liaison must be of the type portrayed by the Good PR.

In the author's view, the role of the PR Committee and the liaison with the press will be crucial in this exercise of educating journalists.

2.5 WHAT INFORMATION DO JOURNALISTS NEED?

This is always the tricky part to decide. The answer is not too little and not too much, but the right blend. Unfortunately, the blend varies from journalist to journalist and from subject to subject. One reason for employing PRs is that they should know just how much information to give.

Press Releases.

The tendency is for the person at the source of information setting out the information in the order which he thinks is important and would like to see in the story. This rarely coincides with the order of importance which the journalist places on the particular story.

Take for example, the press release sent out in September by the Institute and Faculty ahead of the Pensions Convention held in Harrogate. It started:

Although they are frequently unaware of it, millions of people rely on the professional skills of actuaries to ensure that schemes providing pensions for them and their dependents are soundly run.

The author could almost hear his ex-colleagues yawn, if not groan, when they received that press release.

The interesting story of the Convention, at least to the author, was the call by the President of the Faculty, Alastair Neil, for a Pensions Act to clarify the rights and responsibilities of employers, trustees, members and advisers, because trust law was failing to do handle the complexities of pension scheme issues.

This story was issued to the press when the Convention started when for most journalists it came too late. It should have come out ahead of the Convention.

This would have meant that the delegates would have read about the call in the morning papers ahead of being delivered. But actuarial conventions are not Political Party or Trade Union conferences where speeches will be reported after the event. If actuaries want their views in the press, they must be prepared to give them in advance of their delivery.

If it is of any comfort, many press releases from the so-called experts, the PR consultants, are just as ill-prepared in getting the main theme of the story into prominence.

Press Conferences.

When the author started writing seriously for his newspaper nearly two decades ago, press conferences on financial subjects were virtually a daily occurrence, mainly from the newer unit-linked life companies and the unit trust groups, eager to get any form of publicity.

Every new product, however mundane, had to be launched with a fanfare of trumpets and a mass of glossy literature. Each person involved in the launch - the chief executive, the marketing executive, the product designer and the investment manager made their promotional presentation in the hope that a mention would appear somewhere in the newspaper or journal. It became an excuse for eating and drinking at someone else's expense.

Now each new product launch still has masses of glossy brochures, but it comes through the post with a press release and can be easily ignored.

A press conference, followed by lunch can be a powerful communications tool if properly used and run, but it can also fall flat on its face.

- * First, the reason for the launch must be an important one. Journalists no longer will put up with the most trivial and boring of subjects for the sake of free eats and drinks.

- * The venue must be convenient for journalists to attend - the dispersal of newspapers and journals away from Fleet Street has made it much more difficult to find a suitable venue.

- * The presentation must be of the right length, long enough to cover the main points, but not too long so that it is boring. The author found that visual aids were almost essential to convey the theme, particularly if numbers were involved. Speakers should try not to be too technical.

The author recalls attending a press conference attended by personal finance journalists where the unit trust subsidiary of a major merchant bank was launching a new fund - combination of gilts and options. The investment manager in charge of options spent 25 minutes describing the technicalities of options, using all the jargon, completely unaware that he had lost his audience after 30 seconds.

- * The number of speakers should be limited. If the chief executive knows little about the subject being presented, he should confine himself to introductions.

- * Question times should be carefully controlled. There are certain journalists who love to take the centre stage at question time. There are other journalists who either like a personal teach-in or else do not listen to previous questions and answers, because they ask virtually the same question that has been asked at least once previously. Journalists, in connection with any type of new venture - products, divisions or companies - will always ask (a) how many do you hope to sell/how big will you grow? and (b) how much have you/ do you intend to spend? If it is a product launch, one journalist, at least, will ask about charges and commission payments.

- * The lunch can be either a time when valuable contacts are made or a complete waste of time. It is a time when journalists take the opportunity to talk to the top people involved in the press conference about wider matters that are of interest as well as talking about the subject of the conference. But do not ask the journalists what they thought about the product/venture or whether they think it worth writing about and when will the article appear.

- * Always have someone available back at the office to answer questions on the conference. The author always found that when he came to write the story, he had overlooked something or could not understand something and wanted clarification there and then. But all too often the people able to deal with the query had not returned from the conference.

Some journalists and PRs have questioned the usefulness of such press conferences and lunches. The author, himself, often found them useful, particularly the questions asked by the other journalists. While most of the questions were routine, one could usually guarantee that some inexperienced journalist would ask a pertinent question that the author, for all his experience, had completely overlooked.

- * **Bulletins and Newsletters.** The author often found these contained useful information. But most of his colleagues found them boring unless they contained sensational stories.

- * **Informal Press Lunches.**

The author has no idea how the Committee intend to project the actuarial view, but it seems doubtful to him that it can be done at a formal press conference unless there is a very specific view to be communicated.

He considers that the various actuarial views can be at least put forward at informal lunch gathering of a few actuaries and interested journalists. Such lunches can provide journalists with background information and outlines of the profession's attitude towards various topics. But the actuaries attending must be good communicators and it must never be expected that a stream of articles will follow as a result of the lunch.

Conferences.

The author found conferences useful in hearing the views of different experts on the same subject within the same day and updating his background knowledge of the subject(s) of the conference.

However, the author, by the nature of his job, had the time to attend these conferences. Many journalists who have to be all rounders in their coverage just have not got the time to attend.

As such, the journalists who turned up at these conferences were the same faces from the trade press - usually the only place where the conference was reported.

It is interesting to note that City journalists will attend the annual investment conference of the National Association of Pension Funds, even though it means a trip down to Eastbourne in February, but not the annual conference of the Association held in April or May at a variety of different venues.

2.6 WHAT IS THE PURPOSE OF WRITING?

This is difficult to analyse deeply, because it is seeking to understand what makes a particular type of person operate in the way he or she does.

News stories usually have to be written and the content is normally set out. The journalists' individuality comes through in the way the story is written - what is the main feature in the story, what is highlighted, what is played down and what reactions are carried to the story.

But with other stories or with features, the journalist has much more control over the content as well as the way it is presented. Objectivity is very much in the eye of the beholder.

For example, when personal pensions were introduced, one could either write supporting their introduction as giving employees a wider choice and freeing them from the shackles of company schemes. Or one could oppose them on the grounds of undermining the stability of occupational schemes and that personal pensions would result in inadequate pension provision. In either case, one could write some very passionate articles without much trouble.

However, it was far more difficult to write an article setting out the pros and cons of personal pensions without that article appearing very flat and dull and conveying the impression that the writer just could not make up his or her mind. Informative articles will not be widely read if they are dull.

Many journalists claim that their reasons for writing and the manner of writing are altruistic -

- * their readers want to know what is happening.
- * their readers want an informed analysis of an event.
- * their readers want them to uncover injustices and get them corrected by highlighting the situation.

No journalist ever admitted that he or she wrote to shock the establishment or to seek the headlines or simply to enhance their reputation. Yet often this appears to be the underlying reason for the article. All too often the journalist has, at least at the back of his or her mind, will the story or article make a major impact.

Journalists rarely write an article solely to be informative to their readers.

The most common example concerns writing about unit trust performance. Journalists will wax lyrical about the top few performing funds, on they achieved their results, often with pen portraits of the fund manager - information that concerned relatively few lucky unitholders. Rarely did one see an analysis of the average sector performance, which, in the author's opinion, was of more concern to the general body of unitholders.

The author admits that on many occasions, he wrote articles primarily because it was his job. He would be less than honest if he stated that he wrote every time because he felt that he had a mission to tell the newspaper's readers about a particular subject.

In the early days of writing, the author was striving to make a name for himself, to justify his job against some tough competition. Later, he wrote because either he felt the subject was worth writing or the news editor or the personal finance editor considered a story was worth writing about, or more likely because there was space to be filled.

The author's fame as a journalist within his newspaper came not from the numerous articles he wrote of financial matters, but in respect of one of the very few non-financial articles he wrote - on "Bellringing" in an "Images of Britain" series.

He received more favourable comment on that particular article from the editor downwards than he received in respect of all his financial articles put together. He can only conclude that this praise on the article came about because for once he was writing on a subject he knew something about.

Why did he write that article? - pure vanity.

3. HOW SHOULD THE PROFESSION EDUCATE JOURNALISTS?

All men who have turned out worth anything have had the chief hand in their own education.

Sir Walter Scott.

This is going to be the most difficult part of the exercise for the profession.

It is far easier to start off this section by stating emphatically what not to do and that is to try and educate journalists by sending a stream of press releases, full of actuarial jargon, on any subject on the assumption that journalists are waiting for such releases in order to write their stories.

If the author's experience is repeated in other newspapers, he spent the first part of each day going through masses of press releases, 90 per cent of which were filed in the waste paper bin, 9.9 per cent sent to the library for filing and the remaining 0.1 per cent of the releases were sufficiently useful to form the basis of a story.

Education is a two-way process and the first and most important task in this exercise will be to convince journalists that they need educating and that the actuarial profession will have important facts and views to communicate on a variety of subjects.

Perhaps the first task, in view of the findings of the Faculty Market Research Group is to explain just who actuaries are and how they work and the role of the professional bodies. Actuaries are not very good at explaining to people what their role is in business.

The author attended a small dinner party recently with his wife and two other actuaries and their wives. All three wives stated how difficult it was to explain to people what their husbands did and seeking advice from each other, with little success, on how to explain clear what an actuary was.

However, in dealing with journalists, one comes up against the interaction of the profession and the various industries in which members of the profession work. Journalists will be far more interested in how an event will affect the industry in which the actuaries work rather than an esoteric and technical reaction to the event from the profession.

The current debate of the contracting-out rebate provides an excellent example of how different journalists will treat the subject and the information needed to write their stories.

If there is an age-related rebate introduced, journalists will want to know three main consequences:

- (a) What would be its effect on the future membership of Serps?
- (b) What would be its effect of personal pension sales?
- (c) What would be its effect on occupational pension schemes?

Ideally, all these three consequences should be dealt with in one major feature since they are all interrelated. And this should be followed by individual articles dealing with each of the main consequences. But the author can only think of one or two journalists capable of writing intelligently on such a wide field. Instead:

- * The personal finance journalists will be primarily interested in its effect on personal pensions and would contact his or her favourite life company, usually the marketing director rather than the actuary for views and reactions. In particular, the journalist will want to know whether personal pension sales will expand or contract and by how much and the journalist will want a number or a percentage even if it is a guesstimate with far more guess than estimate.

- * The few journalists that write on pensions as such would most likely concentrate on the effects of the rebate on occupational pension schemes and will contact a firm of consulting actuaries or the actuary at an leading employee benefit consultant firm. These journalists will want to know whether final salary companies schemes will cease or switch to money purchase and how many will do so.

- * The City editor would contact his favourite insurance analyst for a view on the changes and how they will affect life companies in particular and pensions costs to companies in general. The City editor would probably provide an overall view on the corporate financial effects, but rarely mention the social implications. He or she will want a "ball park" figure of how much it will cost companies overall and not really worry whether the figure he is given is realistic - £10bn and £20bn both look attractive and he is not concerned that the larger figure is double the size of the smaller.

- * The social implications of the rebate will be left to the social services correspondent, whose sources of contact outside the Department of Social Security are possibly the various representative organisations and the universities with a department specialising in the subject. He will be concerned over the cost to the National Insurance Fund and whether the underprivileged will be subsidising the well off employees in company pension schemes.

- * If there is a major political row over the rebate, then the parliamentary correspondents would get involved and their source of information would be ministers and shadow ministers - not the most informed or unbiased of sources.

The actuarial profession is, or should be, the one body that can provide informed views on all these aspects and draw them together. Such views and communications, properly presented would be welcomed by journalists, at least in the author's opinion.

But journalists will need these views quickly - not three months after the event. This means an initial reaction on the day of the announcement and follow up releases, views and analysis within a few days.

The press release must have an eye-catching heading and first paragraph even though the subject matter in the press release will not mean much to journalists. The most important thing is to get the journalist interested so that he or she will follow it up. As such the next important piece of information on a press release is usually the name of the person(s) who will provide further details and discuss the subject meaningfully.

The journalist will most likely phone that contact and require an instant teach-in on the subject. Hence it is important that the contact is an actuary who is not only a specialist on the particular subject - this should be obvious - but should be able to communicate easily and above all to be able to think on his feet. Journalists expect miracles as well as the impossible to be done straight away, that is journalist expect instant answers to questions, no matter how complex the subject matter of the question.

In the heat of the moment, journalists seeking information will forget that actuarial matters are highly technical and therefore it takes a little time for experts to assess the implications of a particular event, particularly if calculations are involved. In such circumstances, the contact must be able to obtain the information quickly and phone the journalist back with the information.

It is most important that the contact is available on the day of the press release and remains available until quite late in the day. Nothing infuriated the author more than to phone up a contact name on a press release only to be told that the person had gone home/had the day off/was tied up in meetings.

It may sound arrogant for journalists to expect instant attention at all times. As said before, all too often the journalist leaves it late before making contact. But if the profession wants journalists to listen to and report on their views then the profession must be prepared to be available at all times.

As such the contact must either stay in his office until late or be prepared to handle later calls from his home. This latter course could be difficult if takes the contact quite a time to travel from office to home.

Whatever, the opinions of readers concerning Sir Mark Weinberg, the author always found that he was instantly available to the press, knew his subject well and ensured that if he could not answer a question or query or provide any information, then someone else would very quickly. As such, journalists referred to Sir Mark Weinberg more than any other leading figure in the life assurance field for comments and opinions.

Secondly, the profession must not shy away from or avoid controversy when dealing with the press. When attacked by journalists, and often the attacks will be unwarranted and unreasonable at least in the eyes of the profession, then the profession must be prepared to defend itself by facing up to the attack, not by diverting attention elsewhere.

It is preferable if the contacts are already known to journalists through their day-to-day activities in their own field. But the contact will need to make it clear that he or she is a spokesman for the profession, not for their firm or company or the industry in which they work. The author considers that more women actuaries should be involved in the education process.

The profession must not be surprised if in the first few years of the exercise it finds that there is little response from journalists to their views. On the author's opinion, it will take some time for journalists to realise and accept that the profession has views on a variety of subjects that are worth listening to and quoting. It is for the profession to decide whether the exercise will be worth the time, trouble and expense.

It must regard it as a success if the contacts have spent all day talking to journalist to find a one sentence reference to them in a story.

In the author's opinion, the profession's views on a subject or event will rarely make the news, unless they are controversial - journalists will still want to talk to the various industries for instant comment.

Their views are more likely to be quoted in features and columns written on financial matters, and, occasionally, in the social affairs columns - such columns tend to appear in a Monday edition of a daily newspaper. As such, the profession should concentrate its communication efforts not only on the day-to-day journalists, but on the various columnists writing in daily and weekly papers.

A similar approach needs to be adopted towards press conferences where the speakers need to be both technically on top of their subject and good communicators. Even then the speakers must beware of the deceptively simple question which can be difficult to answer.

The author attended a press conference where an investment house was launching a unit trust which tracked the All Share index - not the easiest of subjects to explain to a gaggle of financial journalists.

The speaker, an actuary, was a good communicator, used to making presentations to a lay audience. He explained very carefully, with suitable visual aids, about sampling and probability (known as the tracking error) and stated that the fund's performance should be within one-half of one per cent of the index performance in two years out of three.

The first question from a journalist at question time was simply " what happens in the third year?". It floored the speaker, who should have been warned that such a question was an obvious one.

Visual aids are extremely useful at press conferences if not overused and are not too complex or technical. Computer graphics can be a very powerful means of showing how situations build up, such as how a rebate will work in practice. But there must be hard copy of the main slides used in the visual aids. In particular, copies of all figures and numerical examples used in the presentation must be available in hard copy.

Teach-in on a particular subject are useful for getting over a message on a complex subject to comparatively new and inexperienced journalists, if they are held in an informal atmosphere - no more than half-a-dozen journalists sitting round a table with one or two speakers, with journalists able to ask questions as the presentation went along. The teach-in should not last more than two hours, preferably about one to one and a half hours.

The author attended several such teach-ins given by certain leading life companies on the new pension regime and learnt a lot simply by listening to the questions and answers of the other journalists.

But more experienced journalists seem to prefer a one-to-one interview on a subject - a time consuming process for the presenters.

However, journalists tend to shun all day conferences and teach-ins before a large audience unless they are from the trade press, in which case it forms part of their work. The only exceptions are when a notable speaker, such as a Government Minister, is making one of the presentations and journalists are hoping that speaker will make some dramatic revelation. Occasionally, it does happen.

At the end of the day, It is a matter of horses for courses in the presentation.

The author is still of the opinion that the profession has a long, hard and, for the most part, thankless task ahead if it. Success will be a long time coming, if it comes at all.

The best chance of success for communicating with journalists and of getting over the actuarial view to journalists is by first establishing a rapport with journalists through informal contacts and listening to as well as talking to journalists.

Above all, the veil of mystic which appears to surround the profession has to be torn aside.

4. LESSONS FROM THE PAST

The best way to suppose what may come, is to remember what is past.

George Savile, Marquis of Halifax.

During the two decades when the author was writing full time for his newspaper, he was on the receiving end of various previous attempts at communication by the profession. In his opinion the results of these communication exercises were not very fruitful, though he feels that the blame was as much with the journalists as with the profession.

He now looks at some of these past attempts at communication - how they went and what lessons, if any, can be learned from the experience.

Surrender Values.

Many journalists make their first contact with the world of traditional with-profits life assurance through surrender values, particularly early surrender of low cost endowments taken out in connection with repayment of house mortgages.

The low amounts paid on surrender during the first few years, compared with the premiums paid, provide good material for a critical article attacking life assurance as a savings media and life companies on the basis that it "rips-off" the investor. And as a result, low cost endowments are utterly rejected and completely unsuitable for repaying mortgages.

The profession has tended to keep its head down when criticism of surrender values blows up, as it does periodically. When an explanation was given by the profession it tended to be bland, primarily because it did not want to place too much emphasis on the main reason for low surrender values - the high level of front end charges.

The main thrust of the articles written on surrender values has been that individuals would have been better off saving with a building society and that life companies were able to declare such high bonuses mainly because of the large profits being made on surrender of the many to pay the few policies which reach maturity - a superb example of journalistic exaggeration and misinterpretation of the facts.

The journalists then argue that the investor should at least get his money back - nobody has yet mentioned the impact this would have on the liabilities and solvency or the overall return - and that the investor should be told before he buys an endowment what a lousy contract it is. The journalist conveniently ignores the fact that the investor can now see for himself in the product particulars the level of surrender values in the first five years.

Journalists feel that their attacks have been vindicated when no less a person than the current President of the Institute of Actuaries, Hugh Scurfield, criticised the policies of some life companies in paying unfairly low surrender values compared with the corresponding maturity values.

His attack has been supported by Mike Ross, chief executive and actuary of Scottish Widows. Indeed, Mike Ross went much further in his criticism, stopping just short of naming the "guilty" companies.

This aspect of Hugh Scurfield's Presidential address in June of last year received more coverage than any other part of his address. Indeed, many journalists never referred to any other part of his speech, even though he discussed far weightier and more pertinent subjects for the profession to consider in his address.

The profession will need to come up with a more detailed explanation on surrender values than seen to date if only because the Office of Fair Trading is investigating the subject.

Indeed, journalists make a good trial ground for testing evidence to official bodies. If the journalists think the explanation is weak and do not accept it, then neither will the Office of Fair Trading, politicians or any other official body.

Now that life company expenses are generally being required to give much greater disclosure of expenses, the author sees no reason why the profession does not give a detailed explanation of how surrender values are calculated.

One needs only to compare with unit-linked life assurance where there is a low, even nil, investment of units in the first few months. But somehow, unit-linked life assurance never comes in for the same criticism of traditional life assurance.

Transfer Values and Early Leaver Benefits.

The surrender value trauma in the life assurance field was mirrored in the dispute over early leaver benefits in the occupational pension field, only with far more reaching consequences. In this respect, journalists, being a highly mobile profession, could closely identify themselves with the early leaver problem and at times many of the articles showed that journalists lost their objectivity when writing on the subject.

The early leaver sage also highlighted the manner in which journalists' attitudes can change towards a subject with the passage of time.

When the author was first venturing into journalism, the journalists' main concern was for employees who changed jobs to get their contributions refunded in all circumstances and it took a lot of communication to persuade them that it was the Inland Revenue and not the employers or the life companies which prevented the refunds.

Then came the 1973 Social Security Act which introduced compulsory preserved pensions. Instead of welcoming this first step in preserving the pension rights of early leavers, journalists attacked the legislation as withholding refunds. The advice then given to readers was generally - change jobs before five years is completed and get your contributions refunded.

At this stage, there was little for the actuarial to comment on, let alone explain.

Then came the 1975 Social Security Pensions Act which introduced the State Earnings Related Pension Scheme. The Act also served as a magnet to draw journalists attention to transfer values and how x years service with one company was transferred to y years with another company with y often being very much less than x . Employees were starting to complain about transfer values and journalists started to get interested.

The first reaction of journalists was immediately place the blame on the life companies, ripping off the employee changing jobs and actuaries were brought in to explain how the difference arose.

Their efforts were far from successful, primarily because the only way to explain why the transfer out calculation did not include any allowance for salary increases or investment growth while the transfer in calculation did include these factors was by examples using numbers.

Most journalists could not understand the explanations, so they thought actuaries were trying to blind them with figures if not science. Those journalists that did understand the explanation realised just how inequitable was the system, only they used far more lurid phrased like the "Great Pensions Robbery" and similar phrases.

In explaining how transfers worked in practice, actuaries simply revealed how inequitable the system was and the reaction by those journalists generally took the form of why did actuaries allow these inequities to continue and why were they a party to this system of fraud. Actuaries, however, did manage to convince journalists that it was employers and not the life companies who benefited from the proceeds of this robbery.

Then came the report(3) of the Occupational Pensions Board in 1981 on the Rights of which condemned the unfair practice and journalists went to town defending the rights of the early leaver. They were given more ammunition by the pensions establishment which tried to defend the existing system.

If ever there was a time for a reasoned positive actuarial view this was it, with the rights of employees being foremost in that view. Instead the profession put out a rather weak response about any changes made to the system should take into account the extra cost burden. Not only was this response unconvincing in itself, but it looked as if the profession was trying to defend the status quo only it did not have the courage to speak out as did some other sections of the pensions establishment.

The author is certain that the Government would have in any circumstances made the changes that it did in subsequent legislation to benefit the early leaver. But the press campaign made certain that the Government could not shelve the OPB report.

The other repercussions of the early leaver saga are considered in discussing the next event.

The Great Pensions Review.

The full story of the notorious Pension Review undertaken by Norman (now Sir Norman) Fowler, which preceded the introduction of personal pensions and the emasculation of Serps cannot be written until the relevant Cabinet papers are published in 25 years time and we know exactly what went on behind the scenes. (The author, remembering certain features of mortality tables, hopes he can beat the odds and still be living when these papers are published.)

But I trust that if and when that story is written, the actuarial profession's part in that story will be more positive than appeared in public at the time.

The Fowler Review and his conclusions were a prime example on how to mislead with facts, figures and statistics, particularly the Government Actuary's costing of Serps well into the next century.

One of the reasons(excuses) put forward by Norman Fowler's for cutting back on Serps was the calculation by the Government Actuary that the cost of Serps would rise by £68bn in 1986 money terms by the year 2030.

Since the Government actuary assumed that earnings would on average increase by one per cent a year more than prices, costs were bound to rise and actuaries were not surprised by this increases. (To remind actuaries who are not used to dealing in such a low rate of compound interest, at one per cent compound interest values increases by nearly two-thirds over 50 years.)

As such, Norman Fowler was not comparing like-with-like. The more realistic figure for comparison would have been the change in the contribution rate, which the Government Actuary also estimated, but Norman Fowler conveniently overlooked.

A few actuaries spoke out on these points very forcibly. But the profession gave no guidance at a time when a clear, concise, independent actuarial view on what the figures meant and did not mean was, in the author's opinion, essential.

Equally essential, in the author's opinion, was a warning from the profession as to the cost of fixing the rebate at a flat rate on generous terms and giving incentive payments for employees to contract-out of Serps with an appropriate personal pension.

The Government never looked beyond 1993 in considering the consequences of its actions. One would have hoped that the actuarial profession could have looked further and given its view on the situation to the public. It should not have been left to the National Audit Office to give warnings of the cost.

AIDS.

In contrast to most subjects in which actuaries are involved, the subject of AIDS (Acquired Immune Deficiency Syndrome) has been, and will continue to be, a high profile subject. As such, it is a subject which will always attract the interests of journalists and get written about.

So there are no problems getting journalists interested in the Bulletins produced by the Institute of Actuaries AIDS Working Party. Aids Bulletin No 2 was mentioned on a television programme in connection with AIDS and life assurance.

Indeed the problem is getting journalists to understand precisely what is the actuarial view and involvement in the subject of AIDS.

AIDS is a subject that concerns actuaries both in their professional role and their business role as life company managers and often as underwriters. The author referred earlier to the confusion in the minds of journalists between the actuarial profession itself and the various industries in which actuaries work. This confusion manifests itself when journalists receive the AIDS bulletins.

There were three particular aspects which journalists concentrated their attention in AIDS Bulletin No 2:-

- (a) The forecast of the number of deaths from AIDS reaching 97,000 by the mid 1990s. The graph contained in the bulletin showing the number of deaths was reproduced, not only in newspapers and journals, but in innumerable circulars on the life assurance industry from analysts in the major finance houses.

This forecast of the number of deaths, which was more speculative than the original Northampton mortality tables, was treated as the definitive effect of AIDS.

Journalists could use this figure for the number of deaths to support their portrayal of AIDS as a killer disease, while some analysts used the figure to proclaim that life companies were sitting on a time bomb that could explode and shatter them financially.

- (b) The calculations in the Bulletin on the effect of the mortality assumptions on net premiums, particularly the effect on endowment mortgages. Here there is a superb example of different interpretation on words.

Net to the actuary in the context of this Bulletin was the net premium for the mortality risk. Net to a journalist was the full commercial premium net of tax.

Hence stories were written that housebuyers would be paying double their monthly premium on their endowment mortgage because of AIDS, when the actual figure was at most £1 a month.

- (c) The recommendation, which looked very much like an assertion in the Bulletin, that life companies should have automatic blood-testing for sums assured of £100,000 attracted considerable attention. Journalists interpreted this statement as a directive from the actuarial profession to life companies, rather than a recommendation for consideration, not understanding the role and interaction of the profession and the industry.

In the author's opinion, the Bulletin should have been publicly presented to the press by means of a press conference, when these various points could have been clarified to journalists.

Instead, it was decided to issue a press release and there was confusion over how and when to issue the release concerning the bulletin. No one wanted the story to appear in the press before members of the profession received the Bulletin.

One Sunday newspaper obtained a copy and wrote a lurid story on blood-testing as if the actuarial profession suspected everyone applying for life assurance as being a potential HIV positive.

Other papers followed this story up without getting clarification from the Institute. The result was piecemeal and uninformed comment on the Bulletin, when properly organised the profession's view could have been put forward coherently.

Lessons have been learnt concerning timing of releases. But the profession and the life assurance industry have still not put up convincing reasons for the requiring a supplementary medical questionnaire to be completed by certain groups. But in the media coverage of AIDS, journalists tend to support those groups opposed to the questionnaire on the grounds of discrimination.

This opposition was again seen in the media reaction to AIDS Bulletin No 5.

Bonus Rates.

Journalists have never really come to grips with traditional with-profits life assurance, primarily because they cannot understand the valuation process, either of the liabilities or the assets. When unit-linked contracts were outperforming with-profits, there was nothing exciting to write about. As such journalists did not pay much attention other than to produce past performance and future projection tables once or twice a year, with comparisons against unit-linked performance.

However, personal finance journalists have been taking more interest in with-profits contracts lately when the downturn in the market resulted in with-profits showing higher maturity or fund values than unit-linked managed funds. This interest was heightened when one or two actuaries, wearing their company hat, started talking about their own bonus rates and making some very pointed remarks about the rates of their competitors.

The profession's involvement here should be twofold:-

- * First to explain generally about traditional life company valuations, bonus rates and the smoothing process - in particular what do actuaries mean when they talk about asset shares?

In particular, the professional could endeavour to explain how actuaries tend to value assets, particularly equities and property, by discounting future dividends or rents rather than simply take the market value of the asset, as with unit-linked.

- * Secondly, it is an opportunity to highlight the role of the professional bodies in the workaday activities of its members - to explain the situation of Guidance Notes on the work of actuaries.

The development of unitised with-profits assurances and pensions may make it easier for the profession to communicate the with-profits theme to journalists.

Disclosure.

The on-going saga of the disclosure of expenses, and to a lesser extent commission, on life assurance and pension contracts has seen a complete failure of the profession to communicate its views on the subject to the outside world.

This failure is by no means solely the fault of the profession. It is difficult to communicate to someone who is not prepared to listen, particularly when it is a matter of communicating technical information to a non-technical audience.

The problem with disclosure is that to the layman the question asked is a very simple one - "How much of the premiums paid by a policyholder are taken out in expenses by the life company?".

This question was asked by government, politicians, consumer organisations and the Office of Fair Trading and all expected a simple answer - x per cent.

Looking back (and hindsight has 20/20 vision) the profession's first mistake was to argue that a single figure disclosure was meaningless.

The second mistake was to argue that expenses were only a minor factor in the overall return on a policy compared with the underlying investment performance and that undue emphasis on expenses could result in potential policyholders selecting life companies solely on the expense figures and ignoring other more relevant factors.

The third mistake was to complain that showing an expense figure would put life assurance at a disadvantage compared with other savings products, such as building society deposits which were not required to show a similar figure.

All these arguments and reasons put forward are valid ones, but they are meaningless unless the profession could convince the authorities of their validity and this the profession failed to do, particularly as one or two members of the profession had written articles showing that expenses could take up to 20 per cent of the premiums.

The fourth mistake was to convince the Securities and Investments Board that the most realistic method of showing expenses was using a reduction in yield figure in the product particulars given after the sale.

To journalists, wary of figures anyway and never coming to grips with yields, showing expenses in this manner merely confirmed their suspicions that the profession/ the life assurance industry/ intermediaries were ripping off the public and were laying down a smokescreen to hide the facts.

In the author's opinion, the profession should have been more open and concentrated their arguments on the short-term effects of expenses as shown in the first five years surrender or transfer values given in the product particulars.

The profession could have pointed out that in quoting these figures life companies are showing that they have nothing to hide. But it would have been more meaningful if these surrender value figures were available at the time of the sale.

Complex arguments, however valid, do not appear to succeed with laymen, even highly intelligent laymen if they are not prepared to take time and trouble understanding them.

5. CURRENT AND FUTURE SUBJECTS.

I hesitate to say what the functions of the modern journalist may be; but I imagine that they do not exclude the intelligent anticipation of facts even before they occur.
Lord Curzon of Kedleston

The author now turns to an activity which actuaries are reputed to excel at - namely crystal ball gazing - and discuss some of the subjects on which the profession will need to communicate an actuarial view.

Accounting for Life Profits.

As readers are well aware, this subject has been and still is being debated both within the profession and between the profession and the Association of British Insurers. Views on this subject differ between actuaries themselves and between actuaries and those accountants involved in life company accounting.

As yet, these differences have been confined to friendly discussions, at least in public, and nothing has yet been finalised. As such, journalists have not yet shown much interest in the subject and there is no clear actuarial view to communicate.

But as the time approaches for decisions to be taken, and the authorities such as the Inland revenue and the Department of Trade and Industry become officially involved, the profession will need to decide exactly what stance it is going to take and then communicate its position.

In that communications exercise, it should take heed of its experience with communicating its views on disclosure of expenses and not try to project a technical report - No layman understands the classical actuarial valuation method of ascertaining life company surplus anyway. Indeed, using the word surplus instead of profit could result in complete confusion. And the author doubts whether the layman would understand the accrual or any other of the proposed new methods either.

Whatever the view taken, the arguments should centre on describing what the method means in practical terms to both policyholders and shareholders - essentially is the method realistic and is the method fair? Above all, the profession will need to put forward its views strongly, but without turning it into an actuaries versus accountants controversy, otherwise journalists will concentrate on the dispute.

Whatever happens, the profession must avoid giving the impression that past methods of accounting have held back profits unfairly.

Europe.

Europe will be the major subject for the 1990s and beyond. Next year will be just the beginning of the harmonisation process. The profession has already issued its current views relating to mutual recognition, but with little response to date. This is a classic example of journalists not writing about an event well ahead of it happening.

So the profession should expect more articles on the subject of Europe to start appearing next year, when the magic date 1992 arrives.

As such, the profession should be making contact now, possibly on an informal basis, with those journalists likely to write on the subject. Again different approaches will be required for different journalists.

The personal finance writers will be more interested in UK life companies selling term assurance, savings and pensions to Europeans and vice versa. So the view communicated to these journalists should concentrate on the UK system providing higher returns. more sophisticated contracts and on the price of security for the investor.

The City editors and other financial leader writers are high powered writers on financial subjects, more concerned with banking and taxation than life assurance or pensions. As such the contacts should concentrate, at least initially on providing background material on the various systems, the strengths and weaknesses of each and the way in which the profession would like to see harmonisation develop to everyone's advantage.

It will not be easy to convince journalists that the UK system of supervision, which to the layman sounds quite lax is every bit as efficient as the European authoritative central control.

When the time for decisions approaches, then the profession should switch to projecting its specific views, having, hopefully, established a rapport with the journalists likely to be writing on the subject.

Financial Services.

The disclosure saga continues, with the Securities and Investments Board having to take a decision next year. The author's views on the subject were given in the June issue of *The Actuary*, but this does not mean that the present system of reduction of yields is dead, though it may need amending.

But once the profession has decided on its attitude towards disclosure, then it should communicate this attitude while there is, at least in theory, still some chance of influencing the Securities and Investments Board.

Once Sib has taken a decision, then the profession should accept that decision without question, rather than proclaim that the method of disclosure is unfair or unworkable or both and will cost the life assurance industry many more millions of pounds. This reaction will be projected forcibly by the life companies themselves anyway.

The profession should concentrate its attentions on what a change in Government would mean to the present financial services framework. The author cannot see a new Government leaving the present system unchanged.

Again, the groundwork should be taking place now ahead of the event, so that the probable Ministers in next Government are aware of the profession's views, not that they will take much notice if it does not fit in with their views.

State Pensions

Journalists in general paid little attention to the State pension scheme until personal pensions appeared on the scene. Then personal finance journalists, writing on pensions, became interested in those aspects of State pensions which impinge on personal pensions.

The current concern of such journalists is the level of the contracting-out rebate to apply from April 1993 and its effect on whether those employees who have contracted out of Serps will go back into the Scheme in April 1993. The author has already referred to the subject earlier in the paper.

In particular, if an age related rebate is introduced for contracting out through personal pensions, then there is a strong possibility many journalists will go completely over the top in writing their stories while still misinterpreting the significance of an age related rebate.

If there is an age related rebate then life companies could switch their marketing of contracted-out personal pensions from younger to older employees, simply because the average contribution for younger employees would be too low while the average contribution for older employees would be far greater than the current average contribution. So what would be the effects on occupational pension schemes?

Actuaries knew many years ago that the level of the rebate was due to be reduced in April 1993 on pure actuarial grounds of paying the cost of GMPs. But many life assurance intermediaries, in marketing appropriate personal pensions never mentioned this feature to their clients. Neither did some company pension scheme administrators when they set up company contracting-out money purchase schemes on a rebate only basis.

While it is the Government, and the Government alone, which decides on the level of the rebate, the profession has the opportunity not only to give its view, but to set out the consequences, actuarial and non-actuarial, of that decision. The Government Actuary cannot do this, at least publicly, but the profession can and should speak out.

The profession in formulating its view must be completely neutral in what it says, neither promoting a pro-life company view nor a pro-occupational pension view. It must present the facts as they are seen by the actuary as a technician, not as a life company manager or a pension consultant.

This conflict was present in the run up to the 1988 pension changes. The profession to its credit kept a neutral stance, but unfortunately this resulted in some very bland comments on the changes. As a result most journalists completely ignored what the profession had to say on those changes.

This time, the profession should spell out clearly what the rebate means or could mean and not be afraid to give warnings clearly on any possible consequences, if warnings are required.

To emphasise this point on the profession spelling out the consequences, one only needs to consider the current rebate level which was fixed at 5.8 per cent for political reasons, when the Government Actuary's calculations of the average cost of contracting-out resulted in a rebate of 5.4 per cent.

It was left to the National Audit Office to point out that this was one of the factors causing a financial strain on the National Insurance fund. In the author's opinion, the profession should have foreseen and spelt out the possible consequences at the time the rebate was announced.

The author hopes that the profession will not remain silent this time. If the Government does introduce an age-related rebate, then there is a golden opportunity for the profession both to explain what it means as well as give its views.

Looking slightly further ahead to the forthcoming General Election and beyond, the Labour Party has pledged to restore Serps to its former glory. Again this will be a political decision, but the consequences of that decision do concern the profession.

The rising costs of Serps in the next century were provided by the Government Actuary in the review by Sir Norman Fowler. Spokesmen for the Labour party have openly stated, at least to the author, that while there will be extra costs, these costs will be affordable because the various spokesmen all consider that the Government Actuary was far too pessimistic in his assumptions when making his calculations for the review.

Actuaries have always been divided in their views on the merits of the Pay-As-You-Go system of funding pensions. In particular, there is deep concern over the pensions bill which the present generation are presenting to their children and grandchildren.

So if there is a new Government next year and radical changes are made to the State pension system, with accompanying changes to occupational and personal pensions, then the profession has, in the author's opinion, a duty to speak out. Above all, if the professional reputation of the former Government Actuary is besmirched, then the profession must defend him publicly.

On the other hand, any changes to the State scheme will require a financial report from the present Government Actuary. The profession must examine that report and comment on it and not hold back if it considers it necessary to be critical of that report simply because it might embarrass the Government Actuary.

Most journalists will be looking for at least an explanation of the report. It will present the profession with the opportunity not only to provide that explanation, but to spell out clearly the consequences to our children and grandchildren. Above all, if the costs depend on a grandiose economic recovery, then this must be made very clear.

The author trusts that the profession will not miss this opportunity to project an actuarial view if such changes are made by a future Government.

With Profits Guide.

There were several parts of Hugh Scurfield's presidential address with which the author agreed 100 per cent, one part being his referral to the With-profits Guide and the need for the profession to be pro-active in making the Guide a useful information booklet to potential investors.

The author's impression is that life company actuaries were for the most part lukewarm over the Guide. As such the many Guides appear to have been produced for the sole purpose of conforming with the financial services regulations. The spirit behind the requirement of the Guide was that it should provide enough information in an easily understood form so that IFAs at least, without a research department to back them up, could judge the relative merits of with-profit life companies.

Even so, the author has been disappointed that his former journalistic colleagues have, to date, paid so little attention to the Guide, because even in its present form it contains useful information about life companies.

Within the next year or so, the actuaries, both users as well as producers of the Guide, will have had time to study the effectiveness, or otherwise, of the Guides. Then, the author trusts, the profession will both decide and communicate its view on the Guide and educate journalists as to how to use the Guide. The author hopes that in time the Guide will tear away some of the ignorance surrounding the with-profits system.

Readers will no doubt think of other subjects where the profession is involved or is becoming involved, such as long-term care - a subject which was just beginning to emerge in a serious manner by the time the author retired.

6. CONCLUSIONS.

I am not arguing with you - I am telling you.

(The Gentle Art of Making Enemies)

James McNeill Whistler.

The author in this paper has endeavoured to assess the character of journalists, who are the persons to be educated, to describe the manner in which they operate and to outline some of the subjects which the profession will need to communicate. He is now in a position to stick his neck out and set out his ideas on how the profession should go about communicating the actuarial view and influencing the media.

1. The main communications channel of actuarial information has been and will still continue to be the actuary in his everyday work. The journalist's first impressions of actuaries will arise when the contact is made during the course of the actuaries' day-to-day business. As such, actuaries ought to remember that such contracts are an opportunity not only to project their company and its business but also their profession.

This statement may seem altruistic, but actuaries in their business contracts with journalists are, usually unwittingly, preparing the ground on which the actuarial communication exercise will have to take place.

If journalists have through their contacts formed a poor impression of actuaries - they speak in jargon; they always hedge their statements; they do not understand the world outside of their profession - then communicating the actuarial view by the profession will be a hard and probably unrewarding slog.

2. The profession must be very clear as to what subjects it should formulate an actuarial view and what that view should be. As such, there needs to be a central committee to act both as a think tank to generate ideas and a clearing house to consider other peoples suggestions and as a monitoring body to check whether the work of the other committees is worth formulating and communicating an actuarial view.

The author is aware that this is being considered within the Institute, as to whether this role could be undertaken by the PR Committee. But such a function will require a certain amount of day-to-day operation which could only be handled by the permanent staff at the Institute. Indeed, it needs a person designated with the specific responsibility and able to contact the chairman of the PR Committee. The Faculty also needs to be closely involved in this function.

3. There is a need for liaison not only between the two professional bodies, the Institute and the Faculty but also with the various consultancy firms.

As stated earlier, all the leading firms of consulting actuaries and employee benefit consultants issue regular bulletins to their clients on a variety of subjects, both life assurance as well as pension topics, many of which are actuarial or have an actuarial content or implication.

Many journalists receive these bulletins and so have to hand an actuarial view on a variety of subjects but views that are specific to the firm producing the bulletin or even specific to the writer on the particular subject.

So the profession ought to continually liaise with these firms to keep in touch with their views and thinking. If the profession's view differs markedly from the view taken by actuaries in their daily work, the profession should be aware of that difference and handle it accordingly. As stated many times, journalists would highlight these differences.

4. Communication is a two-way affair. The profession needs to keep in touch with journalists to find out on what subjects they would be interested in an actuarial view and if the journalist is serious, to be prepared to provide that view.

Such a process may mean giving individual actuaries, possibly the chairmen of the various committees, a degree of autonomy so that they can provide views at very short notice without having its first cleared by their Committee or Council. This may seem radical, but if the profession is to have any chance of making an impact with journalists, then it needs to be able to provide quickly at certain times.

5. Senior, and not so senior, members of the profession need to meet journalists informally and regularly on behalf of the profession to build up those contacts and establish a rapport - one of the theme running throughout this paper. The author, in the final years as a full time journalist was highly impressed with both the knowledge and communication skills of many younger actuaries when he made constant use of their expertise.
6. Actuaries involved in this communication process must acquire the facility of communicating technical jargon in plain English and be prepared to take time and trouble explaining simple and self-evident facts to individuals new to financial journalism - another theme running through this paper.
7. Finally, the profession must be prepared for a long haul before any tangible results appear in as inform comment on actuarial views in the media. The profession must aim to achieve those conditions, so that when a journalist is writing an article - whether a news story or a feature that journalist (a) automatically realises that there is an actuarial input and (b) automatically contacts an actuary for the profession's view.

It is inevitable that the profession will make mistakes in this communication exercise. But it should not be disheartened, but remember the words of Seneca:

Even while they teach, men learn.

Seneca.

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