



SOCIETY OF ACTUARIES

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Letter From The President

BECOMING THE LEADING GLOBAL PROVIDER OF ACTUARIAL EDUCATION

BY BRADLEY M. SMITH

ONE OF THE MANY BENEFITS of both my commercial responsibilities at Milliman and my service as president of the Society of Actuaries is that I am able to travel extensively throughout the world. Recently I had the privilege of attending the Global Actuarial Conference in Mumbai, an extremely well-run and productive event. On the same trip I visited Riyadh, Saudi Arabia where Greg Heidrich, executive director of the SOA, Ken Guthrie, the SOA's managing director of education, and I visited with Mohammad Alshayea, director of Insurance Supervision of the Saudi Arabia Monetary Authority (SAMA) and his staff. SAMA is responsible for the regulation and oversight of the insurance and banking sector in Saudi Arabia. The insurance industry there has grown substantially in recent years and is expected to continue to grow for the foreseeable future. Consequently, SAMA's director is interested in developing a robust actuarial profession in Saudi Arabia. It is virtually nonexistent today. The discussion was very beneficial and we expect to continue to explore how the SOA can assist SAMA with the development of the actuarial profession there.

In our discussions, Mr. Alshayea stated that the insurance industry in Saudi Arabia is currently dominated by health and casualty coverages, representing more than 90 percent of premium revenue. This fact is very consistent with other developing countries where non-life coverages are the first to emerge as the citizenry enters the middle class. This is certainly the case in China where the sale of automobiles to the emerging middle class is exploding. The same is true in India. Consequently, the demand for actuarial talent in developing countries is initially focused on property-casualty insurance as other business lines like life and health insurance often follow by a few years. While this isn't a revelation by any stretch, this reality and the rapid changes in globalization we have experienced over the past 10 to 15 years offers significant and exciting opportunities for the SOA.

At its March board meeting, the SOA board reviewed preliminary work to revise its current 2008 – 2012 strategic plan. One of the plan's stated objectives is for the SOA, as the world's largest actuarial professional organization, to become the leading global provider of

actuarial education. Achieving this goal will be extremely difficult, if not impossible, if the SOA fails to provide education for all disciplines of actuarial science. The SOA is currently the only broad-based actuarial organization with a significant international presence that does not offer education in the full range of practice areas to achieve fellowship, leaving general insurance (property-casualty) related education to other actuarial organizations like the Casualty Actuarial Society (CAS), The Institute and Faculty of Actuaries in the United Kingdom, and The Institute of Actuaries of Australia. This void in the SOA curriculum is one of the primary motivating factors for inviting the U.S.-based professional actuarial associations to consider consolidation. Since I raised the concept of exploring consolidation last October, the CAS has made it clear on several occasions that it values its independence and has no interest in pursuing consolidation. It is apparent that, if the SOA is to meet its strategic objective of being the leading global provider of actuarial education, it must offer general insurance-specific education and examination to meet the needs of our growing member and candidate base outside



of the United States and Canada in service to developing economies.

Given this consideration to remain a key global player, the Board approved the creation of this new track after determining that including general insurance education will help fulfill this strategic vision. The first of the general insurance track-specific exams and e-learning modules is expected to be made available to candidates beginning with the fall 2013 exams. This exciting news was shared in an announcement sent to all members and active pre-ASA candidates who have taken exams or modules in the last two years.

In one way, this was an easy decision. The SOA couldn't meet its strategic objective if it did not offer a general insurance related curriculum. However, our relationship with the CAS is longstanding, one that has been beneficial to both organizations. In reality (and by law) we have always been friendly competitors, prompting some comments sent to the membercomms@soa.org email box to express concern at the idea of a more distinctly competitive relationship. Count me as one who falls in this camp. We have a long history of working together on a number of joint activities and look forward to continuing to collaborate with the CAS now and in the future. However, given

the incredible growth in the demand for actuarial capabilities globally, this business decision is important to the SOA's future—for our members and our candidates.

Organizations across the globe are facing risk management challenges that cross multiple disciplines and many of these organizations with international presence employ actuaries or use our consulting services. It is incumbent upon us to ensure we are equipping the actuaries of today—and tomorrow—with the knowledge and skills to address a full spectrum of risk management issues. Serving employers of our candidates, aligning our credentials and education system with the way businesses structure their risk management operations is the right thing to do. Ultimately, the SOA's creation of the general insurance track to fellowship offers employers a single, global source for the full range of actuarial talent and credentials they need and helps to broaden the knowledge set for all SOA members.

Are there risks involved for the SOA? Certainly. There is much to do in a relatively short period of time. There will be additional investment (losses) in the development of this capability, as the demand for SOA-provided general insurance education and examination related services ramps up. However, the bigger

risk is to not pursue this opportunity.

Consequently, this is a threshold issue for **Bradley M. Smith** the SOA. I have served on the board in leadership positions at the SOA for seven years over a 16-year period. This is by far the most strategic issue I have faced as a board member. I hope you will support this initiative to help assure its ultimate success.

The SOA will be hiring an actuary with expertise in general insurance and forming volunteer committees to be involved with the development of the curriculum and exams. If you are interested in contributing your expertise as a volunteer, I encourage you to contact Stuart Klugman, FSA, staff fellow—Education, at sklugman@soa.org.

We have already received thoughtful and wide-ranging feedback from members, candidates and employers. If you have not shared your comments and wish to do so, write to membercomms@soa.org or post a comment on the SOA blog.

Thank you for your support. **A**

Bradley M. Smith, FSA, MAAA, is president of the Society of Actuaries. He can be contacted at bsmith@soa.org.

The Entire Actuarial Tool Kit BY JIM MANGE

SOMETIMES AFTER LANDING my first full-time actuarial position at a life insurance company, I was visiting my mother. She set her automobile insurance policy down in front of me. "You're an actuary," she said. "Explain this to me."

Our *raison d'être*—the public—cares not whether we are life actuaries, health actuaries or general insurance actuaries; we are actuaries. In these financially-troubled times, we do ourselves and the public a grave disservice if we do not leverage all the tools available for managing risk. That means

educating our candidates and members about the entire actuarial tool kit, not just the tools of life and health actuaries.

But given our heritage, are we—the Society of Actuaries—ready to do that? In some ways, we already are. Exam C, one of our preliminary exams, prepares our candidates with many of the tools they would need to practice as general insurance actuaries. From its beginning in February 2006, the Fundamentals of Actuarial Practice (FAP) e-Learning course has offered basic education in general insurance pricing and

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