



SOCIETY OF ACTUARIES

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Point of View

ARE ACTUARIES PROFESSIONALS?

BY JAY M. JAFFE

IF YOU WERE TO ASK actuaries whether they are professionals, many, if not most, would quickly and possibly indignantly respond that, of course, we are professionals! If you were then to ask them why they are professionals, they would probably respond it's because we take tests, require continuing education (CE), and have associations that govern our conduct, or some other similar explanations. But the most important issue is whether the public thinks of actuaries as "true" professionals as compared, for example, to doctors and lawyers.

There are many ways to decide whether a group of workers are professionals. Among the most elementary tests might be whether mothers dream of their son or daughter becoming an actuary. I haven't heard of mothers having such dreams, although there are several families with multiple actuaries, thus proving that there is an exception to any rule.

Another possible criterion for being a professional is how we are educated. In the past most of us didn't obtain our basic knowledge of actuarial science in academic settings. Currently, the opportunity to learn actuarial science in an academic

environment is increasing, but this training is not sufficient to earn a professional title. For example, graduates from medical school earn the title of doctor, but graduating actuarial students do not automatically become recognized as actuaries either by their peers or the public (unless they have completed the requisite number of exams for membership in an actuarial organization).

SEARCHING FOR CRITERIA

For a long time I have been searching for a set of criteria that defines a professional so that I could assess whether actuaries are professionals or if they should be described in some other manner such as a trade or a group of very skilled workers. I think the motivation for my interest is more rooted in the prestige of being a professional than, say, concern that we aren't appropriately paid for our work.

I recently became acquainted with the writings of Ashish Nanda, a professor at the Harvard Business School, who addressed my question. Directly on point, one of Nanda's papers is "Who is a Professional?" This paper sets forth a framework for assessing who is and who is not a professional.

Nanda classifies actuaries as professionals along with the traditional professions (doctors, lawyers, engineers, etc.). But he also considers others, including hedge fund managers and management consultants, as professionals. It is intriguing to read Nanda's paper to learn the criteria he uses for determining who is and who is not a professional and to compare his criteria against the actuarial profession's characteristics.

According to Nanda, "professionals are a subcategory of service providers." He goes on to state that "service providers differ on two dimensions: (1) inference skill, the complexity of the inference process they use; and (2) service value, the importance of the service to client welfare."

What makes some services more valuable than others? Nanda points out that "the less externally observable is the service providers' inference process, the greater is the inference skill that clients attribute to the service providers." Since most people don't understand the underlying principles of actuarial science and/or perceive that actuaries utilize black

boxes to arrive at conclusions, using this criterion would seem to make actuaries very valued service providers.

SPEED AND IMPACT OF DELIVERY

The two factors that determine service value are the speed of delivery of the service and the impact of the delivery. For the most part, actuaries are not faced with needing to deliver our services instantly and almost never do we face (figuratively speaking) life-and-death situations. On the other hand,

Nanda further states that professional judgment requires both “mastery over a broad body of interrelated abstract knowledge and the ability to apply this knowledge effectively in particular circumstances.” Actuaries are regularly faced with making judgment calls. As actuaries gain experience, they should understand that applying “cookie-cutter” solutions to complex problems can lead to providing inappropriate and/or incorrect advice. As all professionals, we “earn our keep” when we use judgment to distinguish

train for a profession by learning the content of abstract knowledge in a didactic setting and the application of that knowledge in a practice setting.” No one would contend that actuaries don’t learn how to apply our learned knowledge in a practice setting. However, it doesn’t seem to be the case that we learn our abstract knowledge in a didactic setting.

Now, as is the case with all facets of our lives today, education and how it is delivered is a changing process. It may now be possible to gain abstract knowledge in non-didactic settings using new technology. Since its inception, the actuarial profession either has not had available or currently has not made a commitment to deliver basic education and training in an academic environment for all new entrants. Instead, the actuarial profession has relied heavily on structuring its own curriculum and examinations.

The historical methods used by the actuarial profession to deliver actuarial knowledge raise two questions: (1) do our continued reliance and nearly total governance of the study and examination processes best deliver the base knowledge actuaries need for working and competing in a progressively complex environment; and (2) is the present educational system the best way to increase the professional standing of the actuarial profession by the general public? If the answer to either of these questions is “no,” then the actuarial community needs to reconsider its present practices for educating actuaries.

RISE AND DECLINE OF PROFESSIONS

In another paper Nanda talks about how professions rise and decline. This discussion deals more with the operations of professional associations and their impact

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many of our clients can’t proceed without the input from actuaries. In fact, in many situations an actuarial certification or similar document is required in order to complete various types of submissions or transactions. To some degree Nanda might see actuaries as being technicians rather than professionals because many of our services have become a “necessary evil” rather than visibly contributing to making something better.

On the other hand, it is very important for professionals to use judgment. Here’s Nanda’s description of judgment:

Judgment is a deductive process of applying the understanding of abstract knowledge to a specific problem. Whereas learning by doing develops over multiple iterations of reasoning through exclusion, judgment is a one-time process of reasoning through construction.

between situations for which there is a discernible normal solution and ones which should be an exception to whatever rules or processes we’ve learned.

TIERS OF PROFESSIONALS

The body of actuarial knowledge has increased dramatically in recent years. As is the case with many professions, within actuarial science there are sub-professionals. Some of us work in life insurance while others specialize in accident and health (A&H), retirement programs, property and casualty (P&C) insurance, etc. The separation of a profession into smaller units is common when there is a need to master specific knowledge. For example, among physicians there are cardiologists, internists, dermatologists and many other “ists.”

One comment by Nanda that may not strengthen actuaries’ belief that we are a profession is his opinion that “individuals

on the degree to which the members of such associations are professionals. The central point in this particular paper is the need to put client interests ahead of self-interest. A group that operates mainly to foster self-interest will eventually lose its status, independence and clout, as well as the public's goodwill.

The opposite of acting out of self-interest is acting in the public interest. Actuarial bodies recognize the importance of acting in the public interest. It is a fair and continuing question to pose to actuarial associations whether they have done more than paid lip service to the commitment to act in the public interest. It would be very helpful for the public's view of the actuarial profession, as well as to aid our members' understanding of the profession's accomplishments, for actuarial associations to annually summarize

in a special publication how the various actuarial organizations have acted in the public interest during the past year. Explicitly showing how the profession has developed proposals or information for solving some of the most vexing actuarial-related issues facing our economies and societies would help the public to confirm the status of actuaries as professionals.

KEEP MOVING FORWARD

As discussed in this article, there are areas where the organizations leading and governing the actuarial profession could be more proactive in growing the public status of actuarial practice as a profession. Most of these opportunities will be long-term undertakings. But let's not let the length of the change process keep us from robustly embracing these and any other appropriate initiatives that will help to

increase the public's perception of actuaries as professionals. ■

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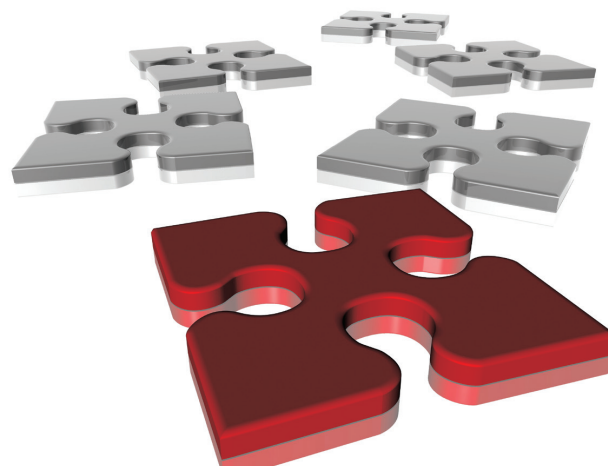
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