



SOCIETY OF ACTUARIES

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## Letter From The President

# THE FUTURE OF THE ACTUARIAL PROFESSION

BY ERROL CRAMER

**THE FOLLOWING IS AN EXCERPT OF SOA PRESIDENT ERROL CRAMER'S ADDRESS TO MEMBERS AT THE 2014 SOA ANNUAL MEETING & EXHIBIT.**

It never entered my mind 30 years ago, in 1984, when I attended the annual meeting as a brand new FSA, that I would ever be standing here as your incoming president.

I am honored and delighted at this new opportunity to give back to the profession, to the SOA, and to both existing members and to the future generation.

The SOA is a volunteer-driven organization. It is also a major educational institution, and volunteerism is what enables us to offer a prestigious professional credential at a tiny fraction of the cost of graduate school.

We are a true meritocracy—the SOA's door is open to anyone with the will and the intellect—in North America and worldwide. It may surprise you that we currently have 37,000 candidates in our education system, and that more than 20 percent of these candidates reside outside North America. It may also surprise you, or not if you are a member, that less than 10 percent of starting candidates eventually qualify with an FSA.

We are unabashedly rigorous and selective in our membership standards. Although we are selective, we are equally inclusive and welcome all without barriers to entry. I am happy to announce that the Board this weekend approved a new pilot program on diversity.

We are currently under-represented in the Black and Hispanic groups in North America and I would like to see the SOA partner with the International Association of Black Actuaries, and The Actuarial Foundation, among our other sister organizations, to promote in a meaningful way the actuarial profession as a career in those population groups.

One area where we are well-represented is the Asian population. Asia represents an emerging and fast-growing insurance market with a robust demand for actuaries.

There may be quicker and easier choices than the SOA pathway to becoming an actuary, but the SOA designation is known for its rigor and selectivity and recognized worldwide as a highly credentialed qualification. Our FSA is prized as a distinguisher.

I was at the East Asian Actuarial Conference in Taipei earlier this month and I was struck

by the commonality of insurance industry issues with those of North America and Europe, and was heartened to see the quality and high standard of actuarial expertise of our members in that part of the world.

In large part, the SOA, together with our equally well-credentialed colleagues at the Institute and Faculty of Actuaries, provide, I believe, a powerful positive influence on the actuarial profession in Asia and raise the bar for all.

The SOA is a major actuarial research institution, an area where volunteers play a vital role. It has been my passion to help advance the actuarial research function at the SOA, and I am heartened at the great strides taken over the past few years.

The SOA has significantly beefed up its research staff, adding a managing director and research actuaries in the retirement and health areas; it has signed major data access agreements with governmental agencies and partners, federal and state; it has established its reputation as a respected and unbiased public policy research institution.

And, it has established a major scholarship program for Ph.D. students pursuing careers in actuarial teaching and research. We



**Errol Cramer**

currently commit more dollars and volunteer effort to actuarial research than any other organization in the world, and I aim to keep significantly growing our meaningful and impactful research.

As Mark (Past President Mark Freedman) mentioned yesterday, SOA members represent approximately 40 percent of the world's actuaries.

But, the SOA is just one organization within the global community of actuaries. The International Actuarial Association, including approximately 100 member organizations, encourages the established actuarial organizations to provide expertise to the newer ones, and has a goal of maintaining a consistently high brand of the actuary globally. We applaud and support the work of the IAA. As one symbol of our commitment to the IAA, I am pleased to announce that the SOA has submitted a proposal to host their 2017 fall meeting in the SOA's hometown, Chicago.

The SOA is the largest actuarial professional body in the world and growing, and we have much to be proud of. The most valuable benefit we derive from the SOA is our actuarial certification, FSA, ASA and CERA, and my over-arching objective as your president is to protect and strengthen the value of our credentials.

Looking forward to my year as president, there are three areas I see as most impactful for the SOA and the profession, where I plan to focus my energy and be a driving force: First, we need to stay current and relevant. There is no excuse for lagging current best practices or being less than fully effective in meeting today's challenges. We live in a world of accelerating change. The age of computers and the Internet brought us new technologies at nanosecond speed.

But, that's old school.

The digital revolution with its mobile connectivity and live data streaming is the new paradigm, and its new buzzwords are big data, data analytics and predictive modeling.

Second, we are a global profession and need to be properly prepared in this role. The actuarial profession is global and the businesses we consult and work in are often multinational and cross borders. Regardless of your current employment and location, everyone here is operating in a globally connected world. The SOA needs to be global both in a geographic sense, and global in covering all areas of actuarial practice.

Third, we need to be responsive to societal issues.

Societies are becoming increasingly more complex and expect solutions from well-educated experts.

Professions are defined in terms of the public good they serve, and as actuaries we have the expertise to help address financial issues people care about, including health, wealth, retirement and property protection. Doing so enhances our credibility and relevancy, and it's our duty as an actuarial profession.

I'd like to discuss briefly each of these areas in turn.

## **STAYING CURRENT**

Data analytics is a nascent field with enormous potential, and an area where we need to stake out our claim early. IT specialists and data scientists are in heavy demand, but the biggest unmet demand is for business application specialists. Our training enables us to be these business specialists for the industries we serve.

There is a parallel here with risk management where pioneers led the way to a new track of enterprise risk management, or ERM, with the CERA designation. We need to leverage the work of our pioneers in data analytics to the broader membership.

Our rigorous education system is core to our brand. This year the SOA began a new strategic initiative, the Learning Strategy, aimed at developing our future for actuarial education and credentialing. The Learning Strategy is not another look at university accreditation or an exam exemption system. Instead, it is intended to identify best practices in adult education, now and in the foreseeable future.

One aspect of this review is the continually evolving role of the actuary with de-emphasis on technical and production skills, as technology advances, and with emphasis instead on higher-level professional work. Actuaries with the ability to think strategically, act tactically, network and communicate will thrive. Business acumen and leadership skills need to move from "nice to have" to a core requirement.

## **TURNING NOW TO GLOBALIZATION**

The Board just approved a new strategy for strengthening our commitment and value to our members in China. Concrete actions include targeted professional development events, joint research projects and enhanced volunteer opportunities. Also, we will build our relationships, most importantly, with the China Association of Actuaries, but also with employers and universities. We will hire our first new staff member located in mainland China. The China Strategy serves as a springboard in creating a larger regional community for all our Asia Pacific members.

Turning now to Latin America, interest has been expressed by U.S. multinationals operating there, and by academics and students, to support growth of the profession in those countries.

The SOA has begun a review of the potential development of the profession in Latin America focused particularly on countries such as Panama, Chile, Brazil, Columbia, Argentina and Uruguay. Recommendations will be delivered in 2015, and I look forward to working with our Board to craft a Latin America strategy.

As you may be aware, the Institute and Faculty of Actuaries, one of our closest partners in the world, recently launched its Certified Actuarial Analyst designation, which is a three-year study and work diploma for those performing actuarial support functions. One target group for the CAA diploma is workers in countries with emerging insurance industries. The SOA has formed a task force to evaluate the implications of this for the SOA. As part of our globalization, our general insurance (GI) track is in place, and we now offer a comprehensive syllabus in line with the actuarial profession of the rest of the world. I look forward to congratulating the first FSAs of this track in 2015!

The Institute and Faculty of Actuaries has evaluated our GI track and found it acceptable for exam credit under our mutual recognition agreement, as it has for our other tracks, and we are now working to get evaluation and acceptance of this track by the U.S. regulators.

## THE NEED TO BE RESPONSIVE TO SOCIETAL ISSUES

Mark spoke yesterday about the SOA's public policy research program to educate and inform the public and decision makers, and

to do so in an unbiased, objective and non-partisan way.

Wherever possible, I'd like to see us leverage our resources by partnering with other research-centered organizations, such as LIMRA or MIB Group; with government partners such as the Pension Benefit Guaranty Corporation, our new Regulatory Research Advisory Council, or with other actuarial organizations such as the Canadian Institute of Actuaries, the Institute and Faculty of Actuaries, the China Association of Actuaries, and the Academy.

The SOA has many research activities already underway, but the opportunities for good new research are abundant and I think there is more we can do. For example, our aging population is faced with planning for and managing the complex needs of retirement in a post-defined-benefit world.

Others are doing research here—Nobel economist Robert Merton is searching for simplified rules for individuals to manage toward units of income replacement rather than asset accumulation; in Canada, they are introducing enabling legislation for hybrid defined-benefit and defined-contribution plans, and in the United Kingdom, there is research into longevity and into behavioral aspects of plan participants.

Other examples are in the area of national retirement systems, evaluation of the impact of the Affordable Care Act in the United States, and in our new specialty area of general insurance where we have just begun to work on research projects.

I've covered a lot of ground in a short time. My intention has been to show you a few of the initiatives and programs the SOA is working on. Even more important, I have

wanted to give you a view of my priorities and where I think we need to take our profession.

As we pursue these priorities, I want to assure you as well that I am reaching out to all of you, to our sister actuarial organizations here and around the world, and to all of our stakeholders in a spirit of openness and cooperation. I want to work with you to move our great profession forward, for the benefit of all our members and students, but more importantly for the benefit of the public and the world in which we live.

We have a lot to be proud of. We are members of the largest professional actuarial society in the world, carrying credentials that are a mark of distinction wherever actuaries work today. Our profession is respected. It is known for its integrity, rigor and intelligence and trusted to work on some of the most difficult issues facing humankind.

The SOA is on the right path. We are protecting and enhancing the value of our brand and of actuaries globally. We are building in our members the skills that are needed today and in the future. We are a global organization in a global profession, offering our credentials in all parts of the world and covering all actuarial disciplines. We are the world's leader in actuarial research and are continually strengthening those capabilities. I am excited about the challenges and opportunities ahead and ask you to join me in this work!

Thank you. 

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