



SOCIETY OF ACTUARIES

Article from:

# The Actuary Magazine

December 2013/January 2014 – Volume 10, Issue 6

## Letter From The President

# IF WE WANT TO STRENGTHEN OUR PROFESSION, WE CANNOT SIT STILL

BY MARK J. FREEDMAN

**THE FOLLOWING IS AN EXCERPT OF SOA PRESIDENT MARK J. FREEDMAN'S ADDRESS TO MEMBERS AT THE 2013 SOA ANNUAL MEETING & EXHIBIT.**

What I like is that whenever I come to an SOA meeting, or for that matter, run into any other SOA member, even if I never knew that person before, something special happens. Tara Hansen, a colleague of mine at Ernst & Young, explained this to me a few months ago and I think it's true.

If you're an actuary, when you walk around your community, most people don't really know who you are or what you do. But, when you walk around an event like this, you're surrounded by people you know who have a unique and common experience. You have an instant connection just by being an SOA member. First, you ask where he or she works and within about 10 seconds, you generally find someone you both know. And then there's always the discussion around bad exam experiences. You know what I mean.

This leads me into explaining the real reason I served on the SOA Board and ran for president. I want to serve this room full of people who have been so great to me and who shared this experience with me over all these years. This is a party I'm proud to be invited to and I'm thrilled to be host for the next year.

Now I want to address a question many actuaries have asked me over the past year. They ask: "Why can't we just keep doing things like we always have? Demand for actuaries is good. Salaries are high. Why mess with a good thing? Let's just make our exams tougher (because we all know they've gotten easier over the years). We should just concentrate on that, keep our focus on the United States and Canada, and yes, we should also have some continuing education, but let's do that cheaper."

If we go down this route, the SOA won't need a marketing or communications area. No staff fellows. No head of education. We'll just use volunteers for everything. No international

area. No strategic initiatives, because we wouldn't need a strategy. All we would need are high barriers to entry, lower dues and cheaper continuing education events.

In the short term, we'd be successful in accomplishing what we wanted. But in the long term, this simplistic approach would be disastrous.

- North American insurance companies will continue to consolidate and foreign companies will buy some of them.
- Defined benefit plans will continue to shrink.
- Actuarial jobs will continue to be outsourced offshore.
- The demand for actuaries would eventually fall short of the limited supply and the public would view us as soon-to-be-extinct dinosaurs.



**Mark J. Freedman**

- We would lose risk management jobs to non-actuaries and we would even lose some of our jobs to economists, like Zanny Minton-Beddoes, our keynote speaker.

If we want to strengthen our profession and SOA credentials, we cannot sit still!

We cannot be satisfied with protecting our turf and perpetuating the status quo. We need a well-thought-out strategic plan with strategic objectives and strategic initiatives supporting those objectives. We need a balanced plan that focuses not just on the supply side of our profession and maintaining the quality of the actuarial credentials, but on the demand side as well to increase the opportunities for and relevance of actuaries in the future.

Last year, I was fortunate to lead the SOA's effort in updating its strategic plan, and I think what our task force and ultimately the board came up with was terrific.

What I am going to speak about now are the three top priorities we need to address as an organization, in light of our new strategic plan, and what I'm going to concentrate on during my year as president:

1. International development,
2. New opportunities, and
3. Research supporting public policy.

**INTERNATIONAL DEVELOPMENT**

My first priority is international development. All over our new strategic plan you will see the word "global." Why is that? Aren't we a U.S. organization? The answer to that is a resounding "no."

If you looked at us several years ago, you could have said that we're a North American organization, as Canadians have always made up a large percent of our members.

And of course they still do. Canadians make up 18 percent of our members.

Look around you. Fourteen percent of our members are from outside North America and this is by far the fastest growing segment. In the room today, we have over 100 meeting attendees here from countries outside the United States and Canada, from places like

China and Singapore, Hong Kong and Brazil, Mexico and Barbados.

Our president-elect, Errol Cramer, was born and educated in Durban, South Africa. New board member John Robinson grew up in the Caribbean and new board member Genghui Wu now lives in China. Sue Blank, another board member, now lives in Japan. Five of our 10 largest examination sites are in Asia.

We are not "becoming" a global organization. We already are one!

The primary reason we need to think strategically about the global landscape is to serve all of our members, wherever they are in the world today and wherever they may find themselves tomorrow.

How does globalization impact you, even if you reside in a North American job? Economies are global. We need to understand factors

impacting economic issues around the world in order to do our jobs better.

I spent time over the summer speaking with local actuaries and government officials in Asia, and I can assure you, health care and pension issues are not just priorities in the United States. Government bodies around the world also need to consider how much publicly provided health care they can afford. China established a contributory pension

system for urban workers in 2011 covering 280 million people. They expanded to rural workers adding another 460 million.

While pension actuaries do not normally work across borders, increasingly our international members will require research and education for the systems they support.

Investments are global. Acquisitions occur daily.

**GLOBALY RECOGNIZED CREDENTIAL**

On both the buy and sell side of things, it is vital that the SOA provide actuaries with a globally recognized credential. If you're the chief actuary of a North American company, don't you need to understand issues abroad in case your company ever wants to expand internationally? And if your company has actuaries in a foreign location, wouldn't you feel more comfortable if the SOA trained those actuaries? And if you're working for a life,

## We cannot be satisfied with protecting our turf and perpetuating the status quo.

health or P/C insurer in North America that a foreign company just bought, wouldn't it be easier for you if that company already had several SOA members in its management?

Demand for actuarial services is rising outside of North America. That doesn't mean that the SOA should conquer the world. The SOA needs to be smart and practical in this regard. For example, it might not make sense to develop an SOA presence in India, since the Institute and Faculty of Actuaries helps

## The actuarial profession has many challenges. Some of our traditional markets are either static or shrinking. Yet at the same time there are opportunities.

serve this market effectively. Taiwan, on the other hand—where the SOA already has a critical mass of members and candidates—is a natural partner. And in a country like China, with a fast-growing middle-class and already a high number of SOA members, there is also a natural relationship.

A fast-growing middle class means a fast-growing insurance sector and growing national demand for actuaries. The SOA needs to continue to explore these types of relationships in order to help grow leaders in our global actuarial profession.

Now that we know why we should expand globally, I'm going to initiate ways to get it done.

- We need to actively market our credentials to candidates and universities in those countries.

- We need to develop basic education that's more nation-specific, recognizing the fastest-growing markets in those countries, including areas like property-casualty insurance.

- We need to offer continuing education so knowledge never falls behind the ever-changing global landscape.

- We need to sponsor and publish research in the countries we serve.

- Finally, we need to provide all of our members—across the globe—with networking opportunities and knowledge sharing.

In many cases, it will make sense to work with other national actuarial organizations to accomplish these goals. And we've started to address the needs of our growing international membership already.

For example, we've started to deliver education directly to our members around the world in formats like the recent IFRS and GAAP seminars in Hong Kong and Taipei. We offer examinations in 46 countries around the world. But we need to do more. By pursuing these strategies in the global market, we'll ensure a strong global actuarial credential not just for members in other countries, but for you and me too.

### EMERGING OPPORTUNITIES

The second priority I will address as president is how we can capitalize on emerging opportunities.

The actuarial profession has many challenges. Some of our traditional markets are either static or shrinking. Yet at the same time there are opportunities. Just last month, I was speaking with a new fellow at the Valuation Actuary Symposium. He claimed that the rapid pace of regulatory reform—things like health insurance reform in the United States and changes in insurance accounting under U.S. statutory, GAAP and IFRS—could generate a “full employment act” for actuaries for the next five to 10 years.

This occurred recently in Europe as Solvency II implementations for insurance companies strengthened the market for actuaries across the continent. And to a certain extent I agree this could generate a full employment act.

But a major challenge in seizing these opportunities is how we maintain a continuing relevance after we complete the implementation work. In order to do that, we need to contribute to the core business needs of our employers and clients and not just support their regulatory compliance.

Just as important as taking advantage of natural opportunities as they occur, we need to create new opportunities and find new areas of practice. We have done this in the past. For example, we've done a terrific job in jumping on the health insurance opportunity. Nine hundred attendees at the SOA health meeting in Baltimore—that's an incredible number! Some years ago, the SOA also set up an investment track and

we now have many members in that area of practice.

The same goes with risk management.

Many actuaries have assumed the roles of chief investment officers and chief risk officers with our more traditional employers. At the same time, we need to expand into non-traditional fields. An opportunity here might be business analytics.

As Tonya (Immediate Past President Tonya B. Manning) mentioned in her speech at the general session yesterday, the new buzz word in business today is “big data.” Our traditional employers are increasingly talking about “big data” as well. For those of you who either read the book or saw the movie “Moneyball,” you’ll know what I’m talking about.

The SOA recently had a strategic initiative in this arena and created a substantial amount of research, but we have to take this further. Yet another possibility is banking. Actuaries in Australia and South Africa have made a successful move into banking. We need to try to replicate these types of successes.

## RESEARCH AND PUBLIC POLICY

My third priority as president is research to support public policy. Health care reform, social security and public pensions are in the news every day. The question is whether we’re doing enough to help in the public debates.

The SOA is primarily a research and educational institution. But keep in mind, as actuaries, we are professionals. And the core of our duty as professionals is to serve the public. The natural way to reconcile

this is that we need to educate and provide research to policymakers and regulators on public policy issues.

I’ve had this conversation with a number of our members and sometimes the reaction I get is “Wait a minute. That’s for other organizations, like the American Academy of Actuaries, to do.” My answer is that I’m not interested in arbitrary boundaries and the political structure of our profession—and our employers and the public don’t care about this either.

What I’m talking about is maximizing the power of all the resources we have as actuaries.

In some cases, organizations, such as the Academy, will be the channel through which we deliver our message to the public. In other cases, we might perform joint research projects with other national and international organizations. And there might be times when the SOA may need to deliver the message itself.

The worst thing we can do is to leave important public policy research on our shelves.


We must be an integral party to the discussion. I plan to make research to support public policy a priority, due to the important lesson we learned during the financial crisis.

We were extremely busy in our day jobs keeping our clients and employers from imploding. In the frenzy, we were largely silent when it came to communicating to the public. We wondered why no one in the media or government asked what we, as actuaries, thought about the financial crisis.

It is time for the SOA to be ready and at the table with timely research for public policy issues and events shaping the way we, our clients and employers conduct business.

In conclusion, I encourage all of you, as you go back to your business of being an actuary, to remember the priorities I laid out this year for the Society of Actuaries. Remember to think globally—how does your work and education impact the broader world around you? Think about emerging opportunities and keep a dialogue open with the SOA and with me as you identify those opportunities. And finally, consider how public policy issues and current events shape our world and in turn how we can educate policymakers and regulators so they can shape the solutions to those problems and take advantage of opportunities.

In closing, I look forward to working with all of you and realizing these priorities in the year ahead.

Thank you. 

---

**Mark J. Freedman, FSA, MAAA**, is president of the Society of Actuaries. He can be reached at [mfreedman@soa.org](mailto:mfreedman@soa.org).