



SOCIETY OF ACTUARIES

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## Letter From The President

# MID-YEAR REPORT

BY ERROL CRAMER

**AS I BEGAN** my term as Society of Actuaries (SOA) president last October, I talked about three main challenges we face:

- **Staying relevant**—we can't allow ourselves to lag in best practices and we must find new opportunities for actuaries;
- **Being globally connected**—individually and as a professional society; and
- **Being responsive to societal issues**—as professionals, we have a duty to serve the public where we have the knowledge and skills to help solve financial issues that affect society.

In May, I completed a couple of round-the-globe trips that included our biannual meeting of the North American Actuarial Council (NAAC), which is a tri-national meeting of leaders from the U.S., Canadian, and Mexican actuarial societies; a meeting of the Council of U.S. Presidents (or CUSP), which I chair this year; meetings in China with our members there, as well as with the China Association of Actuaries, the SOA China Region Committee, and other industry, research and academic organizations; the

U.K. Institute and Faculty of Actuaries (IFoA) first-ever Asia Conference; and the Actuaries Summit meeting of the Institute of Actuaries of Australia.

I think you can tell—from that itinerary alone—that the SOA is well-connected and

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we are reaching out to others in a variety of ways.

Although we are a U.S.-based professional actuarial organization, and the large majority of our membership lives in the United States, we do operate in a global world as a globally recognized credential. The SOA was started more than 125 years ago as a bi-national organization, a society rooted in the United States and Canada. Over time, we've demonstrated to the world the rigor and quality of our credentials. We offer one of the world's "high credentials" in actuarial science, I believe the equivalent of a Ph.D. Students

and employers all over the world seek us out for our expertise.

As a young actuary in South Africa, I took the British exams that were commonly used in my home country, and I had a lot of pride in being a member of the IFoA. Immigrating

to the United States over 30 years ago, the SOA's reputation was enough for me to take all of the exams needed to become an FSA, although I'd already nearly completed my U.K. fellowship, and I was equally proud to be a member of the SOA.

In my recent meetings with our members in China, I was struck with how they regard their SOA credential as an elite qualification, and how fiercely loyal they are to being part of our organization.

We've grown to become the largest actuarial professional society in the world, representing about 30 percent of all the fully qualified

actuaries within the International Actuarial Association's (IAA) member associations.

### STAYING RELEVANT

Actuarial work is intellectually challenging, respected, and, often, financially lucrative. Being an actuary has just been named, once again, one of the "best jobs" in America, and many intelligent young people are attracted to our profession.

But actuarial work is still largely concentrated in its traditional practice areas and traditional employers. Here in the United States and

Canadian Institute of Actuaries (CIA) on the actuarial talent study from the Economist Intelligence Unit. This study explores the current state of the market in the United States and Canada, the key drivers for demand and supply, and the outlook through 2020.

While we see continued steady growth in demand for our skills in traditional areas, we also see a more rapidly growing supply of new actuarial students from our universities, some shortages of mid-career actuaries, and ebbs and flows in near-term growth rates for

A senior actuarial recruiter serving on the Employer Council told us that many, if not most, of the new job listings her firm gets today ask for data analytic skills and seek people to work in this area. If we don't enter this field in an organized and effective way, we will be left out, plain and simple.

As you can imagine, we're working on this area. Early next month, our Learning Strategy Task Force will present its recommendations to our Board of Directors. I hope—and expect—they'll bring us ideas for how we can help actuaries successfully move into this field. I trust their recommendations will be ambitious.

Our Opportunities for Actuaries initiative is also focused on this issue. They're currently preparing recommendations on an employer awareness campaign aimed at the predictive data analytics field. Our team is working with a successful business-to-business marketing agency to gather relevant research and plan a campaign that I hope we can begin soon. Again, the recommendations must be aggressive. Rest assured that I will keep you updated on their progress.

Penetrating the data analytics field is an equally important issue for our sister actuarial organizations. This discussion is a potential topic for the next NAAC meeting—which I will chair—exploring a joint effort to promote actuaries' skills within this field.

The Opportunities for Actuaries group is also working on some interesting pilot projects. They've been reaching out to a group of "promising candidates," those who passed multiple SOA examinations, but chose not to continue on to a credential and are not today part of the profession. We think these

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in Canada, we have not yet moved in any significant numbers beyond those traditional areas, although actuaries in some other countries (Australia, South Africa and Mexico, for example) have or are doing so.

So, as long as our traditional roles continue to grow fast enough to give all of us expanding opportunities and to offer job opportunities to the young people attracted to our profession, perhaps this would be fine. But we all know that's not likely to happen in the real world. Industries and practice areas grow, but sometimes they shrink. Work that was in demand a decade ago may no longer be needed. Techniques or methods we used five years ago won't keep us competitive today.

Recently, the SOA partnered with the Casualty Actuarial Society (CAS) and the

different specialties. For instance, property/casualty (general insurance) and the health care fields are likely to grow the most rapidly.

Perhaps most importantly from the study, we continue to see employers emphasizing the critical importance of business and communication skills. All actuaries must be technically competent and the real differentiator then will be business acumen.

When I began my term as president, I emphasized our need to become involved in the rapidly growing field of data analytics. At the SOA's Employer Council meeting several months ago, senior employer representatives emphasized the need to move into this area aggressively, and soon. Jobs are being created, including those in many of our traditional employers.

candidates' experiences—where they're working today and why they chose not to continue the actuarial pathway—can give us important information on professions or fields that value actuarial training.

Our team is also looking at ways we might encourage or sponsor the creation of internships for young or aspiring actuaries in the data analytics field. If we can start some pilot programs, employers can get important learnings about the value to their business of actuarial skills and we can learn how best to bring actuaries to this developing industry. We've just received from our first analytics employer an agreement to sponsor an actuarial intern this summer for this pilot project, and we're very excited about that. Again, this effort is focused on gaining new learnings about what would make actuarial skills particularly valuable for an analytics firm.

### CONNECTING GLOBALLY

At the start of my presidency I also spoke about the importance for the SOA, and our profession generally, of becoming more globally connected. The SOA's membership and candidate base is international today and becoming more so.

Tying together this discussion about international efforts, I am proud to welcome Ann Henstrand to the SOA, as she is our new senior director of international. She worked in senior international and government affairs roles for the ACORD Corporation, a major U.S. insurance industry organization. She is responsible for coordinating the SOA's international activities and serves as a member of the SOA's senior staff Executive Team. In addition to leading our international



strategy, she will also manage our relationship with the IAA.

As I mentioned earlier, in May I attended meetings in China with the China Association of Actuaries, Insurance Institute of China, Insurance Association of China, and the China Beijing Insurance Research Institute. These are important conversations that build our relationships and help us do a better job of serving our members and candidates in China.

We are working to obtain an official license for the SOA in China, which will allow us to open an office, hire staff, and become a more established presence there. Many other U.S.-based professional associations have done this and the IFoA took this step a year ago. This work is an important advancement to provide services locally for our members, and current and potential future candidates. We've also begun implementing a new Latin America strategy. We want to achieve two immediate goals: 1) establish relationships with actuarial professional bodies, universities, and possibly regulators; and 2)

determine if there is a helpful and effective role the SOA can play in the region for the long term.

We're exploring possibilities in Brazil, Chile, Colombia and Argentina. We're unlikely to see significant numbers of new FSAs in this region for many years, but the SOA may be able to play an important (and perhaps even indispensable) role in encouraging the growth of the actuarial profession in this region.

We are also working with the IAA on several projects that show our commitment to collaborative global action. We're beginning to plan now for the IAA meeting that the SOA will host in Chicago in the fall of 2017.

Also at the IAA's recent meeting in Zurich, I—along with Bob Miccolis, president of the CAS, and Jacques Tremblay, president of the CIA—brought forward a joint proposal for a State of the Profession Survey, to be conducted with individual actuaries around the world. If pursued, Bob, Jacques and I believe this research could deepen the global profession's



collective understanding of the issues our members face and how we can better serve them and the public in the future.

I was very pleased to see support for this project from over 20 different actuarial societies around the world and look forward to getting it underway.

I returned to Beijing in late May to participate as a guest of the IFoA at their inaugural China actuarial symposium, and then traveled to Melbourne for the biennial conference of the Institute of Actuaries of Australia and visited members and students in Hong Kong.

I cannot stress enough how important these visits are to building bridges we can use to support the global development of the profession.

### **RESPONDING TO SOCIETAL ISSUES**

I also spoke at the onset of my presidency about the importance of making an actuarial contribution to addressing social needs. This is the

primary way in which we can serve the public and, I believe, is a duty we have as actuarial professionals.

Shortly after our 2014 SOA Annual Meeting, the SOA released new retirement mortality tables for the first time since 2000. These tables (RP2014)—and the research that supports them—are an important contribution toward retirement security for millions of pension plan beneficiaries across the country.

The impact of these new tables is great, with trillions of dollars in retirement funds. Any change has a magnifying effect, and a number of major plan sponsors have announced significant increases in plan liabilities and additional funding contributions to their plans. As a result, there has been considerable industry and public interest in the new tables, and we are working with providers of pension data—industry and public agencies—to enhance our data collection and speed at producing future pension tables.

Further, we're continuing with new research initiatives related to the health and retirement practices.

We're nearing completion of a data access agreement with the Financial Services Commission of Ontario under which we will be able to access important government retirement plan data from across Ontario for research purposes.

We're also beginning to make good use of the new health claims data agreement with the state of Kansas.

Earlier this year, our managing director of research, Dale Hall, gave a presentation to the National Association of Insurance Commissioners' annual National Tornado Summit, providing initial findings on utilization of emergency medical services in the aftermath of major storms in Kansas. This research, which was just a beginning of our work in this area, demonstrates the power of actuarial analysis to bring new insights to old problems. It also demonstrates the power we can gain by combining traditional health actuarial techniques and data to issues more commonly studied by casualty actuaries in the United States.

Finally, at the spring NAAC meeting, Steve Lowe, CAS president-elect, and others, presented findings from the joint work we've been doing with the American Academy of Actuaries, the CAS and the CIA to develop a new Actuaries Climate Index. Steve led an excellent presentation and discussion of this topic that clearly demonstrated how much progress has been made through this research. This "index" will provide a variety of trend data to evaluate changes in volatility and extremes of weather. While we're not yet

ready to release the work, I'm very excited by the direction it's taking and look forward to continuing collaborative work with our partners on the project.

Finally, I'd like to turn to two themes driving much of our efforts this year.

### COLLEGIALITY AND COLLABORATION

As I mentioned, I returned to Beijing in late May to attend a conference sponsored by the IFoA. This is important in its own right, but it illustrates a larger principle and theme at work.

Some might say the SOA competes with the IFoA. Clearly, students in many parts of the world, particularly Asia, have a choice between obtaining their credentials from the SOA or the IFoA. Both are good choices, representing the pinnacle of actuarial education and credentialing. At the same time, we are professional colleagues and collaborators with one another in the development of our profession globally. In inviting me to attend their inaugural symposium, the IFoA noted that the SOA probably has the largest membership in Asia of any actuarial organization. It was important to them to reach out to us and to have our presence at this signature event. They also asked us to help market the event to our members and we have done so. Our profession will better develop, our employers will be better served, and the public will benefit more when we work well with our sister organizations around the world even when—perhaps especially when—we also compete with them in a collegial way.

Secondly, we are also beginning to explore opportunities to serve and work

in Latin America as I mentioned. SOA President-Elect Craig Reynolds recently traveled to Mexico City to discuss our views and outlook on this region with our colleagues and counterparts at the Colegio Nacional de Actuarios (Colegio), Asociación Mexicana de Actuarios (AMA), and the Asociación Mexicana de Actuarios Consultores (AMAC).

It is important that we seek out, listen to, and respect the views of these colleagues who live in the gateway country to Latin

I'd like to illustrate one final example of collaboration. Again, I've mentioned the meetings I completed with NAAC and CUSP. These are important efforts that help us build strong, collaborative relationships with our other U.S.-based and North American colleagues. We rotate the "chairmanship" of CUSP each year, and this year I'm very pleased to serve as the chair.

We use these meetings to update one another on important initiatives in our organizations, discuss possible risks our profession faces

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America, who have a strong and thriving actuarial profession in their own country, and who may wish to work with us to promote the profession throughout this region.

I've already mentioned the new research we are jointly pursuing with the CAS, Academy and CIA at the IAA. As a third example—also at the IAA—the SOA leadership commonly conducts a number of "bilateral" discussions with leaders of other actuarial societies. At this meeting, we held for the first time a discussion with our colleagues from Germany. While we do not have many members or candidates in Germany, we have important issues in common with our German colleagues and it is very important that we reach out to discuss issues of common concern, to understand others' views, and learn from them.

and what we can do about them, and work on improving the relationships among the professional societies.

The theme, then, that I want to point out here is that we must pursue the initiatives I've outlined—to remain relevant, to be globally minded and to address societal issues. We must do this in a way that is collaborative and collegial; that is built on dialogue, respect, and a desire to understand one another. I am pleased to report that we are doing just that, and I am equally pleased by the initial response we've received to these efforts.

### LISTENING

In addition to collegiality and collaboration, it is important to listen. The SOA recently announced the start of new Listening Tours. This effort is intended to create opportunities for the SOA, our leadership

and staff, to hear directly from you, our members, about the issues you face, the issues you want us to address, and the SOA strategy and directions generally.

This is important for a variety of reasons. Any professional association can only be as strong as its connection to its membership and its stakeholders. We are also beginning a new strategic planning process, intended to update the strategic plan for the years 2017–2020, and it's important that we hear your views as part of this.

We have already begun this effort. We have a team of eight Board members, including myself, who are conducting these

events. Also, we've launched a new Plain Talk communication vehicle that provides me with opportunities to write letters to you to address important issues.

We have started conducting Listening Tour events across the country and in several different formats. Some of these are larger events; some are small dinners; and some may even be one-on-one conversations. All tours are characterized by two things—open, direct discussion and listening. We want to reach all practice areas, all geographies, and all types of employment situations. We've begun the 2015 Listening Tour already, and I have high hopes for this effort. I want to see it become the way we do business. A legacy

I hope to leave from my term in office is that we will make this type of direct, personal connection and communication between a wide group of your leaders and members the way we do business.

I am a passionate supporter of the 2015 Listening Tour, and I hope to see it become the “2016-and-beyond” way we do business. The issues are too important and the opportunities too great for us to do anything else. **A**

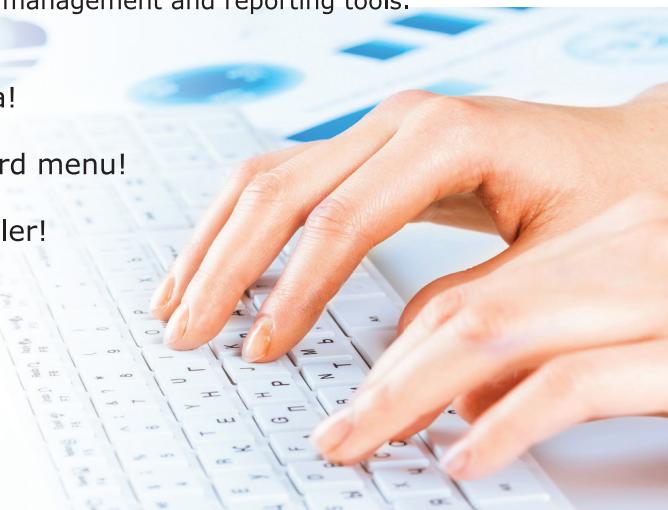
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