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From the Chairperson Growth of the Actuarial Profession - What About Demand?

by James Ramenda

Go to any gathering of the life actuarial profession and you will hear that we are a growing profession. Over the past five years, FSAs have increased at an average annual rate of 3.9 percent, reaching 13,118 by November of 2010. Adding ASAs brings the total to 21,726, with a corresponding five-year annualized growth rate of 3.4 percent. These growth trends are clearly above the developed world's long-term real Gross Domestic Product (GDP) trend line and certainly well above the convulsive GDP growth statistics of the past five years. But calling us a growing profession on this basis only addresses the supply of actuaries, not the demand.


The Entrepreneurial Actuaries Section (EAS) is in early discussions with other sections and the SOA staff to develop some measure of future demand. The preliminary thinking is to ask the various section leaderships/memberships to estimate future demand for their respective areas of practice. There are a lot of potential directions for this type of project. Here are some ideas at a very conceptual level:

1. What is the overall growth outlook in the underlying business for a given section or area of professional practice?
2. Will this growth require commensurate/greater/lesser growth in the number of actuaries?
3. What about the level of actuarial expertise, e.g., less experienced/entry level vs. more experienced/advanced level.

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How about technical vs. managerial? Will credentials be required to perform the work or will credentials simply facilitate ease of entry/access to a particular field?

4. Will the economics of the underlying business tend to create upward or downward pressure on compensation?
5. Are there factors that will cause demand to fluctuate in the short-term vs. what might be expected in the long-term, e.g., IFRS, Solvency II, health care reform?

The list is intentionally short and somewhat high-concept in nature, because in dealing with this type of conjecture, more detail is not necessarily more information. If we can get the direction and magnitude right over some meaningful time frame, that would be a major advance.

I'd like to invite EAS members to add their thoughts at this preliminary stage. Are we thinking about this the right way? Are these the right questions? Are there biases in dealing with this within the profession or at section level? Is this meaningful as a point estimate or only as a time series that tracks the trend in expected demand?

It's probably human nature that questions of potential supply-demand imbalances surface when the marketplace has felt a disturbance, so any newly initiated survey will probably reflect the heightened emotion of the moment. However, if we can begin to put some sense of dimension around the demand for our services, we will go a long way toward rounding out the growth picture for our profession.

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Actuaries
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