



SOCIETY OF ACTUARIES

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Who Needs Applied Actuarial Research?

by Randall C. Wright

More than 60 actuaries from industry, consulting and academia got together at the first annual Applied Actuarial Research Conference (AARC) to answer this question: “Who needs applied actuarial research?” The conference was held March 8-9, 2004, at the University of Central Florida in Orlando, and we decided that we all need applied actuarial research! Due to the enthusiastic response, plans are in the works for AARC II next March in Orlando, and any product development actuary hungry for new ideas should join us.

The mission statement for AARC neatly summarizes the goal of this gathering:

The purpose of the AARC is to bring academic actuaries and practitioners together for the discussion of actuarial issues and research methods for practical purposes. The conference will provide an opportunity for identifying research topics, methods and outcomes that are much needed for practitioners in various actuarial fields and for introducing the latest methods and technology applications to real-world business problems.

Highlights from AARC I

What we found when we arrived at the first AARC was an energetic, talented and accessible collection of actuaries eager to share ideas. In such an intimate setting, there was ample opportunity to follow up on any presentation. And what a collection of stimulating presentations! The conference opened with an overview on the current state of applied actuarial research from top representatives of the SOA, the CAS, insurance companies, academia and consulting. I found it especially helpful to have several CAS and SOA research actuaries present to discuss in more depth the research initiatives they sponsor and encourage. If you’ve ever said to yourself, “The SOA should do a study on ...,” then here’s your chance to find a sympathetic ear.



Elias Shiu from the University of Iowa followed with a keynote address on applications of option pricing theory, which is a perennial hot topic in actuarial circles. Other highlights for me included Hsin-Yi Tseng’s analysis of the pricing impact of the two-year suicide exclusion and Rob Brown’s review of the interplay between health care costs and pension dynamics. We were exposed to fuzzy logic, optimal annuitization strategies and several views on social security funding. But it’s not fair to play favorites; the complete program is available at the conference Web site, www.aarconline.org. The program spanned the entire spectrum of casualty, health and life insurance practice.

Why “Applied” Actuarial Research?

What we kept coming back to at the conference was the desire to put practicing actuaries and academic actuaries together for the purpose of identifying research questions that originate in the reality of current practice but require more sophisticated techniques than the typical deadline-oriented company actuary can manage. Company actuaries need help, and our academic counterparts are hungry for good (and real) problems to solve. One feature we want to

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add to the next AARC is a forum in which practicing actuaries can present questions that need better answers than we can provide with the tools and time available to us. I learned at AARC that there is an established actuarial research exchange at www.aerf.org/exchange/ to put academic actuaries in contact with companies or organizations that want to post specific research proposals.

Why You Should Join Us

When AARC II convenes in March 2005, you'll have the opportunity to bring your questions and talk at length with some of the brightest minds in actuarial science (who are also sometimes among the most famous). If

you're a company actuary, this is a chance to be exposed to techniques you won't hear about otherwise in a setting where the goal is to focus on real actuarial practice. If you're a consultant, this is an opportunity to bring some great ideas to company actuaries who are looking for new ways to do things. And if you're an academic actuary, thank you for wanting to know more about the products and risks that actuarial science is all about.

To sweeten the deal, AARC is an economic conference with all the sunshine and fun that Orlando has to offer in March. So start working on your questions and your answers now, and I hope to see you next year at AARC II! □

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corporate marketplace by allowing producers/financial advisors to retain their independence and client relationships, while offering access to tools and technology that scale can provide. Drilling down to some more specific goals, independent financial professionals would be able to provide:

- Responsive, personal, results-oriented customer service
- Comprehensive, best-of-breed selection of financial solutions and products
- State-of-the-art technology and practice building resources
- Access to world-class marketing and sales strategies and support

The tactics to support these goals start with product offerings. If all the products that the independent professionals need are not available through current sources, alliances should be formed. This would allow a broader offering to producers, which helps them be their client's chief financial advisor. The next tactic could be centered on sales concepts. Any concept that is launched should use an "e-wholesaling" medium. If

traditional wholesalers are used, they should be able to direct sales concepts/ideas to specific client situations for each financial professional they visit.

Through focused support, producers would continue to enhance their expertise of specific concepts or products, while receiving practice management and professional development training and tools. Access to market research or consumer demographics information would further develop prospecting and marketing initiatives.

This is one brief example of some goals and strategies that need to be a part of aggressive channel management. Annuity products continue to become more and more commoditized—available everywhere at a similar price. To maximize share of mind and share of wallet with any distribution channel, the focus must be on differentiating from the competition with service quality. Whether producer-focused, consumer-focused or alliance focused, identifying what service excellence means and excelling at it will lead to distribution success. □



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