

## TRANSACTIONS

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### ADDRESS OF THE PRESIDENT, IAN M. ROLLAND

#### A GENERALIST'S VIEW OF THE ACTUARIAL PROFESSION

The past two years, one as President-Elect and the other as President of the Society of Actuaries, have been high points in my career as an actuary.

After a period of almost 10 years' absence from deep involvement in the affairs of the profession, this experience has given me the opportunity to reflect—on an almost daily basis—about the actuarial profession and the role it plays in the United States and Canada.

Today I would like to share with you a few of the opinions I have developed from these reflections. These views should be considered as those of a generalist rather than those of someone engaged on a regular basis in the delivery of actuarial services. Even though the skills and knowledge base I learned in my actuarial training have served me well over the years, I have been in general management for the past 20 years and thus have become primarily a user rather than a provider of actuarial services.

- Clearly, the actuarial profession has much reason to be proud. Individual actuaries are generally employed in rewarding jobs and are well compensated for the services they provide. These individual actuaries have reputations for providing sound and competent advice to their clients and employers.
- The profession can take great credit for the financial integrity of the insurance and security systems with which we have been associated. The insurance and pension systems in North America have avoided the problems encountered by the S&L industry, at least in part because of the watchful eyes of thousands of actuaries exercising their professional responsibilities.
- Incidentally, a recent national survey indicates that actuaries feel very good about their jobs, their compensation, and the value of the services they provide.

- A rewarding future for both the profession and its members is virtually guaranteed. The demands for actuarial services unquestionably will increase. Areas where actuaries have traditionally practiced are becoming far more complex, and actuaries will be needed in greater numbers to provide advice and guidance. New areas of opportunity will emerge. The ability of the actuary to determine the financial consequences and current cost of future contingent events will find application in such areas as investment management, asset valuation, risk management and strategic planning.

So in this 100th anniversary year of the profession in North America, we have much to be thankful about—a rich heritage, a prosperous present and a potentially rewarding future.

However, against this rosy backdrop, let me suggest that there are some shadows which threaten our euphoria. Perhaps they are a natural outgrowth of how well individual actuaries are faring. Quite simply, they have evolved from our success itself: complacency and a reluctance to change. These are the two forces—within the profession itself—that hold the potential to disrupt our future.

My travels around the United States and Canada in the last two years to numerous actuarial clubs and actuarial meetings have led me to believe that there is a significant disinterest in professional affairs. I say this realizing full well that hundreds of actuaries commit large blocks of time to making our professional organizations function and serve their members. One thing that surely impresses anyone in a leadership position in the actuarial profession is the enormous amount of activity being initiated and implemented by volunteers . . . education, examinations, meetings, research, and on and on. This is an impressive record, and I have no intention of diminishing the value of these generous contributions to the profession.

In spite of this, however, a majority of individual actuaries has little or no involvement in professional affairs.

Unfortunately, the focus is too often on the short run or operational as opposed to the longer run or strategic. Evidence of this is the fact that only about 40 percent of the Fellows of the Society of Actuaries participate in our elections.

Relatively little interest has been shown in the vitally important and longer-range issues dealt with by our Task Forces on the Strengthening the Profession and the Future of the Actuary.

A healthy future for the actuarial profession demands the active interest and involvement of a broader base of our membership. As James C. H.

Anderson said at the Centennial meeting, "Our enemy is complacency." It is a luxury we cannot afford.

The other threat we face is the natural inclination of most people to resist change. This inclination may be especially pronounced among actuaries. Our training and background teach us to rely upon and respect the experience of the past as we deal with the future. We have been taught the values of conservatism and caution, and we are thrust daily into the role of advocating these values.

Accordingly, in a world of increasingly rapid change, actuaries are called upon to make distinctions between situations where caution and reliance on the past are appropriate and those where change should be enthusiastically embraced and cultivated. Also in the words of Jim Anderson, "Our friend is constructive change."

Let me illustrate this by commenting on several issues facing our profession where involvement and change will be essential elements of successful solutions.

The first deals with the image of this profession and the nature of our involvement with the public. We are part of a small, hard-to-understand, and little-known profession.

Outside of the users of actuarial services, few people have any knowledge of what we do and why we do it. In the United States at least, we have had too little to say even on public issues where an actuarial perspective would have been useful to the debate. How we interact with that public—how we interface, if you will—has tremendous implications for our future.

For example, healthcare policy is a critical issue in the United States, but actuaries scarcely have a seat at the table in the discussions. Actuaries are not generally looked to for meaningful input by public policymakers on healthcare policy. Also, I'm not aware that the actuarial viewpoint was either offered or listened to as California voters considered Proposition 103, which called for a 20 percent rollback in property/casualty rates.

All of this tells me that we need to work hard to raise our profile with the public and to be aggressive in advocating sound actuarial truths whenever they have a public relevance. The profession must organize itself to do this and develop the skills to communicate our point of view forcefully and effectively. This will require the involvement of our membership and a change in our traditional approach to these issues.

I am pleased that the Society of Actuaries Board this year authorized our Committee on Social Insurance to make public statements on actuarial issues affecting social insurance in the United States. As a result, our committee,

working with the Social Insurance Committee of the Academy, issued a statement on Social Security earlier this year. I view that as a very positive development.

The profession has been addressing this public interaction issue in the long, and often painful, deliberations on the reports of the Task Force on Strengthening the Actuarial Profession. Over a year ago, this task force surfaced its initial recommendations aimed at better rationalizing the structure of the profession, particularly in the United States, so as to enhance our ability to fulfill our public involvement responsibilities.

In my view, these recommendations were sensible but modest. They recognized the political barriers to eliminating completely the fragmentation in our structure and to moving to an organization better able to carry out our professional responsibilities. These were cautious first steps. Now after too much time and discussion and far too much narrow thinking, even many of those first steps are being abandoned.

Therefore, we will continue to function with six actuarial organizations in North America, we will implement some restructuring of the American Academy of Actuaries, and we will attempt to better define the responsibilities of existing organizations. (Can you imagine that this represents the result of over two years of intensive work by many actuaries? What a disappointment, and certainly not a good sign for our future.) In my view, it is hard to make a case for more than three actuarial organizations in North America. These three would include one public interface organization in the United States and one in Canada, plus a single member service organization serving all North American actuaries. In any case, and no matter what structure you support, this issue of public interface demands the attention of all actuaries, and it requires a boldness of thought and a willingness to change. I hope we are up to it.

Now, let's focus on a strength of our profession during its entire history in North America—education, both basic and continuing.

- Clearly no group of people can lay claim to being fully professional without a strong program of both basic and continuing education coupled with a process to determine if individual practitioners meet minimum standards of qualification. No area of our activities will deal with more change in the future than education.
- The impact of technology and changes in educational methods will have a profound effect on general education in North America and will affect actuarial education significantly. Thus, in order to maintain a state-of-the-art educational and examination system in our profession, we must be flexible and willing to experiment.

- It is in this context that I view with concern the vote on the constitutional amendment which would have restricted the right of the Society of Actuaries Board of Governors to experiment with alternative educational methods. The amendment did not prevail, but it was supported by 60% of those voting. The message is clear: that the membership views with skepticism any attempt to tamper with our system of qualification by examination. The Task Force on the Actuary of the Future characterized the exams as the unifying force of the profession . . . and it is clear the membership agrees. With all this said, it is my view that these attitudes represent an unfortunate inflexibility in an area where flexibility will be essential.
- The Society's Education and Examination committees are staffed with actuaries who are skilled in educational methods; now we need to trust their decisions, particularly where they involve only limited experiments with new techniques. I would ask those who voted for the amendment to think through what would have been the downside to permitting the board to substitute "demonstrations for impressions" with respect to college credit. I think some flexibility would have been to the long-term benefit of the profession.
- Also within the area of education, continuing education represents a challenge to our profession. The Society has an excellent tradition of providing a variety of continuing education experiences to the membership. These involve seminars, workshops and the excellent and varied programs at our regular meetings. However, under our system, we have generally relied on individual actuaries to maintain their skills and have generally avoided establishing minimum requirements or even recognition of their efforts. Exceptions are Enrolled Actuaries and those who sign certain public documents. I hope our profession will carefully assess whether this laissezfaire approach is adequate. I think there is a good chance that the public will want more concrete assurance that actuaries have undertaken a certain minimum level of continuing education activities to maintain their knowledge and skills.

Incidentally, the American College has recently recognized these public attitudes by adopting minimum continuing requirements for all new CLUs and existing CLUs who agree to participate. In our profession a good first step would be a recognition program for all actuaries. Ultimately we should consider the adoption of minimum continuing education requirements as a condition of the ability to practice.

Another area vital to the future of any profession is research. All professions have a responsibility to both their members and the users of their services to develop new knowledge to meet the needs of a changing society. This is another area where involvement and the willingness to change are prerequisites for success.

This is also an area where we can take great pride in the progress we have made in the last several years. The commitment of funds in 1988 by the SOA Board to fund research and the development of the structure to stimulate and manage research have led to a promising flow of projects.

Importantly, the results of this activity will not only assist our members in improving their professional competence, but also improve our recognition by the public in general. A striking example of this is the work done by Society of Actuaries committees dealing with AIDS. Just this month reports of the Committee on HIV Research and the Task Force on the Financial Implications of AIDS were released to the public.

These are important reports which will help the insurance industry and the public better understand the impact of this disease. Such successful research projects are indicative of what we can accomplish if we pick important issues, dedicate the resources, involve individual actuaries, and exhibit a willingness to be innovative.

I would like to close today by discussing the issues raised by the report of the Task Force on the Actuary of the Future. This report contains numerous challenges to our profession and deserves the attention of all actuaries.

As I indicated earlier, it is unfortunate that the report has generated so little interest and discussion—an indication of our tendency not to deal with the longer-range and more strategic issues facing the profession. I found of particular interest one of the inputs to the deliberations of the Task Force—a series of interviews with executives whose organizations utilize actuaries.

The interviews created a generic picture of actuaries, noting typical traits of actuaries and pointing out those we may lack. Typical traits include being skilled, bright, narrow, defensive, arrogant, rigid and perhaps insecure. In addition, we typically may protect turf by complicating it, and we're not willing to look at the broader picture.

What do they think we lack? Financial acumen, communications skills, management skills, and proficiency in use of management information. This is certainly a mixed bag of positives and negatives. You may or may not agree with the characterization, but this input is important because it comes from our customers and—in any business—it is perilous to ignore customer opinions.

The message, however, is crystal clear to me. That is, actuaries possess skills which are valuable and important, but we operate with too narrow a focus and have considerable difficulty in communicating with our constituencies. We are uncomfortable in applying our skills to management-oriented areas where inputs are often lacking and solutions to problems not clear-cut.

The implications of this for individual actuaries and actuarial organizations are that we can greatly increase our effectiveness and the value of our services by further developing our financial, communications and management skills.

The Task Force report also indicates actuaries will need to be:

1. managers as well as technicians;
2. advisors as well as calculators;
3. conceptualizers as well as mechanics;
4. persuaders as well as analysts;
5. futurists as well as extrapolators;
6. communicators as well as mathematicians.

I'm pleased to tell you that many Society of Actuaries committees are studying these conclusions and are already modifying programs to meet these future needs. Activities in the areas of recruiting and selection, education, both basic and continuing, research, and public relations will be particularly impacted. The ultimate success of these new programs, however, will require the support of a membership which recognizes the need to change. In my view, the rewards to the profession and to individual actuaries will be significant.

Finally, I want to thank all of you for the honor of serving as your President during the past 12 months. I have benefited from the renewed associations with so many actuaries involved in the Society's Board of Governors and Committees.

They are competent and dedicated, and they deserve your thanks and support. Also, I am impressed with the quality of service rendered by the Society staff. They show great patience and flexibility in dealing with our many volunteers. I doubt that any other association or professional organization is served as well as are we by staff. And I want to recognize your new President, Allan Affleck. He has given me loads of valuable advice and support and is totally committed to building an even stronger Society of Actuaries and actuarial profession. You are most fortunate to have him as your leader in the next year.

Earlier I had mentioned that two decades of business experience has turned me into a generalist. While that is reality, I still take great pride in identifying myself as an actuary.

And—when my presidency is someday remembered in this organization—I hope I'm thought of as an actuary who demonstrated flexibility, a willingness to change with the demands of the time, and a commitment to “call 'em as I see 'em.”