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Do We Intend to Be Technicians or Leaders?

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I AM WRITING THIS ARTICLE AS I TRAVEL HOME FROM ATTENDING THE CAS SPRING MEETING. During the meeting, the keynote speaker, Brian Sullivan, asked a penetrating question of the actuaries in the audience. He asked, “Do you intend to be *technicians or leaders*?” He continued with comments showing respect for the deep understanding of the insurance business that we gain through our exam process and through our work experience. He said that knowledge would make us very valuable leaders in the companies we work for, yet few of the highest posts in insurance companies are held by actuaries.

While Sullivan’s comments were intended to apply generally to actuarial practice, I found myself applying them toward our growing role in enterprise risk

management (ERM). I think it is appropriate for us to ask ourselves how we intend this role to develop. Will we become primarily known and respected for our technical expertise in risk modeling? Or

will we instead develop into the leaders that will shape the way our traditional industries manage risk, with influence reaching into other industries as well?

I suppose there are no simple answers to these questions. But it seems that if we predominantly focus on building our technical credentials, we are unlikely to become influential leaders. In contrast, our success in becoming recognized risk management leaders will depend on a strong foundation of technical skills and business acumen. When matched with strong communication and interpersonal skills, our technical foundation will enable us to establish our reputation for leadership. In other words, our profession can best be recognized as both technicians and leaders if we maintain a clear focus on developing our leadership role.

Taking this idea a step further, it seems that if we do not become influential ERM leaders, then ERM will be far less effective than it should be. Because ERM

truly is all about creating effective risk culture, ERM practitioners must be able to translate analyses into action. In partnership with other professionals in our industries, actuaries should be uniquely able to provide these translations and lead the organizational changes that result from them.

The goals of all three of our member organizations (Casualty Actuarial Society, Society of Actuaries and Canadian Institute of Actuaries) clearly set our path toward leadership in ERM. And many of our members are leading the implementation of sound risk management practices within their organizations. With all the developments occurring in the risk management space, now is an ideal time for us to step into various leadership roles using our technical skills.

For example, in the United States, the expanding role of federal regulation is working to ensure more robust risk management practices in the insurance and financial services industries. But these new regulations are just beginning to take shape, and companies are just starting to respond. At the same time, the National Association of Insurance Commissioners (NAIC) is actively pursuing its Solvency Modernization Initiative. The outcome of this work will likely include each company performing its “Own Risk and Solvency Assessment” (ORSA), with reporting of this assessment to regulators. This regulatory evolution in the United States is mirrored by similar changes occurring in Europe, Canada and other parts of the world.

We can help to lead our industries into this new frontier in ways that help companies truly manage risk more effectively. Those of us who serve in government and our profession’s public policy arms can help develop regulations that help to ensure effective risk management practices without creating unnecessary burdens on companies. Our profession can also help companies perform these assessments to gain the benefits of effective risk management. If our companies act only to comply with regulation, then we have missed an opportunity to lead.

Another area that needs leadership at this time is the establishment of professional standards for ERM. A



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working group of the American Academy of Actuaries has recently published a discussion draft of these sorts of standards. By acting to establish these standards, we demonstrate our profession's intent and ability to be respected ERM practitioners. In this exercise, as in others, it will be important that we use our foundation of trusted technical ability to help to establish our leadership influence.

Our leadership role in ERM has been years in the making, and we as a profession are now well positioned to

guide our organizations into better risk management practices. As we continue to build upon our strong foundation of technical and business expertise, and work across our organizations to establish strong risk culture, our leadership role will become even better recognized and better respected. ■

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