



SOCIETY OF ACTUARIES

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Chairperson's Corner

By Barry Franklin

AS WE FLIP THE CALENDAR PAGE FROM 2013

to 2014 I cannot help but wonder what the coming year will bring. I suppose this curiosity is fairly common, as there are numerous lists of predictions published every year spanning multiple disciplines. I have to admit to some personal fascination with self-described prognosticators and the predictions they make, particularly those in the financial and economic realm. While I don't place much stock in the actual predictions, I do find the practice itself interesting—particularly when we can look at how well these predictions fare in retrospect. Perhaps unsurprisingly, it turns out predictions made by experts are not all that accurate.

Each January, Blackstone Vice Chairman Bryon Wien makes predictions of what he expects to be the top 10 big surprises of the coming year. According to *Business Insider*, Wien scored a 2.9 of possible 10 points for his 2013 predictions (with fairly generous partial credit awarded). Among the predictions he missed completely were: (1) Gold prices reaching \$1,900 per ounce (prices tumbled from about \$1,700 to just over \$1,200); (2) dramatic increases in commodity prices, with corn reaching \$8.00 per bushel (\$4.18) and wheat \$9.00 (\$6.62); and, (3) S&P 500 index falling below \$1,300 (it rose from around \$1,400 to over \$1,800). To be fair to Mr. Wien, *Business Insider* points out that he has been right about half of the time in the past, which is not too bad considering the specificity of some of his predictions. Still, it is no better than a coin toss from a probabilistic view.

Forbes contributor Andrew Klausner publishes a similar list each year and he self-scored his 2013 predictions, twelve in all, at 50 percent. His major misses were: (1) a 10 percent drop in the stock market for the year; (2) a major deal being announced involving major wire houses Merrill Lynch, B of A, UBS, Morgan Stanley and Wells Fargo; and, (3) continued consolidation in the asset management arena.

As actuaries, we make our own forecasts and predictions, even if we don't publish them for all the world to see. Importantly, we have standards of practice to guide us in our work so that we hopefully achieve better outcomes than one could realize from simply tossing a

coin. This edition of *Risk Management* includes some topics that bear directly on the discipline of making actuarial predictions. This discipline of challenging and testing assumptions is part of what defines the actuarial profession—and sets us apart from crystal ball gazers.

While not a prediction per se, I am excited to share some of the 2014 plans and priorities identified by the JRMS Council. Of course, we will continue to sponsor practical research and educational events and webinars for the benefit of section members.

An increased area of focus will be ensuring relevant risk management content is provided at all major meetings of our sponsoring organizations, and networking opportunities are offered for JRMS members at those events as well. Most exciting, though, is the launch of a free e-library for JRMS members enabling them to access and electronically “check out” selections from hundreds of relevant business and risk management titles on a temporary basis. Please be sure to renew your JRMS membership so you can take advantage of this important member benefit, and also help us further increase the value to members by recommending additional titles to include on our library “shelves.”

In closing, I will venture to make one prediction for the year. I believe that 2014 will provide significant opportunities for actuaries to demonstrate our value as risk management practitioners, and that the JRMS will play an important role in establishing the actuary as a recognized leadership “brand” in the discipline of risk management. ■



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