



SOCIETY OF ACTUARIES

Article from:

# Actuarial Futures

September, 1998 – Issue 19



## Futurism Section Web Page

by Kermit L. Cox

The Futurism Section has expanded the information available on its web page. You can find our site by looking under the Special Interest Sections on the Society of Actuaries' home page ([www.soa.org](http://www.soa.org)).

You may notice the attractive graphics for the page. We thank Debbie Jay of the SOA staff for doing such a great job on this. Her assistance is genuinely appreciated.

Included on the Futurism Section web page are copies of past Section newsletters and an outline of the contents of the latest newsletter. You will also find a brief description of Futurism Section activities at recent SOA meetings.

The "Futurism in Action" project is currently highlighted on our web page. This project represents an opportunity for you to share an example of the practical application of futurism techniques in the workplace with other Section members. By sharing these ideas with other Section members and if your example is selected as one of the five best, you also become eligible for a cash prize. Additional information about this project can be found elsewhere in this issue of *Actuarial Futures*.

Upcoming additions to the web site include a listing of books, periodicals, and articles that will provide information and sources about futurism and futurism techniques. Bob Utter of Principal Financial Group has been instrumental in assembling this list for us.

The web site is for your use and benefit. The Section Council members solicit and welcome any comments or suggestions about the site and/or any recommended additions. We look forward to your input. Please feel free to e-mail your suggestions to me at [KCox@aflac.com](mailto:KCox@aflac.com).

*Kermit L. Cox, FSA, is Vice President and Assistant Corporate Actuary at AFLAC in Columbus, Georgia and a member of the Futurism Section Council.*

## Count on Uncertainty in Planning for the Future

by Barry Rabkin

**Editor's Note:** *The following article originally appeared in the June 30, 1997 issue of the National Underwriter, a publication of the National Underwriter Co., and is reprinted with permission.*



Thirty years have passed since my first project that looked over the horizon to the future insurance markets. At that time, I was working in the actuarial research department of a mutual life insurance company. Our mission was to determine if the life insurance market would saturate before the new century begins in 2001. (Being good actuaries, or an actuarial student in my case, we knew that the Year 2000 ends this century—it doesn't begin the new one.)

So we reached for a set of forecasting tools to get us to the future. We built models—all kinds of models with all kinds of demographic and insurance consumption data—that projected out the critical forces acting on the potential saturation issue: births, deaths, morbidity, marriages, numbers of children, household formation, and purchase patterns, to name a few.

And the families of curves that resulted from running those models with various "what-if" assumptions gave us our perspectives—perspectives based on trends we understood and could manipulate. Someone once said "what you see depends on what you believe." We believed in numbers, numbers that could be captured and projected, and so we saw conclusions that rested on a foundation of certainties.

But by relying on certainties we missed many events that we now know significantly changed the landscape of the insurance industry. We missed the rise of dual-income households and we missed the introduction and success of equity-linked insurance products. We missed the shifting of customers' concerns from dying too soon to outliving their assets and we certainly missed the entire digital revolution that is currently reshaping the very dynamics of commerce—impacting all industries, not just insurance and financial services.

In retrospect we should have seen consumers' concern for living too long, but the other misses were discontinuities, events driven by uncertainties—

*continued on page 4, column 1*

### In This Issue

page	page
1998 World Future Society General Conference by Robert G. Utter . . . . .	Election Results Announced . . . . . 3
5	Examples Needed—Futurism in Action . . . . . 7
Book Review: Cheating Death, the Promise and the Future Impact of Trying to Live Forever by Albert E. Easton . . . . .	Futurism Section Sessions at the Hawaii Spring Meetings by Albert E. Easton . . . . . 6
2	Futurism Section Web Page by Kermit L. Cox . . . . . 1
Count on Uncertainty in Planning for the Future by Barry Rabkin . . . . .	What Does Futurism Hold for You at the New York Annual Meeting? by Lawrence D. Miller . . . . . 3
1	
Delphi Study by Albert E. Easton . . . . .	
4	

## Count on Uncertainty

*continued from page 1*

product introductions, societal changes, technology-enabled market changes. How do you get out of a framework that consists of numbers and is strengthened by their machinations? How might we have considered the issue of the potential saturation of the life insurance market so that we would have had a better chance to catch some of the discontinuities we missed?

As a starter, we might have rephrased the issue from "will the insurance market saturate by 2001?" to "what might the future markets of insurance look like—and what do we have to do now to succeed in those markets?" Thirty years later, these are the types of questions that insurance companies and companies in other industries are asking—and answering—using scenario planning tools.

A scenario is a story of the future written from the perspective of living and working in that future. A scenario is a time-based case study with drama, tension, winners, and losers. You get to that time period through the engine of uncertainties: specifically by selecting driving forces that have the most impact on your issue and are the most uncertain.

If we were to redo our 30-year-old project of potential insurance market saturation, those uncertainties might be some mix of customer needs, customer behavior, regulatory situation or nature of intermediation. Perhaps other uncertainties

that focus on technology would rise to the top.

Once you find yourself in a scenario, you describe customer purchase behaviors, competitive dynamics and the role of technology. You challenge your assumptions about what is possible or impossible. And you might find that in one of the scenario worlds there is indeed saturation. You might find in another scenario world that insurance just doesn't exist anymore because there is no need for it—other mechanisms ranging from the government to stronger family structures have displaced it. Yet another world might present a vibrant need for continually different and new insurance and financial service products.

For each world you describe, you need to consider how your company can gain a competitive edge in it. You will need to develop actions that your company should take today to prepare for that tomorrow. Moreover, you need to consider the actions required to prepare for each scenario. The actions in common across all future worlds are the basis for a coherent strategy to ensure your company success in any of those future worlds. You will also need to identify early warning signs so that as events happen today you can see which future worlds are unfolding in front of you.

Of course, it's possible to still use numbers with your scenarios—to calculate best-case or worst-case scenarios or most-likely or least-likely scenarios. And if you depend on numbers in that way, you

are limiting your options. You are cheating your company of a stronger competitive position in any of the futures that could unfold. Worse yet, if you focus on a best-case scenario, you are betting your company's future on only one option.

We face increasing turbulence in our industry as the marketplace evolves from its regional and national structure to an interdependent, technologically driven global economy. Certainties are crumbling as quickly as we can channel-click through the television news channels and Internet information sources.

"Scenarios celebrate uncertainties," says Peter Schwartz, author of *The Art of the Long View: Planning for the Future in an Uncertain World* and founder of Global Business Network—a scenario development firm in California. Scenarios allow us to question what we believe.

Alan Kay, previously an Apple fellow and now a Disney fellow said, "all understanding begins with our not accepting the world as it appears."

Scenario planning is a tool that gives us the freedom to not accept what we think we see in front of us.

*Barry Rabkin is President of Market Insight Group, Ltd., a strategic marketing consultancy that helps clients identify, explore, and act on opportunities arising from changing customer expectations, technology and competitive forces. He can be reached at his e-mail address: migl@tiac.net.*

## Delphi Study

*by Albert E. Easton*

**I**n 1989, the Futurism Section conducted a Delphi Study with a 10-year time horizon. The 10 years will be up next year, so we will have a chance to see how well those Section members of 10 years ago did in their predictions.

The Section will be conducting another study in 1999—this one with both a 10-year (to profit from what we learned in the last study) and a 50-year time horizon (to tie in with the Society's 100th anniversary). A committee is being formed to

work on the study, and volunteers are welcome (no experience necessary). If you are interested in working on the study, please contact me at my *Directory* address.

*Albert E. Easton, FSA, is a consulting actuary at Milliman & Robertson, Inc., in Albany, New York, and Chairperson of the Futurism Section Council.*