



SOCIETY OF ACTUARIES

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Protecting and Enhancing Our Core Skills

by Michael Rosenfelder

The "Actuary of the Future" can indeed bring skills to bear and make important contributions in new areas not generally thought of today as being major users of our skills. However, in our enthusiasm for developing such new opportunities, we must concurrently protect and enhance our "core" skills in the life insurance and employee benefit fields. There is some evidence that our roles and contributions within such core areas are contracting, perhaps in absolute terms and also relative to other professional groups.

In parallel with the studies of newer fields for the Actuary of the Future, a subgroup comprising a number of members of our task force reviewed this issue, and the conclusions of this subgroup are summarized below.

What Has Changed That Could Have Caused This Contraction?

1. Hiring of more capable professionals from other disciplines (for example, accounting, investments, marketing).
2. Advances in technology and the proliferation of software packages that have removed some of the mystique of actuarial calculations.
3. Shifting of focus to:
 - Management skills to produce a "product" at the lowest cost and quick turnaround time with quality being a "given"
 - Business perspective and creativity to differentiate the good from the mediocre
 - Timeliness, responsiveness and good communication skills.
4. In life companies, decentralization and the formation of SBUs have meant that there is no longer a centralized actuarial hierarchy.
5. De-emphasizing traditional life insurance products and the decreasing importance of "actuarial" elements (for example, mortality) in life companies, which have reduced the importance of traditional actuarial skills. A parallel trend in the benefit consulting field is the

growing importance of such areas as health care and compensation.

6. Increased competition among benefit consulting firms and increased proliferation of client census information in machinable form, which have heightened clients' awareness that the technical actuarial requirements can be satisfied adequately by a large number of benefit consulting firms.
7. Increased government legislation, regulation and other compliance requirements have limited the creativity that can be exercised in the design and operation of qualified pension plans and increased their ongoing administrative costs without adding value. An example is the bias in recent pension legislation in Canada, moving sponsors away from defined-benefit toward the simpler defined-contribution plans. In general, companies are consolidating and streamlining their pension plans, thereby reducing the total need for actuaries.

What Has Been the Result for Actuaries?

1. Actuaries can no longer progress by moving up in a purely actuarial hierarchy; rather, they must progress within their business units or consulting groups.
2. Job security for the actuary is no longer assured by hard working and solid technical skills. Actuaries are at risk unless they have good management skills and/or a good business perspective that leads to increasing the breadth and scope of their activities.
3. As firms "rightsized," actuarial staffs are reduced and every actuary is re-evaluating his or her net worth based on the new set of requirements.
4. The CFO role in life companies (however titled) is increasingly being performed by nonactuaries.
5. Actuarial services and consulting are not the dominant lines of business in the benefits consulting field any longer. The growth rates in other areas surpass the growth rate in actuarial services.

How Might the Actuarial Profession Improve These Results?

1. Attract a different type of actuarial student—business oriented, good communicators, and so on, rather than limited to good mathematical skills.
2. Broaden the basic education of actuaries in a number of ways:
 - Scope, syllabus (more business related, management and communications courses, and so on).
 - Ensure that syllabus changes keep up with developments in the real world, rather than lag behind them.
 - Wider perspective, such as
 - Macro versus micro product pricing
 - More market-oriented outlook
 - Broader "financial" training.
 - Methodology
 - Case studies versus solitary study
 - Make greater use of existing or specially designed university courses
 - Add additional "tracks" similar in concept to the financial track
 - More continuing education after qualification.
3. Change how actuaries are viewed within a company or consulting practice, not as technicians but as broader-based managers or consultants with a strong quantitative base and problem-solving skills that can be used in a variety of ways.
4. Convince management that they can use actuaries profitably in broader areas, and that they are not a unique, scarce resource that must be kept for technical work that nobody else is capable of doing.

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Conclusion

The profession must address the four possible strategies just discussed: (1) more selective recruiting of new entrants; (2) broadening of basic education; (3) changing how they are viewed by their employers; and (4) convincing managements of their wider skills. In coming to this conclusion, the group is assuming there is indeed agreement with its earlier analysis of what has caused the contraction in the role of actuaries and the results of this trend. Some solutions will lie in basic education, some in continuing education, and others in public relations.

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Editor's Note: Welcome!

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Alan J. Routhenstein, and Leonard E. Tandul, one-year terms.

The newly elected officers are Linda Kahn, Chairperson; Joseph Paesani, Vice-Chairperson; and Selig Ehrlich, Secretary/Treasurer.

Linda M. Kahn, FSA, is Director of Program Management at the Pacific Maritime Association in San Francisco and Acting Chairperson of the Actuary of the Future Section Council.

How New Actuary of the Future Section Relates to Futurism Section

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member-driven tasks needed to bring task force's recommendations to fruition. The Section's mission is "to identify and develop nontraditional roles and future opportunities for actuaries."

The Section's major activities include:

- Identifying Society members with special experience who can help develop new roles and opportunities
- Working with these resources to develop needed showcase illustrations, career path plans, white papers, and research
- Providing liaison with the Society's basic and continuing education activities to ensure that these functions reflect the emerging needs of new actuarial roles and employers
- Defining and recommending desirable research projects
- Encouraging papers and articles to educate both actuaries and nontraditional employers on potential new roles and opportunities
- Providing networking and mentoring opportunities for actuaries interested in nontraditional roles and opportunities
- Encouraging the development of specific programs within the Society to motivate and train people to move into nontraditional roles.

Importance of Both Sections

The Actuary of the Future Section and the Futurism Section are crucial to the actuarial profession as it seeks to fulfill its potential. However, as you can see, the two Sections' goals and planned activities are different. The Futurism Section focuses on the theory and application of the "science/art" of futurism. It emphasizes the futurism process and its applications. The AOF Section seeks to provide a forum for defining and developing nontraditional roles for actuaries and for interface between actuaries who have been in such roles and those who seek them.

Because the two Sections' goals and activities are very different, many actuaries should consider joining and contributing to both Sections. In its own way, each Section can help an actuary understand and influence the future of his or her company and career.

Robert D. Shapiro, FSA, is a member of the Society's Board of Governors and was Chairperson of the Task Force on the Actuary of the Future/the Future of the Actuary. He is President of The Shapiro Network, Inc. in Milwaukee, Wisconsin.