SOCIETY OF ACTUARIES Education & Research Section

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LINKS

SOA RESEARCH OVERVIEW

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Introduction

Since the organization's formation in 1949, research has consistently been viewed as an essential and important component of the SOA's overall mission. It is fundamental for the organization to further the profession's knowledge base as well as produce and publish research for the benefit of both the profession and public-at-large.

This document will provide an overview of research activities, the research committees and process, volunteers, the researchers themselves, and SOA staff.

Research Project Overview

SOA Research is organized into two broad categories: Topical Research Projects and Experience Studies. Research studies are conducted on a project-by-project basis through the identification of issues and questions to be investigated. These projects are primarily initiated by research committees linked to the sections, or by experience committees for the SOA experience studies.

The SOA research process is a partnership of SOA staff, volunteers (members and non-members), and hired researchers and vendors. Currently, the SOA has seven volunteer research committees (plus a special separate fund that can be directed to a high priority, emerging issue). These groups help generate the 25-30 projects initiated each year. In addition, the SOA's 19 special interest sections can initiate research projects with their own funding or some combination of SOA funds and their own funding. The related functions of a research committee or section include:

- Identifying key projects or surveying members for current research

needs.

- Brainstorming and evaluating ideas for new projects. New projects may represent emerging areas of research or build upon existing information.
- Setting priorities, budgets and expected timetables for research ideas to be pursued.
- Helping select qualified individuals to carry out the research. This stage involves obtaining research proposals using a Request for Proposals (RFP) approach, issuing Call for Papers (CFPs), abstracts based on grants competition, or proposals from interested parties including SOA members and non-actuarial professionals.
- Helping direct the research process.
- Establishing volunteer project oversight groups to guide research activities and ensure the quality of the research.
- Monitoring progress of individual projects and recommending corrective action, if needed.
- Developing a communication strategy for research results.

The Research Department staff provides internal management and administration of the research process and activities and is involved in each of the above functions. The staff consists of the managing director of actuarial research, four actuaries, four research administrators, and a research librarian who all help facilitate and support the research activities. The SOA staff group coordinates and supports the work of 30-40 hired researchers and a volunteer group of approximately 300. The overall objective is to stimulate research that is both substantial in quality and quantity, has impact, is timely, and is relevant to the needs of the profession.

The seven volunteer research committees mentioned above plus a special fund for projects and their annual funding are briefly described as follows:

- Committee on Life Insurance Research ($70,000)
- Health Benefits Research Committee ($70,000)
- Retirement Systems/Pensions Research Committee ($70,000)
- Committee on Finance Research ($70,000)
- Risk Management Research Committee ($70,000)
- Aging Issues Research Group ($50,000)
- Committee on Knowledge Extension Research (CKER) ($70,000)
- Special Fund ($90,000)
- TOTAL SOA RESEARCH PROJECT FUNDING = $560,000

The last committee in the above list, CKER, initiates research that can cross areas of practice and is primarily conducted by academics. The resulting research reports produced by CKER tend to address somewhat more theoretical and "knowledge expanding" projects and concepts than those of the other research committees.

Experience Studies: Experience studies are managed separately and funded through expense reimbursement requests to insurance companies and consulting firms. This funding has been averaging about $1.2 million in recent years.

How Projects Are Chosen

The actuarial profession is extremely diverse and composed of a number of specialties and practice areas. There are several criteria that help in the selection of projects:

1. Ideas that emerge through direct solicitation of members of one or more specific practice areas or sections. These solicitations are usually done either through emails, section newsletters and other SOA publications, or at continuing education events.
2. Ideas that emerge as a result of discussion or brainstorming by section councils or their research entities.
3. Ideas that emerge unsolicited from members and non-members. Typically, an individual will contact a representative from a section or SOA staff member with an idea.
4. Ideas suggested by an entity of SOA governance such as the Issues Advisory Committee (IAC) or the Board.
5. Ideas suggested by an outside entity such as the American Academy of Actuaries or the NAIC (primarily for experience studies).
6. Ideas that emerge from major external or societal issues, or mega trends (e.g., research related to second hand smoke, obesity, and retirement risks).

The volunteer research committees listed above are the primary decision makers on projects. There are many more projects than can be funded. Projects are reviewed and discussed by the groups and the best and most worthy ideas are selected. Sections can also sponsor a project. They do this by focusing a relevant topic which needs to be researched (based on their internal section discussions) and by funding the project with their own section funds.

Once an idea is selected, the next step is to either issue a request for proposals, call for papers, or in the case where a researcher submitted an unsolicited proposal, prepare a contract for the work.

For experience studies, similar viability reviews occur. Many of the studies are initiated by an industry segment that needs a particular study (e.g., Credit Life Study, Credit DI Study, Group LTC). Other studies are initiated in partnership with the National Association of Insurance Commissioners (NAIC) if they need a particular new valuation table.

Funding

Funding for topical research comes from a variety of sources. Each year the SOA's Board of Directors establishes an annual budget for topical research studies from membership dues. For 2011, the budget is $560,000 which is allocated among the seven research committees and the special fund as detailed above. While a single committee has a limited annual budget, funding of larger projects is possible through partnerships with other SOA research committees, sections, or external organizations.

As mentioned, the SOA's 19 special interest sections are also funding sources for research. A number of sections have annual dedicated allowances in their budget for research. On average, sections contribute an additional $300,000-$350,000 annually to fund research efforts.

Experience studies are funded through reimbursements from insurance companies and consulting firms, with companies paying a proportional share of the expenses based on their market share of that unique product type. Consulting firms contribute by paying a per actuary charge to help fund the studies.

Role of the Project Oversight Group

To help the research committees manage the projects, oversight groups are formed. A Project Oversight Group (POG) is typically composed of five to seven member and non-member volunteers who are experts in the subject under study and represent differing stakeholder viewpoints. Depending on the subject matter, professionals from other disciplines may be needed to produce the best end product.

For each project, a POG will work closely with the researcher to ensure objectives are met. The interaction between the researcher and the oversight group of subject matter experts is intended to produce a higher-quality end product.

Role of the SOA Staff Research Actuary

In essence, the role of the staff research actuary is to help develop and manage projects from initial idea generation through publication and dissemination of the results. With support from research administrators, the research actuary is the primary staff liaison to various research committees. The research actuary helps to guide the research committees through the decision process on determining new projects and other responsibilities of the committees. Besides the work with the research committees, the research actuary also becomes the primary staff lead on active research projects. The research actuary will support both the research team hired and the POG to expedite completion of a project.

Publication/Dissemination of Research and Links to Other Activities

The final step for most research efforts is the publication and dissemination of the results. Throughout the progression of a particular research effort and especially as it approaches completion, the range of publication and media outreach options is considered. To determine an appropriate media outreach level, discussions are held with internal public relations staff along with an outside PR firm. The projects with the broad, popular mass media appeal receive the most support and results may appear in the Wall Street Journal or other mass media publication. Other projects, mostly highly technical, and of interest to a smaller segments of the membership might only be promoted through newsletters and blast emails to those that would use the research. Other publishing and dissemination activities may also occur such as in journals like the North American Actuarial Journal. Research is also disseminated through presentations at actuarial and other industry meetings.

Interaction with Outside Organizations

Outside organizations participate in SOA research in a number of ways. Overall, their participation represents an enriching dynamic that helps expand the bounds of research and make it more relevant.

An outside organization may:

1. Generate original research ideas or provide a specific request for research. Examples of organizations providing such initiation include the American Academy of Actuaries, NAIC, and LIMRA.
2. Provide co-sponsorship for a particular research effort.
3. Act as a cooperating organization helping publicize call for papers, research results and other activities.
4. Recommend its members serve on project oversight groups.

Regardless of the nature of an outside organization's participation, one of the primary goals of the research staff is to help foster and nurture these relationships.

Future Activities

The Research Department is currently pursuing initiatives in a number of areas including additional specific Health Research to support Health Care Reform issues, Rapid Retirement Research, additional support to universities that meet the requirements for Centers of Actuarial Excellence (CAE Program), International Member Research (China region and elsewhere) and additional Canadian Research needs. In addition, two new oversight groups have been created to help steer future research activity. One is the Research Project Working Group (chaired by Ian Genno), and the other is the Experience Studies Oversight Group (chaired by Tom Corcoran). With the assistance and guidance of these high level groups and the SOA Board, research activities should expand and cover more areas of needed

research in the near future.

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