



SOCIETY OF ACTUARIES

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Judgmental Methods, Collaboration, Contests and More!

By Dave Snell



Welcome! We are beginning a series of themed newsletter issues—each focused on a particular type of forecasting. Our theme for this issue is judgmental methods. I have to admit that the lead article, “Best Methods and Practices in Judgmental Forecasting,” by Alan Mills, is a bit disconcerting to me. As usual, Alan’s writings enlighten and educate; but it is a disappointing wake-up call to discover that the tried and true methods most commonly used by actuaries are certainly popular and often tried, but often not true. Expert opinions, intuition and traditional meetings are exposed as generally less accurate than simple quantitative methods. However, there are some judgmental methods, such as Delphi studies, that seem to do well; and Ben Wolzenski’s article recapping the SOA Blue Ocean study “Future Opportunities in the Life Insurance Industry—Views of a Delphi Study” tells us about one such collaborative success. Scott McInturff adds an unconventional and intriguing review of *The Wisdom of Crowds*, a book that further explains the power of collaboration.

In the spirit of collaboration, our section has been reaching out to network with other SOA sections and with external organizations such as the World Future Society (WFS) and the Santa Fe Institute (SFI) – the birthplace for the sciences of complexity. “A New End, A New Beginning” by John Petersen, is reprinted from the September October 2009 issue of *The*

Futurist (the WFS magazine); and I have included a review I wrote of *Complexity: A Guided Tour*, by Melanie Mitchell, an external professor at the SFI. Regarding our cooperation with other SOA sections, I’m proud to announce that the SOA Annual Meeting this year will see complexity science sessions cosponsored by the Forecasting & Futurism, Actuary of the Future, and Health Sections; and we have council member ties now to these sections plus the Technology and Investment Sections. If you are active with another section and would be willing to expand our network of kindred spirits, please contact any of us. We’d like to meet you.

The joint session we cosponsored with The Financial Reporting and Investment Sections to bring Nassim Taleb to last year’s annual meeting is summarized by Ben Wadsley in his article, “Living with Actuarial Black Swans—a Discussion with Nassim Nicholas Taleb.” This event drew a very large attendance, and in another planned session for the 2010 Annual Meeting in New York, we shall address Taleb’s question about whether prediction is even possible.

A lot is happening on the forecasting and futurism front, and this is an exciting time to be a part of it. Alan’s chairperson’s message announces a contest we hope many of you and your colleagues will enter to win fame and an Apple iPad and

CONTINUED ON PAGE 4

further advance the state of forecasting. Granted, it's not a \$1 million prize like the one NetFlix offered (see the article, "Forecasting Judgment: The Netflix Prize and Collaborative Filtering," by Mike Lindstrom); but each of us can help the profession with our contributions.

To paraphrase Pogo in the famous cartoon from Earth Day,

1971, "We have met the *future*, and *she* is us." Enjoy the articles in this issue. Think about your article for the next issue; the theme is going to be simulation methods. Become an active participant in our future. ▼

Cheers,

Dave

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