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# DISCUSSION REGARDING THE CRITICAL REVIEW OF THE U.S. ACTUARIAL PROFESSION (CRUSAP)

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*\* The opinions presented in this article are those of the author solely and should not be interpreted as the opinions of the author's employer or the Society of Actuaries.*

In researching what the U.S. actuarial organizations have done to address the issue of what is an actuary's duty to the public, the CRUSAP report is sure to be found. Through my research, I had the pleasure of discussing this review with two people, Fred Kilbourne and Bob Collett, who were instrumental in completing that analysis. This article shares some of their thoughts and experiences with the important work of the CRUSAP analysis.

## BACKGROUND

Beginning in May 2005, the American Academy of Actuaries, launched an analysis of the American actuarial profession. The catalyst for this analysis was the Morris Review that had occurred in the United Kingdom shortly beforehand, whereby the actuarial profession was brought under scrutiny.

The Recommendations section of the CRUSAP report states that, "the overriding goal of this [review] has been to identify the actuarial needs of the public, determine whether those needs are being met, and propose action to meet any

unmet, or under met, actuarial needs." The members of the task force were:

- Fred Kilbourne (chairperson), president of the Conference of Consulting Actuaries and former president of the Casualty Actuarial Society.
- Bob Collett, former president and CEO of Milliman, Inc.
- Ken Kent, vice chairperson of the American Academy of Actuaries Council on Professionalism.
- Guy King, former chief actuary for Medicare and Medicaid.
- Jim Rech, chairperson of the American Academy of Actuaries' Enterprise Risk Management Committee.
- Jack Turnquist, member of the Actuarial Board for Counseling and Discipline and former president of the American Academy of Actuaries.
- Terri Vaughan, Drake University professor and former president of the National Association of Insurance Commissioners.

The review was broken into six sections, each centered around the overall theme of how well the actuarial profession is positioned to serve the actuarial needs of the public. The six sections were: (1) actuarial needs of the public, (2) education and training, (3) ethics and professionalism, (4) oversight and regulation, (5) actuarial communications, and (6) structure of the profession. Mr. Kilbourne was in charge of the entire CRUSAP analysis, while Mr. Collett led the development of the first section of the analysis.

The outcome, of the CRUSAP analysis, was 19 recommendations for the U.S. actuarial profession. All 19 can be found in the final CRUSAP report, but one in particular stood out for Mr. Kilbourne and Mr. Collett with regard to the public:

"Encourage individual actuaries to gain sufficient knowledge to speak out on actuarial elements of major public issues."

## DISCUSSION WITH FRED KILBOURNE AND BOB COLLETT

We began our conversation discussing the purpose, timing and reason for the CRUSAP analysis. Much of the information shared has been outlined in the background above and further information can be found in the CRUSAP report online.

We then specifically discussed the first section of the study. This section was focused on the actuarial needs of the public. In performing its analysis, the Task Force (led in this section by Mr. Collett as noted) first set out to define, who is the public, as this was important in understanding what the needs of that public are. Certainly, actuarial employers and users of actuarial consultants are the direct users of our services, but in addition, there is the general public who are also dependent on our actuarial efforts. This reliance on the part of the public led to much thought in the analysis as to how much actuaries are relied upon within the social issues of today. These issues include a variety of public programs, entitlement programs, and so forth. The report pointed out that if the actuary is going to perform duties within these arenas, then we cannot enter into them naively, recognizing that politics can come into play as well as special interest groups. Therefore, the professional can run into greater risk of being scrutinized. His or her work may be politicized or even misrepresented.

Mr. Kilbourne gave an example of how this has and still comes into play. He feels that today, the greatest actuarial need lies in the protection of future generations. Many social programs have been built upon public promises that have been made without adequate valuations. The public has not been given the real cost of these programs and therefore do not realize that the costs have been grossly underestimated in many instances. Although, this may sound like a political statement, Mr. Kilbourne points out that it really is not. It is an actuarial rather than a political conclusion for actuarial sci-

ence to show that a legislative promise has been made without adequate provision to meet the expected future costs of the promise. Mr. Kilbourne feels that this is a failure not only of the political process but a failure of the actuarial profession to let that go by without calling attention to it.

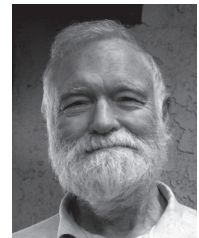
Our discussion then turned to whether or not the CRUSAP review was successful and what outcomes have occurred as a result. Mr. Kilbourne said that there has been some progress in meeting some of the review's recommendations, but relatively little concerning the first section and the actuary's duty to the public. He believes that the profession, with the exception of a few government actuaries and a few others, has done little to alert the public about the huge extent to which promises exceed provision in our social insurance and other public programs.

With health care reform a hot topic of today, our discussion then turned to how the CRUSAP review relates to these issues. Related are the increased areas of governmental regulation that must be followed. An interesting point was brought forward by Mr. Kilbourne with regard to the Precepts of the Actuarial Code of Professional Conduct. In the Code of Conduct, the following statement is made:

"Laws may also impose obligations upon an actuary. Where requirements of Law conflict with the Code, the requirements of Law shall take precedence."

Mr. Kilbourne feels that statement should at least include that the actuary should also have a professional responsibility to identify when the law is in conflict with actuarial principles. Mr. Collett added that given the amount of work that many actuaries have to deal with today that it can sometimes be difficult to have the time or to take the time to step back and look at the big picture. Mr. Kilbourne agreed, and added that a profes-

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CONTINUED ON **PAGE 16**

sion (and its members) has a responsibility to the public to apply its expertise to critical issues within its field. We then discussed the increasing amount of actuarial work that is spent in compliance with regulations, which has further exacerbated the problem of actuarial inattention to the big picture.

We concluded our discussion, with thoughts on whether now was the time to complete another review of the actuarial profession. Mr. Collett thought that the recommendations found in the 2005 review were relevant today and so one should look there first. Mr. Kilbourne felt that based on the relative lack of action on the recommendations of the last review, this would likely not be beneficial. He

felt that groups such as our Social Insurance and Public Finance Section have the potential to have significant impact. As stated in the recommendations of the CRUSAP report, we must encourage individual actuaries to look into these matters on their own and speak out whenever they are given the opportunity.

## CONCLUSION

The U.S. actuarial organizations have yet to clearly define or act upon the duty of the actuary to the public. Until this is done by the profession at large, individual actuaries should be encouraged to consider their own definition of duty to the public, and to act upon it when they decide it is needed. 

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