



SOCIETY OF ACTUARIES

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*Election Results Cont'd.*

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**Editorial**

# How Can We Make A Difference?

by Richard K. Kischuk

As we look toward the coming year, this is traditionally a time when many of us think about the future. Newspapers and television are full of recaps of the year just past. Meanwhile, we wonder what the new year will bring and how we may be affected. This is particularly appropriate for actuaries, because the nature of our profession is to look toward the future. Moreover, actuaries are uniquely qualified to make major contributions toward resolving many of the most important issues facing us today. The following is a list of some of these issues:

1. **AIDS.** So far, we have only seen the tip of the iceberg. Actuaries have already made a major contribution toward educating society on the probable impact of the AIDS epidemic. All of us will need to assess the likely impact on our employers and clients.
2. **Hazardous Wastes.** Notwithstanding AIDS, many observers believe that hazardous wastes may have the greatest long-run impact on health and longevity. Again, actuaries are well qualified to assess probable impacts on society, our employers and our clients. (See the reprinted article by Jack Sulger on Hazardous Wastes on page 1.)
3. **Government Guarantees.** Today, a number of programs are in need of massive federal bailouts. These include the FSLIC, the PBGC, the Farm Credit Bank system, and perhaps the FDIC. There is increasing concern as to whether state governments will be able to handle a growing number of life insurance, property-casualty insurance and HMO insolvencies. Asset-liability mismatching, inadequate claim reserves, fraud, and uncollectable reinsurance are among the root causes of these problems. In addition to solving the immediate problems, alternatives to present programs will need to be considered.
4. **The Aging Population.** We are in the early stages of a massive demographic shift. As the population ages, there will be increasing pressures on

retirement programs, social security programs, the health care system, and nearly every government and private institution. Actuarial input will be needed in order to further define the impact of this trend, and to develop alternative solutions.

5. **Government Deficits.** We are near the end of a very long economic expansion in the U.S. And yet we are faced with massive federal budget and trade deficits. There are various scenarios for how this situation may be resolved, and each of them represents major potential discontinuities for our society, our employers, our clients, and each of us personally. As actuaries, we should be defining probable scenarios and assessing the likely impact on our clients and employers based on their respective risk levels.

6. **Declining Insurance Company Fundamentals.** Profit margins are falling and companies are becoming increasingly leveraged. This is occurring at the same time that a major economic discontinuity is becoming increasingly more likely. Modern financial management techniques can improve the chances of any given company surviving in this environment. And yet these techniques are only just beginning to be understood and utilized by insurance company managements. Actuaries will need to be at the forefront of developing these concepts so they can be applied by insurance companies.

One way for each of us to share our thoughts on these important topics is to write articles, papers, book reviews and letters for the Society's publications: the *Transactions*, the *Record*, *The Actuary* and section newsletters. In addition, we can participate actively in the Society's meeting and seminar programs.

I hope that every member of the Society will make a contribution in 1988 toward resolving these and other important issues. If each of us can find even a few hours to contribute in some way, the total impact by our profession will be enormous.