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LOOKING AHEAD — THE FUTURISM SECTION

By David S. Williams

The Futurism Section was formed in 1982 to encourage and facilitate the professional development of its members in the field of futurism. A number of actuaries are keenly interested in futures research and its application to their business and personal lives. But the majority of our colleagues are too preoccupied with the management of today's problems to pay much attention to the longer term, particularly when the uncertainties involved are by nature not easily quantified.

The other special interest sections are addressing today's problems in their respective fields, and on occasion are taking a look at tomorrow's problems, at least those with near-term implications. Our Section's sphere of interest is broader and not as urgent, and accordingly, our role is a more difficult one. However, Section membership is currently hovering about the 1,000 level, so while many of our members may not be thoroughly conversant with current activities in the field, they find futures perspectives sufficiently stimulating that they at least want to keep in touch.

As our 1985 Annual Report indicates, we are well into the process of organizing a scanning network for the purpose of identifying and monitoring emerging issues of particular actuarial significance. A lending library of pertinent futures literature is being accumulated in the Society offices under the care of the Director of Research, Mark Doherty. The Section's Issues Committee has completed an in-depth study of a major report on the 20-year strategic outlook for the life & health insurance industry, carried out by the Center for Futures

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OUR YESTERDAYS

Jack Moorhead, former editor of this newsletter and now Chairman of the Comprehensive History Task Force, has sent a letter to the some 750 actuaries thought to be retired. With Jack's permission, *The Actuary* hereby publishes this letter, with the thought that active members, as well as those retired, may have something to contribute to this project.

THE LEGION OF ACTUARIAL HISTORY CONTRIBUTORS

ACTUARIAL HISTORY is on many minds as 1989, our centenary, approaches.

To place on record, via a book provisionally entitled "Our Yesterdays", the absorbing story of how we actuaries came to be what we are today, it's essential that we have access to documents, photographs, artifacts, reminiscences of past events. Retired actuaries as a group are by far the most likely to have some of these, or to know where they lie, treasured or forgotten.

How To Enroll

Any member of any branch of our profession who furnishes any document, any useable anecdote or any guidance to this history project will automatically become a member of the Legion of Actuarial History Contributors. Legionnaires will be entitled to receive progress reports as the work moves along, and who knows what recognition and commendation at the celebration three-and-a-half years hence.

And if you reply to this letter BEFORE JAN. 31, 1986 with your
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THE MARKETING OF INSURANCE THROUGH BANKS

By Harold G. Ingraham, Jr.

Over the past two years, as deregulation has lurched forward, banks and thrifts as well as insurance agencies and marketing organizations have been examining the viability of joint ventures involving the sale of insurance through depository institutions. Such joint ventures have been described as not marriages — but rather the "mating of porcupines".

What is a joint venture? The partners could include a bank, an insurance company, and a local agency. The insurance company has sometimes been missing, with joint ventures established between banks and independent agencies.

Why are banks willing and eager to participate in joint ventures? It helps the bank to defray costs by spreading over a larger base the costs of maintaining their branches. Also, it fills out their financial services product line, has synergy with other bank products, gives the bank opportunity for greater client control, and helps the bank to expand its customer base.

Why are insurance companies willing to participate in joint ventures? It takes advantage of an in-place distribution system, with a larger customer base, with more efficient customer access, and which has strong customer relationships. Established companies see them as supplemental distribution systems. And to some companies it's a defensive strategy.

There are several variations to these joint ventures:

- The bank solicits its clients via direct mail or telemarketing to sell the insurance company's products. Instead of using the insurance company's sales

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Futurism Section

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Research using a variety of techniques. The Committee's findings were the subject of several sessions at New Orleans last October. And judging by the volume of mail crossing the editor's desk, interest is growing in our quarterly Section newsletter, "Actuarial Futures."

A most important role for the Section involves promoting the Strategic Premise for the Education of Actuaries (the Education Policy Committee's 1982 report to the Board of Governors). Given the rapidity of change in our social, technological, economic and regulatory environment, this Committee foresaw the need for actuaries to be fully aware of current trends and their implications for the future. They further concluded that actuaries can no longer afford to simply report on these matters as observers, with no accountability for future developments. We must be prepared to take an active role in "managing" the future. This requires effective communication with our respective publics concerning potential opportunities or threats, and working with them to devise appropriate strategies.

The abilities required to deal with these responsibilities in a professional manner cannot easily be imparted in a formal study curriculum. They are perhaps better handled through the medium of continuing education, after the basic tools of our trade have been mastered and on-the-job experience has been gained. Coming to grips with the future requires both good business judgment and experience in applied psychology: without these skills you are unlikely to have much influence on the decision-makers with whom you are interacting.

Two excellent articles by Pierre Wack in recent consecutive issues of the *Harvard Business Review* illustrate these concepts quite clearly. The articles deal with the evolution of strategic planning at Royal Dutch/Shell. The business environment is different, but many of the problems are the same. The articles explain why futures research techniques have been so ill-regarded in many sectors of corporate America, and by extension, why the Futurism Section has

its work cut out for it. To illustrate this, I have borrowed freely from his work in what follows.

The value of forecasting is widely questioned today. Why? Because forecasts seem so often to be wrong — and usually at the most crucial times, just before major shifts in the business environment. The way to solve this problem is not to concentrate on producing better forecasts, but rather to accept uncertainty as a basic fact of life, and incorporate it in our plans for the future.

One way to do this is to design a set of scenarios which focus less on predicting outcomes and more on providing some insight into the environment and the connections between the major forces and events which are driving it. Having reached this point (which many companies have done), planners tend to run into a common problem — management says, "So what? What do I do with these scenarios?" At this point the planning operation bogs down, and little more is done.

With well designed scenarios and a good presentation, planners may spark some intellectual interest but will still fail to change behavior in the organization. The reason involves the basic psychology of decision-making. Each firm, and each manager, has a mental model or "worldview" within which decisions are made. This perception is vitally important, because corporate strategy develops out of it. Unless this worldview changes, managerial behavior and strategy will not change. Unless the scenarios are specifically designed to address managers' most pressing concerns, and to provide fresh insights by provoking them to question the validity of their worldview, their interest and participation in reconstructing this worldview will not be engaged.

From studying evolution, we learn how an animal suited to one environment must become a new animal to survive when that environment undergoes drastic change. The Futurism Council believes that actuaries and many of their employer-clients will have to become "new animals" if they are to continue to thrive in our rapidly changing world. Business-as-usual decisions can no longer be relied upon to produce satisfactory results. □

Thanks to Exam Administrators

The Examination Department of the Society thanks examination supervisors, proctors, and all others who assisted in the administration of the 1985 actuarial exams. We appreciate your efforts.

23rd INTERNATIONAL CONGRESS

The 23rd International Congress of Actuaries will be held in Helsinki, Finland, July 11-16, 1988. Announcement No. 1 of the Congress Committee has been sent to IAA members.

The scientific program will include National Reports focusing on the status, the duties, and the limits of the actuary. The Announcement solicits papers on five other subjects making up the remainder of the program.

IAA members who have not received Announcement No. 1, or other actuaries interested in the 23rd ICA, can obtain information through the Congress Correspondents in the U.S. or Canada. The names appear in the *Yearbook*.

19th ASTIN COLLOQUIUM

The 19th ASTIN Colloquium will be held in Tel-Aviv, Israel, from Sept. 20 to 24, 1986. These dates have been advanced one week from those specified in IAA Bulletin No. 2.

The ASTIN section of the IAA concentrates on the actuarial aspects of general insurance, and is of special interest to non-life actuaries. □

ECKLER MEDAL

The Eckler Medal is awarded annually to the outstanding graduating student of the Actuarial Science program at the University of Waterloo. The first winner is Michael Harrison, who graduated first among the 1985 class, and who has passed seven Society exams.

Eckler Partners Ltd. has donated this medal, and named it in honor of Samuel Eckler, in recognition of his contributions to the actuarial profession in North America. □