



SOCIETY OF ACTUARIES

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FES/FEM AND THE VALUE OF THE ACTUARY

By James J. Murphy

The Society of Actuaries recently distributed a White Paper on Future Education Methods (FEM). This paper was prepared by the E & E Committee for review and comment by members and students. A White Paper on a Flexible Education System (FES) was distributed last year. A major force behind the development by the E & E Committee of the FES and FEM concepts has been the "Value of the Actuary" issue, which the Society's Committee on Planning and Board of Govern-

nors have been discussing over the last several years. This issue is addressed in some depth by members of the Committee in this Special Supplement on the *Actuarial Profile Survey*.

The FES/FEM concepts are viewed as part of the solution for addressing concerns about the value of the actuary today and in the future. In the complex and fast moving environment that we see now, and expect to see more of in the future, changes such as FES/FEM in basic actuarial education, along with comparable steps in research, public relations, recruiting and continuing education, are necessary to maintain the value of the FSA. In this way, the Soci-

ety leadership hopes to maintain and even increase both the real and perceived membership satisfaction that is shown in the Profile Survey results.

It is hoped that readers of this supplement will gain a greater awareness and understanding of some of the background that has led to FES/FEM. The Committee on Planning hopes that this will be helpful in evaluating the concepts and proposals of the recent FEM White Paper.

We urge all members and students to make their views known by responding to the FEM questionnaire included with the White Paper. □

A STRATEGIC PLAN FOR THE SOCIETY OF ACTUARIES

By James C.H. Anderson

My hypothetical client, the Society of Actuaries, has engaged me to assist in the preparation of a Strategic Plan intended to establish the future direction of the profession and the role of the Society beyond the year 2000. This is the Executive Summary of my report.

Principal Findings

- The Society of Actuaries, since its founding in 1949, has succeeded in establishing and maintaining high professional standards among its members by administering an educational and examination program which requires aspiring members to demonstrate superior mathematical skills and specialized expertise in areas relating to the traditional scope of the profession.

- The members of the Society, because the qualification process is intellectually demanding, have benefited substantially, economically and otherwise, from the scarcity value created by the high standards.

- The members of the Society, in contrast to many other professional groups, have also benefited substantially because they earned reasonable incomes and incurred no significant costs during their period of early training. This is because the insurance industry and other employers have operated a "farm system" for future members of the profession.

- On several past occasions, competing professional organizations have

emerged, sponsored by individuals and groups disadvantaged by the exclusionary membership standards of the Society or not adequately served by the narrow focus of its areas of interest. These competing organizations include:

- The Casualty Actuarial Society (CAS) organized 1914.
- The Conference of Actuaries in Public Practice (CAPP) 1950.
- The American Society of Pension Actuaries (ASPA) 1966.
- The last two organizations were established concurrent with efforts to consolidate the profession on an exclusionary basis:

In 1949, the Actuarial Society of America and the American Institute of Actuaries merged to become the Society of Actuaries.

In 1965, the American Academy of Actuaries was organized under the sponsorship of the established professional organizations.

- In 1975 the U.S. Government rejected the proposal of the Academy to use the existing membership criteria of the Academy for the purpose of the Employees Retirement Income Security Act, finding its standards unrealistically high. Since then, the Joint Board for the Enrollment of Actuaries has developed qualification standards for this purpose. Enrolled actuaries as such have no standing within the Society, but are eligible to become members of the American Academy of Actuaries.

- The Canadian Institute of Actuaries has been more successful than the Academy in maintaining control of uniform qualification standards for ac-

tuaries within its jurisdiction. It has recently begun to push for broader qualification procedures, including casualty practice and possible recognition of university training.

- During the period of steady growth that occurred in the life insurance industry from 1950 to 1970, the supply of actuaries meeting the qualifications of the Society was adequate to the needs of that industry. In the pension and employee benefits field, which experienced extremely rapid growth during and since that period, the supply of actuaries meeting the qualifications of the Society was inadequate to meet the needs of the market; thus, alternative and less demanding qualification standards emerged and became accepted by the marketplace.

The casualty actuarial practice, long neglected by the Society, experienced explosive growth from 1975 onwards; the substantial and growing needs of this branch of the profession have been met by the Casualty Actuarial Society, an organization which seems to have adopted standards of qualification at least as demanding as those of the Society of Actuaries.

- Since 1970, the growth of the life insurance industry has slowed dramatically in the area of individual products, heretofore the dominant area of practice for members of the Society. Unbundled products and advanced computer technology have diminished the demand for actuaries, particularly those who are technically oriented.

Now a major consolidation of the life insurance industry seems certain and

(Continued on page 8)