

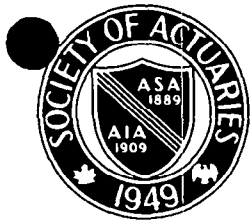


SOCIETY OF ACTUARIES

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SUPPLEMENT

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THE VALUE OF THE ACTUARY — THE FUTURE OF THE SOCIETY

A Report and Commentary on the Actuarial Profile Survey From the Committee on Planning

In recent years, the Society has been taking a more critical look at the attitudes of members toward our profession. Changes in business and society have had a profound impact on most professional organizations. This special supplement to *The Actuary* examines those changes most profoundly affecting us. It examines the skills our members see as needed for survival and success, and the courses of action that the Society should take in planning its course.

Background

Rapid communication, rising levels of educational achievement and popular trends toward "power sharing" are just a few of the major forces of change that have affected our institutions over the past generation. As a result, few organizations in a modern democratic society can truly claim to speak with one voice for all their members.

This is as true of professional organizations like ours as it is for corporations, political parties or governments. Indeed, some have observed that the professions may have been the most seriously affected by these changes.

Mass communication and the availability of technology have been cited as underlying causes of the "defrocking of the professional priesthood". Today, everyone can be their own doctor, lawyer, or, if need be, their own actuary.

In a simpler age, it seemed easier to represent the interests of "all Americans", or "all Canadians"; "all doctors", "all farmers" or "all actuaries". Today, such a task is formidable. In many situations, what were once fairly homogeneous groups have

become little more than collections of special interests.

These are just a few of the societal shifts that make governance of a professional body more difficult than it once was. They provide the backdrop from which your Board of Governors and the Committees charged with the issues of survival and governance of our profession have attempted to chart the "proper" course for the Society as we approach the final decade of the 20th century.

The Value of the Actuary — Yesterday, Today, Tomorrow

As life, health and pension actuaries, our unique talents are measuring, managing and communicating the contingencies of dying too soon, getting sick, and outliving the productive years of life. Our common bond is that we have the skills to provide our employers and clients with information that will help them better manage their insurance and pension operations.

As professionals whose specialty is evaluating the impact of contingent events, actuaries will have to assume the role of financial services "futurists". This will require that we be able to identify change, especially that which suggests discontinuity from past experience.

We will have to exercise more "right brain" thinking and incorporate "soft data" into the "hard data" that we, as "left brain" thinkers, are more accustomed to handling.

One theme that pervades the discussions of the Committee on Planning is how actuaries will ply their unique talents in the face of an ever more complex business world.

Our interest has been sparked by perceptions of actuaries that they no longer command the professional respect they once did. More actuaries today fear that they are being replaced by MBA's, economists, statisticians, accountants, and other business practitioners. Our concern is fed by admissions of employers and clients that they no longer look to actuaries as the exclusive purveyors of knowledge of contingent events affecting their businesses.

Concern is also expressed that the Society's promotion of the profession, its support of recruiting efforts, and its education and examination processes are producing too many "back room technicians" and not enough "up front" generalists and managers who can communicate effectively with clients and employers. The prevailing theme is that the future will place much more demand on actuaries with skills to solve unstructured problems.

Tomorrow's actuaries will need to communicate more effectively with their clients, and with non-actuarial managers in their own organizations.

After extensive analysis of mostly subjective information on this topic, and discussion of the skills that actuaries will need in order to comprise an effective profession in the year 2000 and beyond, the Committee on Planning decided to substitute some facts for impressions.

It commissioned the *Actuarial Profile Survey*, which was sent to all members last year, to determine how important they viewed various skills, and what actions they had taken to develop them.

(Continued on page 3)

Actuarial Profile Survey

(Continued from page 1)

The survey also asked members to provide information about their work and career progress, and to provide personal data that would enable the Committee on Planning to better determine what skills and other personal characteristics fit various actuarial career paths.

The Committee indicated that the information developed from the survey would be used to guide the Society in developing strategies for career counseling programs, expanded continuing education, and different approaches to recruiting.

Pages 2 and 3 of this special supplement provide the highlights of the Survey results, which were presented to members at the General Session during

the 1986 Annual Meeting.

It is followed by commentary from four members of the Committee and from a distinguished observer not involved with formal Society governance.

The Board of Governors and the Committee on Planning hope that this special supplement will generate lively discussion among our members on the future course of the profession.

THE ACTUARIAL PROFILE SURVEY — SUMMARY OF RESULTS

(Continued from Page 2)

Society-sponsored courses and seminars were, as expected, the most frequent methods used to improve or update technical skills. Four-fifths of the respondents believe that the Society should take an active role in providing skills development programs; a majority believes the Society should provide programs of its own, and also direct members to appropriate outside programs where it does not have the resources.

“Technical” vs. “Non-Technical” Actuaries

Respondents in technical functions were more likely to be in the early stages of their careers, typically ASA's still taking exams; they tended to be more introspective and stability-seeking than their counterparts in less technical roles. In general, technical actuaries evaluated themselves somewhat below average on “risk-taking” and near average on “assertiveness”, “leadership”, “self-assurance” and “managerial ability”.

Non-technical actuaries presented a different profile. They consider themselves more “active”, “decisive” and “variety-seeking”, and rate themselves highly on “assertiveness”, “leadership”, and “communication skills”. They are more likely to have postgraduate degrees, and less likely to have obtained their undergraduate degree in actuarial science.

Other Characteristics

As age increases, the percentage reporting an unexpectedly high degree of success rises from 24% below age 35 to 35% at ages 50-54. Primary function progresses with age from 53% technical/35% conceptual below age 35 to 19% technical/48% conceptual/29% managerial at ages 50-54. Salary levels show a similar trend, with most under age 35 earning from \$30,000-\$74,999. By ages 45-49, most earn from \$50,000-\$99,999, with 25% in that age group earning \$150,000 or more.

The percentages who consider themselves satisfied with their professional success were surprisingly constant across all age groups except the highest; 92% of those age 60 and over were satisfied. These percentages were also quite constant across professional environment, with the exception that a surprisingly high 95% of actuaries in academia and government said they were satisfied with their work. These two forms of employment are generally less rewarding financially than the private sector, which suggests that some actuaries consider other factors beside economic reward in rating job satisfaction.

Earnings/Success — Another Perspective

The salary data were also analyzed against criteria suggested by James Anderson in his 1985 address to the new Fellows of the Society. By mid-career, which he defines as age 30-40, Anderson suggests that *typical* actuaries should be earning annually in thousands of dollars their age in years plus 30.

Successful actuaries should be earning in thousands their age times 2.5. “Exceptionally successful” actuaries in their “mature career” stage should earn in thousands of dollars in excess of 4 times their age.

By these criteria, the 760 respondents between ages 35 and 39 would be classified as follows:

Unsuccessful (below \$50,000)	18%
Average (\$50,000-\$87,499)	51%
Successful (\$87,500 & over)	31%

The 997 respondents between ages 40 and 54 would be considered:

Unsuccessful (below \$70,000)	28%
Average (\$70,000-\$99,999)	30%
Successful (\$100,000-\$149,999)	23%
Exceptionally Successful (\$150,000 & over)	19%

Anderson's criteria yield a somewhat less positive view of professional success than the survey respondents gave on a subjective basis. Many of today's 35-year-old FSA's earning in the \$60,000 to \$70,000 range consider themselves successful, and would probably be so considered by their colleagues.

Several personal characteristics also demonstrate a trend by age, with self evaluations of “tenacity”, “energy”, “personal happiness” and “communications skills” all rising with age. Respondents under 40 were evenly split in their quest between “variety” and “stability”; by their 40's, most sought “variety”, but over age 50, had shifted back to “stability”.

These are the principal results tabulated from the Survey that the Committee on Planning is using to develop its recommendations to the Board for changes in specific programs and overall strategy of the Society.

Members interested in more detail may call or write Dr. Marta L. Holmberg, Examination Staff Consultant, at the Society Office.