



SOCIETY OF ACTUARIES

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Rx FOR THE ACTUARIAL PROFESSION: A BROADENED PERSPECTIVE

By Robert Shapiro

The environment in which actuaries operate has changed dramatically in recent years. Most believe this rapid change will continue in the future. The actuarial profession must, therefore, revise its mission to assure that its members continue to be effectively served.

Fundamental Change

The changes in our environment are fundamental. They impact both the science on which the actuarial profession is based and the businesses we serve. More and more, other financial professionals have capabilities and training that intersect with those of the actuary. Consider:

1. The relative importance of many of the contingencies we deal with continues to change. For example, life actuaries historically worried primarily about mortality and persistency risks. Today, the keys to financial success in most life insurance companies lie in effective management of the expense and investment risks.

2. New contingencies are emerging and must be defined and managed by actuaries.

3. The businesses we serve are changing. For example, many life insurers are becoming broader "financial services" companies; many group health insurers are becoming "healthcare providers". Also, there is an increasing internationalization of our business.

4. Mathematical approaches to actuarial issues are consistently being refined and enhanced.

5. Historic actuarial career path opportunities are disappearing. For example, in many insurance companies the "chief actuary" title is on the way out, with a career path of "chief financial officer" often being an alternative.

The traditional ways of defining and managing financial security programs are disappearing. The needed skills — entrepreneurial versus administrative — and the values — intuition and nurturing versus planning and numbers — are often different and demand that the actuarial profession respond.

Basic Assumptions

It is assumed that the actuarial profession can and wants to determine its future. We can influence the future through our recruiting, selection, education and research programs. We presume that there is sufficient "reason for our being" to justify the effort.

The most important element of change activity is defining the core of ac-

tuarial science in a way that maintains the uniqueness of the core body of knowledge, yet that reflects the realities of the emerging new financial world.

Issues

There are several issues that must be carefully addressed:

1. The inertia of the profession. We tend to make evolutionary changes, adapting slowly. Can we wait?

2. The limited resources of the Society, both in financial and human terms. How can we best focus what we have?

3. How do we — how should we — view our role *vis a vis* the financial businesses we serve?

Perspective 1: We are actuaries who work in financial services businesses; or

Perspective 2: We are business people who are actuaries by profession.

4. How do we — how should we — balance the *scientific* and human aspects of our basic training, continuing education and research? Consider:

- Stress on memory and problem solving
- Non-scientific issues requiring actuarial perspectives — e.g., AIDS and Risk Classification
- Communication with our many constituencies

VALUE OF THE ACTUARY

By Anna Maria Rappaport

The value of the actuary is a function of what actuaries are able to do as individuals, the extent to which their capabilities are seen to be linked to their status as actuaries, the supply of actuaries compared to the demand, and the user's perception of the actuary as an individual and as a member of a profession.

Users of actuarial services form their perceptions as a result of their encounters with individual actuaries, with the profession as a whole, or with its research and publications. The perceptions of individuals are a function of how knowledgeable we are, how we communicate, and how we present ourselves.

Today's users of actuarial services seek out actuaries for advice on technical

issues requiring actuarial expertise. However, on more general matters requiring a combination of technical expertise and general and benefit knowledge, they often turn to others, and may prefer others. The actuary too often talks as if the members of the audience are all actuaries, and forgets that in communicating with non-actuaries, we need to use their words, not ours.

In the field of pensions and other employee benefits today, many functions have to be performed. Some require actuarial expertise, some analytical and quantitative — but not actuarial — expertise, while others require general knowledge of the field but not quantitative expertise. Specific laws and rules interact with the application of actuarial science to pension funding and accounting, and to plan design. Many individuals who are not actuaries have substantial expertise in benefits, and do

work that overlaps that done by actuaries. Some of them work in companies sponsoring benefit plans, some in consulting firms, and others in insurance companies.

People who work with benefit plans rely on a significant amount of literature with varying levels of technical content, much of which can be viewed as quite practical. I believe that if high quality practical literature on technical issues came from the Society it would enhance the image of the actuarial profession in the eyes of the users. Today, however, the major sources of that literature are from outside the actuarial profession.

The Society is simply not viewed as a source of literature or a place to publish research on employee benefit topics unless it relates to specific "actuarial" topics like funding or actuarial science. The appearance and distribution of the

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