



SOCIETY OF ACTUARIES

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## Presidents cont'd

While actuaries can have a significant impact on many social issues, Rolland said they are hampered by the lack of public understanding about how the private insurance mechanism works.

"And they (the public) have, in my view, too low a level of trust of the people in our business," Rolland said. "I think the actuary, maybe more than any other person, has a role in that educational process, and it has to be directed not only at public policy-makers at the federal and state levels, but at the public in general. That's because, in the last analysis, what we do in the private sector is based upon support from the average person who votes and elects a representative."

Often, MacGinnitie said, actuaries must bring unwelcome news to the public. The public wants the security of automobile accident insurance, healthcare insurance and retirement funding — and the actuary has to add up the final bill.

### Exams and continuing education

"The continuing education question is critical as well," Ryan said. "We must continue to develop programs and make them available to working actuaries so that we have a group that continuously updates their experience and moves forward in the ability to handle problems as they emerge. I feel confident that we're doing both very well."

Rolland said he is pleased with the new flexible SOA examination system. In addition, he said, "I think we have to be able to demonstrate to the public that not only are we qualified up front through an examination and education process but that we have a process in place for keeping up-to-date on current issues in the actuarial area and are therefore qualified to continue our practice."

MacGinnitie said, "Finally, I'd say that this whole flexible system that the Society of Actuaries has moved toward provides the opportunity for the big step over time toward a more common core for all actuaries, be they casualty, pension, health, life or actuaries of the third or fourth kind. And I'm really distressed to see the level of resistance that that has encountered, the opposition to alternative college credit, the opposition to mandatory attendance at certain kinds of seminars, and the hue and cry from the students about increased travel time."

# Technology, competition to change profession

by Judith Bluder

The future actuary faces major changes as a result of updated technology and competition from other professionals, concluded a panel of actuaries during the final general session at the Centennial Celebration in Washington, D.C.

Centennial Steering Committee Chairperson Thomas P. Bowles, moderator for the session titled "The Response to the Challenges," posed questions to panel members about a number of topics.

Less time will be spent on well-structured problems, which are the "traditional grist" of the actuarial trade, and more time on ill-structured problems, said panel member Robert C. Winters, Chairman and CEO of the Prudential Insurance Company.

"We have seen the old actuarial function folded into business units designed to take organizations closer to their customers," he said. "We've seen more use of teams in both problem solving and problem identification."

Panel member E. Sydney Jackson, Chairman of the Manufacturers Life Insurance Company, said his company also relies on the "team approach" to solve some problems. In particular, he said, that approach is used because of the decreasing importance of traditional life insurance and

increasing interest in short-term investments, variable life insurance and universal life.

He said the team often is led by an actuary but sometimes by a lawyer, accountant or marketing professional. "So we have a lot more talents to solve these complex problems and rapidly changing ones," Jackson said.

In addition, he said, there are other dramatic changes in the life insurance business, including the increasing pressure on profits. Competition in the short-term products offered by some companies means they have thin margins on their new products.

The impact of AIDS is another question actuaries must address, he said. "So we see from that an increased pressure on professionalism. Are we going to be competitive at the expense of profits? The pressure is on the actuary to maintain his professional standards and yet resist peer pressure in some instances."

Jackson also addressed how internationalization of financial services in other businesses will offer new challenges to the actuary. Over the next 10 years, he said, internationalization will have a great impact on the U.S. life insurance business.

The American market is relatively mature, and expansion outside

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*From left, Thomas P. Bowles questions panel members John J. Byrne, Robert C. Winters and E. Sydney Jackson during the general session, "The Response to the Challenges."*



*Change cont'd*

of the United States will come in 1992, he said. "Europe, in 1992, will be a common market, which will offer great opportunities for enterprising life companies. Even more will surface in Pacific Asia, where full industrial development is terrific and where insurance services are very elementary."

The results will be a "harmonization" of some regulations. That already has happened with bank capital ratios, GAAP accounting and the European Common Market rationalizing regulations, he said. In addition, he said actuaries will be exposed to new ideas and new products by American companies doing international business and foreign companies coming into the United States.

Bowles asked, "How can the right kind of actuary be produced to fill the needs caused by these challenges?"

"I would emphasize that he (the actuary) does need to be more of a businessman than a mathematician," Jackson said. "He has to show a willingness to change, because the world is going to change. That means continuing education, not only in his existing discipline, but looking toward the new areas that remain to be explored."

Panel member John J. Byrne, Chairman of the Fireman's Fund Corporation, said that the key in the casualty/property insurance business is for actuaries to be more balance-sheet oriented.

He said the casualty/property business experiences "terrible cycles." "We ruin America's faith in us, we ruin our agency relationships, even CEOs get fired." Those cycles can be blamed largely on misstated balance sheets, Byrne said.

In 1981 and 1982, he said casualty/property companies were telling the world they had about \$50 to \$55 billion of policyholder surplus standing beneath their casualty/property liabilities. Actually, Byrne said, the companies had only \$10 billion in surplus, and that was because their balance sheets weren't stated properly. "Where were the actuaries who signed those statements?" he asked.

"I like an actuary who says, 'This is your balance sheet,' and five years later you can say, 'Yeah, he (the actuary) called it pretty close,'" Byrne said. "More actuaries need to make those calls."

Bowles also asked Byrne how he views the difference between life and property/casualty actuaries.

Property/casualty actuaries tend to work in less well-structured programs than life actuaries, Byrne said. In addition, property/casualty actuaries become more involved earlier in their careers in the "real business" of marketing, distribution and design.

Another question discussed by the panel was whether the collective body of actuaries in North America should reexamine their whole process of seeking credentials and licensing.

Winters said in terms of official recognition that U. S. actuaries have sought domains of exclusivity before and since 1965. In 1965, he said, U.S. actuaries tried to obtain a congressional charter similar to the Canadians' federal charter, but that attempt failed.

In general, actuaries have been unsuccessful in gaining official recognition, Winters said. "In part, we've run up against a kind of American elitism. Those who would claim for themselves a domain-exclusive operation have to be able to define the domain. What are the activities you're talking about, and what is the public interest which is served by limiting access to that behavior? We've succeeded substantially in connection with signing off on the statutory statements of life companies and foreign casualty companies. We have succeeded to some degree, but not to the degree that many have hoped, in connection with the responsibilities of an enrolled actuary. [Professional recognition] is limited to enrolled actuaries, but the definition of enrolled actuaries was not at all what the established profession had hoped it would be."

Bowles asked how the difference in U.S. and Canadian environments will affect actuaries' professional response.

Jackson said he is concerned with the American problem of all the different jurisdictions. The rules in Canada are general and place a great deal of responsibility on the individual actuary and on his profession. "I wonder if the detailed regulations in the United States might become more general if we had a better recognized profession in the United States," he said. "And I think that is very much in the public interest, because in times of rapid change, detailed regulations don't change as fast as the world is changing."

## Centennial innovations may change future meetings

by Diana Montgomery

"The Centennial Celebration brought the dawn of a new era in the way actuarial meetings are handled," said Thomas P. Bowles, head of the meeting's steering committee. "It set a new standard for meetings to come."

Bowles's enthusiasm was fueled by the overwhelmingly positive audience reaction to several innovations at the Washington, D.C., celebration. He said, "Everyone seemed to appreciate the video enhancement used in the general sessions. With a live-action video image of the speakers on a giant screen, everyone had a front-row seat." Bowles, interviewed after the Centennial meeting, said organizers are exploring use of video enhancement at upcoming Society annual meetings.

Compliments also were heard on the animated, 12-projector audio/visual show chronicling the history of the profession. "We wanted to give actuaries a sense of their history and pride in it. Our goal was to make it emotional and inspirational — and to give everyone goosebumps."



Guests enjoy the large buffet offered during the Monday evening reception.

Centennial celebration social events also were more ambitious than usual. A Monday evening reception offered attendees a chance to mingle for two hours while sampling a large assortment of hors d'oeuvres. They listened to a band play music from the 1920s to the 1980s chronologically as slides from the appropriate eras

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