



SOCIETY OF ACTUARIES

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Editorial

We have only just begun

by R. Stephen Radcliffe

The Centennial Celebration meeting in Washington, D.C., was a fantastic success. It was a clever combination of a happy celebration of our many past accomplishments and a serious consideration of the challenges that face our profession. Thank you, Tommy Bowles, for a memorable event.

I came away from the meeting feeling good about our profession. We have much to be proud of. The financial security systems that we have cared for have prevailed through economic ups and downs for more than 100 years. We actuaries were the scientists, architects and engineers who developed, built and maintained these financial security systems. The systems have endured because they were built on a foundation of sound principles. This is the gift of our profession to our society and our economy. Even though actuaries have often been chided for their conservative bent, it is this conservatism that provided the glue that held the financial security systems together during times of stress. Recent surveys have shown that our publics are thankful and generally trust the actuary with the safekeeping of their insurance institutions.

History has been kind to us. We have been fortunate to participate in and contribute to a free economy. The growth of our economy and these institutions has allowed us a handsome opportunity to grow. We should be thankful.

The future of the actuary looks very bright indeed. Opportunity abounds for our profession to make many more important contributions to society. We need new models, especially in the areas of healthcare delivery and long-term care for the elderly. Much remains to be done in the study of investments and the interrelationship between asset and liability cash flows.

We also need to hone our skills. In the past, we have concentrated our study on the mean values of random variables. The increased volatility in the economy means that we now need to advance our study to the analysis of the standard deviations of these values.

We did not spend all of our time at this meeting congratulating ourselves. Much time was spent considering the serious issues that face the actuary in the years to come. If I could put my finger on one primary threat to our profession, it would be complacency of the membership. Now is not the time to be complacent. Our services are needed now more than ever.

For our ideas to be relevant, they will have to be useful to the publics we serve. For the ideas to be useful, we are going to have to work harder than ever to keep pace with the changing times. Neither can we afford to be reticent about our ideas. The public wants to hear from us and needs to hear from us. We are the keepers of the truth.

Our history demonstrates that we have usually taken a passive role as advisers. In the future, we may need to take an active role and be advocates. Not necessarily advocates of political issues but advocates of truth — the truth inherent in the ideas and principles of our profession. To be effective advocates, we are going to have to learn to clearly communicate our opinions and make a commitment to advance them into the public domain and public debate, or we will be ignored.

So, we have taken a moment to pause along our busy paths to feel good about ourselves, but we cannot rest too long. There is much left to do. May we have as much good fortune in the next thousand years as we have had in the first hundred.

R. Stephen Radcliffe is Senior Vice President and Chief Actuary of American United Life Insurance Company. He is currently a Vice President on the SOA Board and Guest Editor for this Centennial issue of *The Actuary*.

Five presidents tackle major issues facing profession

The presidents of the Centennial's five sponsoring organizations shared the stage — and their frank opinions on important professional issues — during the Wednesday morning session on "The Challenge from the Leadership."

Each president first gave a presentation, then fielded questions from moderator Robin B. Leckie.

In his remarks, David L. Hewitt, President of the Conference of Actuaries in Public Practice (CAPP), said the consulting field has grown, and CAPP's activities have expanded to reflect that growth. However, he said membership has increased at a slower rate. He attributes the slow growth to CAPP's strict entry standards, which emphasize seniority coupled with other criteria.

"We still have to decide whether and how to embrace a wider group of consulting actuaries," said Hewitt, Senior Vice President, Hay/Huggins Company, Inc. CAPP is exploring a joinder with the actuaries from the American Society of Pension Actuaries (ASPA), a mixed group of whom three-quarters are non-actuaries. However, Hewitt said, "We're not at the point of presenting anything to our memberships."

W. James MacGinnitie, President of the American Academy of Actuaries, said that a major challenge for the profession is to make an effective contribution to public policy discussions.

"This is a particularly difficult challenge because of our small numbers," he said. "We do not have a large bloc of voters that politicians are interested in, nor do we have a history of strong political activism. It is also a challenge because, in many cases, the public policy discussants receive our contribution as unpleasant news. The long-term-cost implications of many public policy proposals are substantial, and one of our contributions as actuaries is to point out those cost implications."

To meet the challenge of contributing to public policy formulation, all actuaries must become better aware of the issues, said MacGinnitie, of Tillinghast/Towers Perrin.

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Robin B. Leckie

Presidents cont'd

Kevin M. Ryan, President of the Casualty Actuarial Society (CAS), said the casualty actuarial profession recently entered a new phase. In the past, CAS activities focused on the educational process, but now activities deal more with the organization's external and internal relationships.

The CAS not only is defining its own profession through the establishment of principles, but it also is involving a broader audience in its activities, he said. Ryan, President of the National Council of Compensation Insurance, predicts that the CAS will grow and play a larger role in the future.

Elimination of fragmentation in the profession is a key issue facing all actuaries, said Ian M. Rolland, President of the Society of Actuaries.

"My hope is that we can enter the 1990s with single public interface bodies in the United States and Canada," he said. "And we need more clearly defined roles for the other actuarial organizations. This will be a major step toward our more effective participation in public discussion on issues relevant not only to actuaries but also to society in general."

The issue most prominent for the Canadian Institute of Actuaries (CIA) is defining the nature of the FCIA designation, said CIA President Peter C. Hirst. "Is it a license to practice, an educational degree, or both, and to what extent?" he asked.

In addition, he said the CIA is asking itself if it provides sufficient continuing education opportunities for its members in different practice fields and what the Institute can do in the field of research. "These are all questions we are addressing on both short-term and long-term basis within the CIA," said Hirst, of Actrex Partners, Ltd.

Strengthening the profession

The five presidents discussed how their organizations plan to respond



The presidents of the five organizations that sponsored the Centennial discuss the issues facing their organizations during the general session. "The Challenge from the Leadership." From left are Ian M. Rolland, SOA President; W James MacGinnitie, AAA President; Kevin M. Ryan, CAS President; Peter C. Hirst, CIA President; and David L. Hewitt, CAPP President.

to the key recommendations of the Task Force on Strengthening the Actuarial Profession.

MacGinnitie said the Academy already has taken several steps in that area including restructuring volunteer committees so they can be more effective and publishing a new magazine, called *Contingencies*, to reach the nonactuarial audience.

The public interface aspects of the report are critical, according to Rolland. He said the profession is so internally fragmented that it is difficult for actuaries to interrelate with the public.

"It isn't so much that we have too many voices," Ryan said. "I think we don't have a voice. The whole process should focus more on the substance of what the problem is, which is that we have to become much more vocal and approach the problems that society is faced with."

Hirst said the CIA would do anything it can to help strengthen the profession provided its own unified position is not weakened in the process.

Enhancing the role of the actuary

"We are going to need to pay more attention to our communication skills so we can transmit to our publics what we are all about and what our findings are," Rolland said. Actuaries will have to be able to deal with more managerial problems that may not have a "black and white" solution. "I think this is the kind of world that

actuaries are going to have to live in in the future if we are going to be effective," he said.

Hewitt said the real challenge of enhancing the role of the actuary is to admit a broader spectrum of talent to the actuarial profession.

MacGinnitie agreed with Hewitt, adding, "I think that the action of attracting more broad-based, larger context, better trained actuaries to the profession and at least relatively fewer of our traditional rear-window cartographers will make it easier to participate effectively in public policy discussions."

Responding to social issues

Each president gave his view on how individual actuaries and actuarial organizations can respond to social issues such as planning and financing of social programs, the deterioration of the environment and inflation.

Ryan said actuaries have to stop short of becoming advocates of various social programs. "The essence of what we have to do is educate as to the implications of some programs. It's a fine line between advocacy and developing implications [and] making those public. We not only have to draw the line but become very active in explaining what these cost implications are for various programs."



Using the gavel given to the SOA by the Institute of Actuaries in November 1949, Thomas P. Bowles, Jr., calls to order the first meeting of the Centennial Celebration. The gavel was carved from an oak beam of Staple Inn Hall, destroyed by a bomb in World War II.



An ice sculpture and a replica of the Capitol were displayed as part of the decorative theme at the Monday evening reception.



Roger Corley, left, President of the Institute of Actuaries, presents Ian Rolland, SOA President, with a decanter in honor of the Centennial.



Right, above: Edward Cowman displays the index he compiled of 100 years of actuarial literature, at the artifacts exhibit. His index, an invaluable research tool, covers TASA, RAIA, TSA, RSA, TSAR and The Actuary.



John Angle, left, strikes up a conversation with President-Elect Allan Affleck at a Centennial reception.



Geoffrey Crofts and wife, Jean, enjoy the Centennial festivities.



Dwight Bartlett, right, presents Jack Moorhead and his wife, Iris, with a leatherbound copy of Moorhead's book, Our Yesterdays: The History of the Actuarial Profession in North America, 1809-1979, and a framed parchment proclamation in appreciation for his work to preserve the history of the profession.



Frank Livsey questions panel members during the breakout session on "Pensions Today and Tomorrow."

One of the 10 remaining arithmeters – the calculating machine invented in 1869 by Elizur Wright – was donated to the Smithsonian Institution during the Centennial Celebration. Making the donation is John A. Fibiger, center, President of The New England. Receiving the arithmeter, which has the power and accuracy of an 80-foot slide rule, are Steve Lubar and Peggy Kidwell of the Smithsonian.

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."

