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## Forecast 2000 forum generates substantial media coverage

by Robert L. Brown

The recent Forecast 2000 forum on the environment held in Toronto dealt with such issues as increased taxes and higher insurance premiums to cover costs of natural disasters. The forum generated a lot of positive worldwide media coverage and brought more focus on the actuarial profession, despite the somewhat negative tone the survey projected.

In discussing the results, based on a survey of casualty actuaries, a positive pro-active stance was emphasized with the media.

In particular, it was our contention that through insurance premiums, the business sector will see real economic incentives and rewards for being responsible corporate citizens with respect to pollution control (e.g. reduced premiums for safe, inspected storage facilities). Furthermore, we stressed that actuaries have an essential role to play in assessing the economic value of the pollution liability risk, both in setting equitable premiums and also in assisting the courts in adjudicating penalties in cases of damage or injury.

Before the July 11 Forecast 2000 seminar, actuaries with a particular interest in the topic were polled on a series of relevant questions. In this case, the response was from 332 property/casualty actuaries (out of 1200 polled). Questions varied from the effects of a catastrophic natural disaster to concerns about environmental pollution. The results of the survey, which acted as the focal point

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## Continuing education: The debate goes on and on

by Burton Jay

Should actuaries have a formal program for continuing education? This question has been asked, studied and debated at least since the early part of the decade. For many years, accountants, physicians and lawyers of many states have had continuing education requirements to retain their license to practice. Many other professions, including some groups of life insurance agents, require their members to participate in continuing education activities or in some way recognize those who do. Where are the actuaries?

The topic was on the agenda of the Society's Services to Members Policy Committee as early as 1983.

In 1984, a joint task force representing the actuarial bodies in North America was formed to consider the question. In a September 1985 report to the Council of Presidents (COP) the task force recommended that each founding organization of the Academy

adopt a similar continuing education recognition program. The Conference of Actuaries in Public Practice (CAPP) was already in the process of adopting a program similar to the one envisioned by the joint task force. That program would have recognized - with an asterisk or other designations in the organization's yearbook - those individuals who fulfill the required hours of continuing education and submit documentation to the organization's administrative offices. The American Society of Pension Actuaries has also had such a program for a number of years.

Another type of program involves specified continuing education requirements to retain one's professional designation. The Joint Board for Enrolled Actuaries recently implemented a program that members must fulfill to retain their Enrolled Actuary designations. The COP deferred action

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## Editorial

# Being an actuary is risky business

by R. Stephen Radcliffe

A simple mission statement for the actuarial profession could be "We do insurance risk." Maybe in the future we could expand our horizons and just say, "We do risk." With either statement, the main word is risk. We analyze it, quantify it, manage it, monitor it, model it and project it.

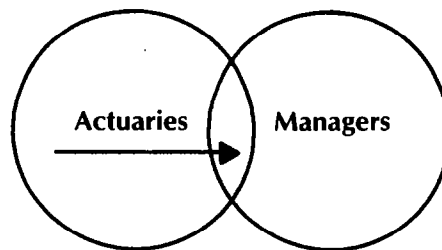
We are the experts in insurance risk. We are the "engineers" of the financial security systems that have developed in free economies. Because of the nature of risk, the actuary's job is very technical and intellectually demanding. There aren't many people who can do what we do – or maybe there aren't a lot of people who want to do what we do. The work is difficult and involves a lot of messy details. As the economies we work in become more volatile, the work becomes more difficult and messier.

Because of this trend, the actuary's work in the future is sure to be more technical and more complex, and it probably will be more mathematical. This idea of needing actuaries who are more technical seems on the surface to run counter to the proposals in the report on *The Future of the Actuary*. In that report, the main theme focuses on the need for actuaries to be better communicators and better managers. To be more generalists, if you will, and less specialists, more managers and less technicians.

The report presents an important issue for actuaries to face. A professional with a good idea or a good solution to a problem will not be effective unless he or she can communicate it. However, that does not mean that actuaries have to be good communicators as a primary skill. As long as they can communicate their ideas in the language of actuaries, usually mathematics, they can be effective. As long as they contribute to the advancement of actuarial principles, their contributions will be important and valuable. After all, I am sure not all the space engineers in Houston are good communicators, but they are launching spaceships again.

The concern about actuaries' not being good managers stems from a worry that not enough actuaries are migrating into the ranks of managers in today's organizations. There are plenty of counter examples to offset this worry. Many actuaries are presidents or in senior management of companies all across the country. I think a case could be made that actuaries today are migrating into the management ranks just as fast as they have in the past. Of course, there are no guarantees of the migration from actuary to manager, but there never were and never will be.

We should recognize that being an actuary and being a manager involve two entirely different sets of skills. Actuaries manage risk, and managers manage people. Actuaries solve technical problems, and managers get projects done. Actuaries build models, and managers build organizations. Actuaries project financial results, and managers plan growth. These are two distinct groups of people. They may intersect, but they are separate as shown in the diagram below:



The main job of our profession is to train actuaries, not managers. It is up to individual actuaries who want to migrate into the ranks of management to train themselves to be managers. We should also recognize that not all actuaries may want to migrate. Sure, that's where all the bucks are, but it is not where all the good actuarial work is done. Those who migrate to the ranks of management will probably shed some actuarial skills as they accumulate management skills. They will then

miss the feeling of "Eureka" when they solve a really tough problem and make the final turn of the key that snaps the lock open on a treasure chest of new ideas and thoughts. Who knows, maybe in the future the big bucks will go to the good technicians and not the managers.

Nothing said here is meant to denigrate the idea that actuaries should strive to be better communicators and better managers and to be more involved in shaping the future of financial security systems. The only caution suggested is that in our anxiety to be great communicators and managers we not forget the core of our profession – an expert understanding of risk.

Instead of adding more courses on communication and management to our syllabus, let's add more statistics and more mathematics of finance. As Jim Tilley mentioned in his address at the Centennial Celebration, maybe we need to learn more about the theory of chaos – a relatively new mathematical discipline that helps explain observed random, chaotic phenomena that may not be random or chaotic after all. These and other mathematical skills need to be added to the actuary's toolkit.

The challenges facing actuaries in the future will require more, not less, technical work. So let's prepare our profession to solve these problems by adding more mathematics, and then let the individual members in our profession who wish to migrate into management accumulate the skills they need to make the migration successful. The report on *The Future of the Actuary* reminds us that we do need to hone our skills in many areas. But, let's not take our eye off the ball and forget our heritage as the keepers of the actuarial fundamentals that provide the foundations for our financial security systems.

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