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THE Actuary

Implications of the Futurism Section Delphi Survey

by Chandler L. McKelvey
and Robert D. Shapiro

During 1989 the SOA Futurism Section completed a Delphi survey consisting of two rounds of questionnaires soliciting input from Futurism Section members. The responses from the 450 participants were summarized and used to develop a scenario of the actuarial world in the year 2000.

A "panel discussion" was scheduled for October's Annual Meeting in New York. The format was changed to "open forum" at the opening of the session! We sought input from attendees and structured the presentation to facilitate such a dialogue. This change was necessary, we believed, because the Delphi process tends to build an extrapolated consensus, and we wanted to address potential discontinuities and other variations from the "mean" of the distribution of possible future outcomes.

The year 2000 scenario developed from the Delphi survey suggested:

1. Almost all actuaries will continue to work for insurance companies and consulting firms.
2. The actuarial field will continue to be technical and dependent on technology...in the face of increasing need for actuaries to be more politically aware and management-sensitive.
3. We will be more closely regulated, and more of our work will be mandated.
4. The nature of the work done by most actuaries will not be much different from what it is today.

Continued on page 2 column 2

The future of retirement – an update

by Anna M. Rappaport

Recent U.S. and world developments have influenced many of the issues discussed at the November 1988 Symposium on the Future of Retirement.

This article revisits and updates some of the issues presented at the symposium, which was sponsored by the Society of Actuaries in cooperation with the American Academy of Actuaries, Conference of Actuaries in Public Practice, Employee Benefits Research Institute and Pension Research Council. The symposium proceedings are available for purchase through the Society.

The symposium examined societal trends that may influence retirement patterns and several retirement scenarios developed by futurists. Fundamental demographic and family issues change gradually and, consequently, have changed little in the past year. These issues will interact with political and business

forces to set the stage for work and retirement patterns. Several significant political and business developments surfaced in the United States or abroad last year. These are:

- The changing political and social climate in Eastern Europe
- Modifications to Medicare that undo the Medicare Catastrophic Coverage Act passed in 1988
- A Supreme Court decision that reduced the impact of the Age Discrimination in Employment Act (ADEA) on employee benefits plans
- Continued attention to retiree medical issues and the issuance in February 1989 of an exposure draft on retiree medical benefit accounting
- Escalation of regulatory and legislative activity, creating chaos for employee benefits plan sponsors
- Press coverage causing concern about pension issues and benefit security, making them much more visible issues.

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Futurism section cont'd

5. Our markets and products will be more heavily regulated, mandated and subject to consumerist scrutiny.

This scenario envisioned an actuarial world based on a continuation of and, in some cases, an intensification of trends now clearly identifiable. The consensus-building process projected no discontinuities or major changes of direction. Although this was not an unexpected result of the Delphi study, we believed the study's usefulness in planning and forecasting would be enhanced by broadening our analysis from a focus on "the average" to an examination of potential variations.

Consider, for a moment, the decade of the 1980s. A Delphi study developed by actuaries in 1979 might well have arrived at a "business as usual" scenario for insurance companies and employee benefits plans for the year 1990. Although some things have not changed dramatically over the past 10 years, many have, largely as a response to such major discontinuities as ERISA, AIDS, the interest rate spike in the early 1980s and Proposition 103.

A deeper study of the Delphi responses should reveal possible trends and watershed events that could lead to major discontinuities in our operating environments of the 1990s. By studying this information and evaluating potential responses to the identified changes, we can enhance the value of the analysis.

For example, some events hinted at by responses to the Delphi study that could change the direction of financial services businesses and the role of actuaries over the next decade are:

- Continued substantial declines in the intrinsic surplus of life companies.
- Major changes in the AIDS situation.
- Major changes in the taxation of insurers and/or policyholders.
- Major changes in the taxation of employee benefits.
- Adoption (or lack of adoption) of the valuation actuary concept.
- Erosion of risk classification flexibility.
- Removal of barriers to banks' selling insurance.
- A wave of financially troubled insurers and/or employee benefits plans.

- A devastating natural disaster.
- A severe economic discontinuity.

By identifying such events and studying how organizations might anticipate and react/respond to them, we can better manage our business and professional lives. Perhaps by looking more closely at some of the subtle changes that have been occurring we can uncover trends that might lead to future discontinuities. Couldn't some major discontinuities of the 1980s, such as ERISA and Proposition 103, have been anticipated so that we could have responded faster by either modifying the nature of the discontinuity or positioning our companies and clients better for the needed changes?

Our hopes were realized by the discussion at our Annual Meeting open forum. Many valuable insights were obtained from the attendees. As a result, the Futurism Section is exploring ways to broaden and deepen its 1989 Delphi survey. One approach would be as follows:

1. Develop several distinct scenarios of the actuarial world of the year 2000 that could be inferred from the 1989 Delphi project.
2. Solicit comments, questions, disagreements or extensions from our membership in such a way that the scenarios can be strengthened.
3. Revise the scenarios to reflect membership input.

We could identify several potential major discontinuities and ask a sample of individuals what they would do in both anticipating and reacting to each event. We also might go outside the actuarial audience for input, approaching, for example, academics, employers of actuaries, and bankers.

Perhaps there will be a follow-up report to this one after the 1990 Annual Meeting.

Robert D. Shapiro is President of The Shapiro Network. He chairs the Futurism Section. Chandler L. McKelvey moderated the Open Forum on the Delphi project at the Annual Meeting.

In memoriam

Wayne E. Bergquist FSA 1970
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Robert M. Duncan FSA 1946
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