SOCIETY OF ACTUARIES

Article from:

The Actuary

November 1992 – Volume 26, No. 9

The Newsletter of the Society of Actuaries
VOL. 26, NO. 9
NOVEMBER 1992

THE Actuary

The actuary as a businessperson

by Joe Rafson

Much discussion has been devoted to actuaries expanding beyond their traditional roles. I have one of those nontraditional positions. For the past two years, I have been the financial manager for a small manufacturing firm in the pollution control field, a far cry from the insurance company where I was trained.

How did I find myself so far afield? That depends on how you define our area of expertise.

It's an actuarial world

Let's define our actuarial background in generic terms: quantifying uncertain events with limited information into financial, practical actions. Now let's break down that definition into its parts:

- Quantifying — Our business community complains that today's pool of mathematically competent executives is woefully inadequate.
- Uncertain events — Whether an executive is planning on allocation of resources, pricing long-term projects or products, or simply making the decisions any business executive has to make, uncertainty is widespread and inescapable. For the actuary, trained at predicting 10, 20, 40 years, or even longer in the future, general corporate planning would be a natural extension of our training.
- Limited information — To recognize, much less compensate for, imperfect knowledge is rarely seen in the business world.

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Reflections on changes in the profession

by J. Bruce MacDonald

I returned recently from attending the meeting of the International Association of Consulting Actuaries (IACA) in Vancouver. I have attended most IACA meetings, starting with the first one in Munich in 1968. I always find these meetings to be among the most enjoyable and stimulating professional meetings that I attend. I began to reflect on this, trying to determine why.

The big picture

Perhaps it is because the attendance is relatively small, and I know most of the people, who come from all over the world. This is undoubtedly part of the reason, but I go to other small meetings where I know most of those there. Is it because they are held in interesting places, such as Auckland or Elsinore? Not entirely, because some of the locations, such as Bermuda and Hawaii, are of no interest to me, and some, like Toronto and Vancouver, are places I can go as often as I wish. I concluded that it is because these meetings address the "big picture." When I talk with my friend Andrè Nicolai from Brussels, we don't go into details of Revenue Canada's latest set of inanities and compare them with the Belgian equivalent. We talk of underlying and overriding principles.

Specialization narrows focus

Increasing regulations have made Society meetings much more technical than they once were. The emphasis on meeting continuing education requirements for enrolled actuaries under ERISA makes most pension sessions incomprehensible to anybody but a U.S. pension actuary. Changes in insurance accounting and taxation make those sessions impossible for non-life actuaries. Today it is more difficult to understand much of what is going on outside your own area of practice.

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Changes in profession cont'd

Increasing regulation and progress in actuarial science have forced us to specialize. Our knowledge of a subject has become much deeper, but at the cost of a lesser breadth. In 1940, E.T. Bell, then professor of mathematics at California Institute of Technology, wrote that actuarial mathematics "has been so thoroughly explored that little remains to attract a professional mathematician," and that "run-of-the-mill actuarial mathematics requires no originality." How wrong he was.

We must consider the changes that have occurred in our profession, why they have occurred, and what we should be doing in our own interest. Increasing regulation is far from being the only reason for the changes.

Oversupply limits opportunities

When I first was introduced to actuarial science at university in the 1940s, Professor Norris Sheppard told us that actuaries were never unemployed. This made quite an impression on me. I had been a child during the Depression and had witnessed unemployment. When I started to work for the Crown Life in 1949, I was told that no Canadian insurance company had laid employees off. Both statements are no longer true, and we may even see the day when it is suggested we have a representative of unemployed actuaries on the Society's Board.

In the June *Actuary*, my friend Michael McGuinness discussed the actuarial consulting business in Canada and concluded that the prospects for actuaries were not as good as they once were. The United States experiences the same situation. Part of the reason is an oversupply of actuaries. More universities have established courses in actuarial science. We have done a good job in making sure that students know that we have a rewarding profession. It is no wonder the number entering the profession has increased dramatically, with a record number of students enrolled.

Many life and consulting companies fell for the permanent expansion syndrome, though they have not yet paid as severe penalties as some real-estate companies. It is not surprising they are reducing the number hired and letting go actuaries they believe are not top quality.

Increasing specialization is one of the effects of oversupply. When actuaries were in short supply, they had to do everything of an actuarial nature. An increasing pressure to specialize no longer allows the same opportunity to be a generalist. Another result of oversupply may be lower salaries.

Broad-based knowledge opens doors

The question is: what can we do to help ourselves?

Material promoting the profession when I entered it said that an actuary had to have a wide knowledge of men and books and the more of both, the better. We even had an English examination as the first actuarial examination. (I received such a good mark on the English examination that I won a prize, though the mark on my mathematics examination was not exceptional.) I think we may have made a mistake when we dropped the English examination. Its lack encourages the mindset of a technician, rather than the actuary who must communicate intelligibly with both his non-actuarial colleagues and the public. I hesitate to suggest we add *writing skills to our examination* schedule, but it is something that a good actuary must be able to do.

Actuaries also must broaden their knowledge by having interests outside their profession. What those interests are probably does not matter, except that they not be exclusively sports or physical activities; an intellectual component is necessary. Such interests might be difficult to develop with the current examination schedule. Perhaps it was better when examinations were held only once a year. Although travel time through the examinations was longer, one could live almost a normal life for half the year.

I think that we must encourage actuaries to have the ability to write and to have broad interests outside the profession. We should stress again that knowledge of books and men is a necessity. This may be difficult for those where the corporate culture requires 12-hour days and weekend work. It may be impossible for those who find fulfillment in being a workaholic. However, the actuary with broad interests will probably go further, earn more, and be in a better position if a change is forced or desired. Who knows, there might even be a fulfilling job outside the profession.

J. Bruce MacDonald, retired, still does some consulting work, including advising Dalhousie University, Halifax, Nova Scotia, on Certified Employee Benefits courses.

4 universities receive grants

The Society of Actuaries recently awarded grants to four universities in recognition of full-time faculty members attaining Associateship or Fellowship status. The universities use the grants to promote and develop education and research programs.

The universities and faculty members are:

- University of Louisville, Kentucky — Krzysztof Ostaszewski, ASA, $2,500
- National University of Singapore — Wai Sum Chan and Yiu Kuen Tse, both ASAs, two $2,500 grants
- Ball State University, Muncie, Indiana — William Bart Frye, FSA, $5,000
- Kasetsart University, Bangkok, Thailand — Prasit Payakkapong, ASA, $2,500

Universities announce openings

Position: Tenure-stream appointment in actuarial science at the assistant or associate professor level, starting July 1, 1993, Department of Statistics, University of Toronto. Salary and rank will be commensurate with qualifications and experience.
Duties: Conduct a strong research program, teach undergraduate and graduate students and supervise graduate students.
Application: Send letter of application with curriculum vitae and three letters of reference by January 15, 1993, to Professor M. Evans, Chairman of the Department of Statistics, University of Toronto, Toronto, Ontario M5S 1A1. The Department of Immigration has approved an international search.

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Position: Faculty position in actuarial science at the University of Wisconsin, Madison, School of Business, beginning late August, 1993. Assistant, associate, and full professor levels will be considered.
Qualifications: Ph.D., membership in a professional actuarial organization, and a commitment to excellence in teaching and research. Life or casualty specialty welcome.
Application: Send current curriculum vitae to James C. Hickman, University of Wisconsin, 1155 Observatory Drive, Madison, WI 53706. Selection process will begin January 1, 1993.