



SOCIETY OF ACTUARIES

Article from:

The Actuary

March 1993 – Volume 27, No. 3

Research papers for Fellowship credit

by Rich Lambert

The Education and Examination Research Paper Committee recently awarded 30 Fellowship credits to Daniel Dufresne for his paper, "Some Aspects of FASB Statement 87." This is the eighth such paper approved for Fellowship credit under this FEM (Future Education Methods) program.

The paper's abstract states: The goal of the proposed research is to study some of the implications of FASB Statement 87 on (defined benefit) pension plan expense. Two particular aspects will be looked at: 1) the effects of the variability of the discount rate and 2) the "corridor" approach to gains and losses amortization. The subject will be studied mathematically and with the help of computer simulations.

Copies of Dufresne's paper are on file in the Society library.

The committee thanks Arnold Shapiro and Eric Lofgren who refereed this paper and acknowledges Lucien Pouliot, who served as Dufresne's supervisor and provided the committee with reviews.

Students interested in the Research Paper program should consult Appendix 2 of the Fellowship catalog. Applications for Research Papers can be obtained from the Society of Actuaries office.

Richard Lambert is vice president and associate actuary at Prudential Insurance Company of America and the Chairperson of the Research Paper Committee.

Fractals video available

"Dynamics of Change," the videotape produced for the SOA 1992 Washington, D.C., annual meeting is now available. The video modules show how fractals and chaos theory could become scientific tools for the actuarial profession. To order, mail a \$20 check to Society of Actuaries, Books Department, P.O. Box 95668, Chicago, IL 60694. Canadian orders must include 7% GST. Orders from outside North America must include a 50% surcharge.

The consulting response to the '90s

by James R. Thompson

Actuarial consulting is entering a new and challenging era in the 1990s. Because consulting serves the life and health insurance industry, that industry's trends should be examined.

Downsizing

Actuarial employment has been shrinking. Layoffs (or the corporate euphemism — downsizing) of experienced employees, combined with increasing numbers of entry-level people, contribute to the discouraging employment situation. Many layoffs in the insurance industry and other industries are due to corporate mergers and to management's cost-cutting measures as corporations pay attention to the "bottom line." National statistics show this is a white-collar recession.

Actuaries who cannot enter a consulting environment and who cannot find traditional actuarial jobs will have to find employment in a related industry or in another capacity within the industry. A common trend is to bifurcate the actuarial function into the valuation and product areas, placing the product actuary in the marketing area and the valuation actuary in the financial area. Often the actuary becomes a subordinate person, but many actuaries are marketing officers and chief financial officers.

If layoffs have been efficient, no extra work is generated for the consulting community. If companies have over-estimated their downsizing, the consulting community can gain.

Computers

Computer developments, especially personal computers (PCs), have affected the old employment hierarchy. Previously, an actuarial manager delegated much of the "number crunching" to the actuarial students working their way up the examination ladder, ultimately hoping to be managers themselves. This situation still exists to some extent.

The expanded memory capacity, faster speed of PCs, and the increasingly sophisticated commercially

available software packages, however, enable a smaller professional staff to accomplish both the project management and the "number crunching." An actuarial staff properly trained in PCs can accomplish more than before. Thus, some of the downsizing may be efficient and permanent.

Outsourcing

It is useful to compare the health and life insurance industry with national trends in other industries. Layoffs and mergers have occurred in many industries. Outsourcing, or using temporaries or consultants, is increasing. Agencies arranging for temporary employment are growing in numbers. In some industries, like the automotive industry, outsourcing has been around for a long time, known as "subcontracting." Outsourcing can mean contracting with consultants or actually hiring them on a temporary basis to come into a company to do the work.

Consultants and flexibility

Companies must be flexible to adapt to the '90s. Consultants have always had one strength — their flexibility. By handling problems for many companies, they can provide insights and help others without the long learning curve that an internal staff has when it "reinvents the wheel."

Consultants spend much of their time learning about new developments, so they can anticipate their clients' needs. This is in line with the Society's continuing education goals and with national trends in continuing education in other professions. Consultants can profit from the continuing education efforts and quickly convert their knowledge into action.

Because of the emphasis on software in solving problems, some consultants specialize in the production of software; others specialize in its use. Some do both. Software helps with the complex problems we have had to face — cash flow testing, corporate projections, FASB 97.

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