



SOCIETY OF ACTUARIES

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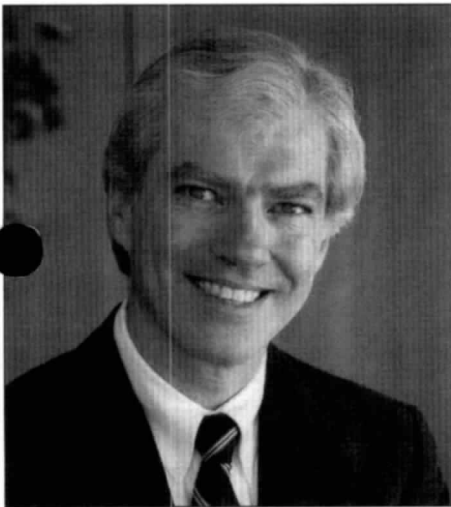
The Actuary

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The Actuary

MESSAGE TO THE MEMBERS

Our foundation is our future



by R. Stephen Radcliffe
1993-94 President
Address at SOA Annual Meeting
New York City
October 19, 1993

Let me begin by expressing my gratitude for this wonderful opportunity. The feelings that I have right now are difficult to describe. They are a heady mixture of pride, humility, anxiety, and great anticipation.

It is still hard for me to believe that I stand before you as the president of the Society of Actuaries. I can still remember vividly being an eight-year-old kid hiking along the banks of the Wabash in Lafayette, Indiana, with my dog, Raggedy Ann. Neither one of us had two nickels to rub together.

Now I am part of the leadership of a major insurance company and president of the Society. There is no doubt in my mind that being an actuary and being involved in the Society of Actuaries have been an important part of that success. I owe a lot to this profession. It has provided a successful career, a sense of personal satisfaction, and many good friends.

It is an interesting coincidence that this meeting is in New York City. This is where I started my career almost 25 years ago. I still have many fond memories of my days as an actuarial student at New York Life. What a thrill to come back to my home away from home and receive this honor.

Profession's contributions and opportunities

Before I talk about the coming year, let us take a moment and remember to be thankful for what we have. While I realize that our profession faces many challenges, history has been kind to us. We all have been fortunate to participate in and contribute to a free economy. The growth of the financial security systems that have been such a crucial part of this economy has provided us with tremendous opportunity.

Consider that these financial security systems have prevailed through a century and a half of economic ups and downs. Actuaries can claim a large share of this success.

We actuaries are the scientists, the architects, and engineers who developed, built, and maintained these systems. They have endured because they were built on a foundation of sound actuarial principles. The very few failures in our long history are ones that did not follow those principles.

I have learned much in the past year as president-elect. I am happy to confirm [1992-93 President] Walt Rugland's report that our Society is in

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very good shape. We are strong financially and have much opportunity professionally. It is my good fortune to be able to serve you when the current state of affairs is so positive. I extend my sincere thanks to Walt and other previous leaders of the Society for leaving things in such good shape.

Focus on intellectual core

Despite our positive outlook, there are many challenges to the continued success of our profession and the Society of Actuaries. Having studied these challenges for the past year, I feel prepared to lead our profession through this next year. Let me briefly summarize what I see as the most important issues.

The Strategic Planning Task Force, which I chaired last year, examined all of the issues from a fundamental level. We even questioned the overall vision for the future of the Society of Actuaries. No matter what perspective we took, the focus always came back to the basics — the intellectual core of our profession, actuarial science.

This focus [on science] is our heritage... and provides a foundation for our future.

The Society of Actuaries is in charge of the safekeeping of the intellectual capital of our profession. So, I would like to emphasize the word "science." This focus is our heritage, and this focus provides a foundation for our future. From this core of scientific principles, the actuary will emerge as a new professional.

The beginnings of our profession can be traced to the early years of the last century, when mathematicians and other scientists created the paradigms for the developing life insurance industry. Then, after the turn of the century, actuaries helped develop the paradigms for the employee benefits industry. Now, we have the chance to

do the same thing for the newly emerging financial services industry. Actuaries are in an excellent position to capitalize on this opportunity.

New opportunities

We actuaries stand ready to address the problems created as the financial security systems change their paradigms. We are building new models, especially in the areas of health care delivery and long-term care for the elderly. And much remains to be done in the study of the interrelationship between asset and liability cash flows in all security plans. New models for solvency analysis are squarely in the domain of the actuary.

We are the only profession to uniquely combine the principles of finance and money with the principles of risk measurement and then quantify the financial consequence of risk. Since there is more money and more risk in our economy than ever before, there must be more opportunity for actuaries than ever before. Seems pretty clear, doesn't it?

Being proactive problem solvers

However, we must recognize the tendency for many to ignore risk, rather than to manage it. This is human nature. Because they don't understand risk, people tend to ignore it.

The actuary's job is to educate those individuals about risk and its cost. This means that we must be more proactive than we have been historically. While we have usually played a passive role as advisers, the future will demand that we take a more active role as educators and advocates — not necessarily advocates of political issues, but advocates of the truth inherent in the ideas and principles of our science.

We are all familiar with the term "actuarial science," but we rarely hear the term "actuarial scientist." Usually the term "scientist" conjures up the image of a white-coated, bespectacled, techy type who works in an ivory tower. But when I think of a scientist, I envision a problem solver and model builder who perseveres to provide solutions to difficult problems.

At the Society's 1993 San Diego spring meeting, our keynote speaker, President Gerald Ford, said that actuaries were the "geniuses" of the industry. But he added that we must provide solutions that are practical for the real political world we live in. He couldn't have predicted a better future for us.

Even President Clinton cited actuaries in his recent address to Congress on health care. He said that actuaries had reviewed the calculations on financing.

This entre provides the actuarial profession with a remarkable opportunity. We have an obligation to speak up on this issue. I promise to do what I can to provide the appropriate leadership on this point.

Skills offer much

What does the actuary bring to the table? Let's look at the profile of people coming out of our exam system:

- They are people who are bright and able to figure out gnarly little problems that others cannot solve.
- They are people who are willing to work hard.
- They are people who are focused on a goal long enough to get the job done.

I will put an actuary with the skills provided by our education against any other professional in our industry. The opportunity is here. We just need to step up to the plate.

Updating skills

During this next year as your president, my focus will be on the fundamentals of our science. We need to teach and test these fundamentals in our E&E program.

...We must ensure that our paradigms keep pace with the changing paradigms of the financial security systems.

We need to make sure that our practicing professionals can keep up-to-date on the latest developments through continuing education. And we need to make sure that our fundamental principles continue to expand with good research. These are the core values that have made us successful. These are the values that will make us successful in the future. To continue to be as useful in the future as we have been in the past, we must ensure that our paradigms keep pace with the changing paradigms of the financial security systems.

5 areas of emphasis

An overriding issue will be jobs for the actuary. In the next few years, there will be an increasing supply of actuaries in industries that are consolidating.

While we cannot address this issue directly because the Society of Actuaries cannot create jobs, we will be aware of this problem as we work on the other issues before us.

Allow me to share some specific ideas that I will emphasize this year:

1. We will inventory the fundamental tools that are required to practice actuarial science. The British Institute and Faculty have just completed such a study, and the Planning Task Force recommended that we conduct a similar study. The British have used this inventory to provide a context for their new exam system and for their research projects. We should do the same.

2. Two years ago, a task force made a comprehensive study of our current system for continuing education. Its suggestions need to be evaluated for ideas that can be implemented.

3. Walt [Rugland] has already mentioned that we have significantly changed our research management and operations functions. As part of that effort, we will pursue the creation of new tools for actuaries in the future. We also will promote our research to interested parties outside our profession. A highlight of the year will be the creation of a foundation to fund the research of the future.

4. We will analyze the quality and cost effectiveness of the services provided to our members and match those services with their needs. We might also survey the customers of actuaries to match their needs with the services that actuaries provide.

5. My long-term pet project has been the promulgation of a set of actuarial principles by the Board of Governors. If we accomplish this in my term, we will celebrate the 10th anniversary of working on these principles.

One item not on my agenda is the reorganization of the profession. While there may be many advantages to a more streamlined approach to serving our members, it is just not worth the effort at this time. I believe the more important issue is to make sure that our science keeps up with the changing world.

Let me conclude with my pledge to you. I am committed to working with you in facing the challenges confronting our profession. My focus will be on enhancing our efforts in research and education, but many other issues must also be resolved.

In doing so, I fully recognize the importance of your views, and I urge you to continue to express them to your Board of Governors and to me. I am a good listener.

I am looking forward to working with you over the next year. As your president, I am at your service, and I promise to serve you well.

Volunteers needed

The Health Benefit Systems Practice area and the Health Section are looking for volunteers for health-related activities. A mailing was sent recently to Health Section members. If you did not receive a copy or are not a Health Section member, but would like more information on volunteering, please call Jeffrey Allen at the SOA office, 708/706-3585.

AFIR Colloquium to feature U.K. government actuary

Christopher Daykin, chief government actuary in the United Kingdom, and the



1994-96 president of the Institute of Actuaries, will speak at the International Section breakfast, Thursday, April 21, 1994, at the AFIR Colloquium scheduled from April 20-22, 1994, at the Buena Vista Palace in Orlando, Florida.

Daykin will address the "Developing Role of the Actuary in the Regulation of Insurance around the World." He will discuss the United Kingdom, Eastern Europe, and Asian countries.

AFIR, Actuarial Approach for Financial Risks, is the financial section of the International Actuarial Association. AFIR addresses financial issues and risks that concern actuaries, and it promotes the exchange of ideas between the actuarial profession and other financial experts.

For more information on the colloquium, please call Colleen Fiore at the SOA office, 708/706-3538.

Exam helps

Study manuals and textbooks for the May 1994 SOA exams are available from Actuarial Study Materials (A.S.M.). See your Society Note package for details, or contact A.S.M., P.O. Box 522, Merrick, NY 11566; phone: 516/868-2083.

A.S.M. will give an intensive three-day problem-solving workshop for the EA-1B exam on April 22-24 in New York City. For details, consult your SOA Study Note package or call Harold Cherry at 516/868-2924.