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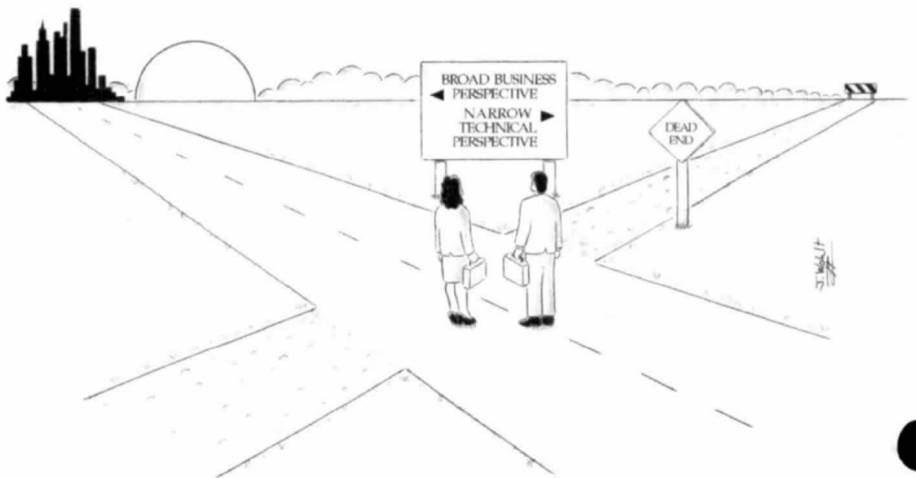


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EDITORIAL

The actuarial profession at a crossroads

by Robert D. Shapiro



Our actuarial profession is at a crossroads. *Actuary* authors often describe challenges we face, and how we must respond to maintain our profession's strength and integrity.

Ultimately, it is what we as individuals do that will make the difference. We cannot wait for the Society of Actuaries, the American Academy of Actuaries, or our other professional organizations to act. Beyond support, our professional organizations are limited in what they can provide. They are not capable of developing most of the insights and actions that really make a difference.

We first must recognize that our clients — both traditional and emerging nontraditional clients — will only value us for what they believe we provide in helping them resolve their issues. They don't define their issues in terms like insurance, pensions, and

investments, but by their uncertainty in areas such as retirement planning, business succession, health care, and asset management. They relate to big issues, not narrow, compartmentalized components of these issues.

So where's the crossroads? Take as an example, last year's references to actuaries related to President Clinton's health care proposals. Many actuaries were pleased just to see the term "actuary" appear in major newspapers and magazines around the country. The message to the public that came across in these articles, however, was that actuaries are narrow technicians who can be called on to provide limited calculations. The articles did not portray actuaries as professionals likely to shape or to influence the resolution of the broader health care issues. Also, readers may have interpreted the actuaries' analysis slice as validation of the Clinton proposal's cost basis. This is

At a position many of us want to be in, based on the limited analysis that has been done to date.

What can each of us, as individuals, do? First, we must stay sensitive to emerging major issues that will affect the public. We must use our actuarial skill of synthesis to quantify and address these issues. We should be able to make informed judgments even when substantial pieces of desired information are unavailable. We should help users of reports by clearly articulating underlying assumptions, models, and sources and developing alternative scenario analyses. We should not merely define (or accept) narrow analyses that can be fit to available data or resort to other reductionist copouts.

Second, we can't wait until we are asked to help. We must try to identify emerging issues early, jump on top of

them, give talks and publish articles suggesting needed analysis and solution paths. We must push our actuarial peers to aid this effort.

Professional organizations like the Society and the Academy can help. They can support and help you structure your defined efforts. If you wait for a professional organization, however, to take the lead on your issue, you and the profession are likely to be disappointed.

The ideal quantity of data or enough time to do a "perfect" actuarial job does not exist. If it did, we actuaries would not add the value that we do. It is our ability to synthesize imperfect information and provide early guidance in resolving critical issues that will form the foundation of our profession's future. If we choose to be narrow calculators, our future will be very limited.

To create exceptional value for our "clients" and for the public, we must be:

- Excellent businesspersons, not merely competent technicians
- Strong in synthesizing emerging information and in anticipating future changes
- Aggressive in applying our craft early in the game
- Clear in communicating what we expect to do and, when it is done, clear in what we recommend

This issue's front page article by Bart Clennon focuses on the actuary's public responsibility to the health care issue. We all owe much to the actuarial profession. Each of us should think about what we can do as individuals as we read this article and as we read the headlines every day.

Here were the actuaries (continued from page 1)

Health Practice Council have produced these monographs:

- "Health Risk Assessment and Health Risk Adjustment: Crucial Elements in Effective Health Care Reform" (group leader, Alice Rosenblatt)
- "Standard Benefits in Health Care Reform: The Impact and Cost" (group leader, Julia Philips)
- "An Analysis of Mandated Community Rating" (group leaders, Gregory Herrle and Harry Sutton)

The first two monographs have been sent to AAA Health Practice Council members, trade associations concerned with health care reform, and Congressional members and staff. The Academy staff also has responded to requests for this information from state governments and hospitals. The third monograph should be available March. Copies are available from the Academy or the SOA.

Communications plans

After the profession's extensive analyses

are done, it's important that policymakers and the public understand this work. It must be perceived as credible and valuable information to achieve the desired result: informed decisions that will create viable and accessible health care for the United States.

That's why a joint AAA/SOA Health Care Reform Communications Work Group has been assigned the task of getting this information out to interested groups. These groups include:

- Members of the actuarial profession
- Members of Congress, the Clinton administration and its staff, and other policymakers directly involved in health care reform
- Members of the public

To reach these audiences, this work group plans to:

- Send a special mailing to all SOA and AAA members about work groups' progress on health care issues.

- Send the first issues paper with a cover letter to members of Congress, administration, and staffers explaining what the work groups are doing. Then, send others as they are completed.
- Issue news releases to appropriate media about work groups goals and accomplishments.

The challenge, the expectation

The profession accepted the challenge of providing objective and meaningful input on health care issues, free from political and philosophical implications of the alternatives. Now it must perform these duties rapidly, yet thoroughly, and communicate its results as widely possible.

Barton H. Clennon lives in Wenatchee, Washington, and is chairperson of the Joint AAA/SOA Health Care Reform Communications Work Group.