



SOCIETY OF ACTUARIES

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1993-94 SOCIETY OF ACTUARIES YEAR IN REVIEW



Our Foundation Is Our Future

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Our foundation is our future

When incoming President Steve Radcliffe spoke to the Society of Actuaries members at the New York annual meeting in October 1993, he made one point very clear. The basics of actuarial science — the intellectual core of the profession — would be an important focal point for the next year. This was not a regressive philosophy that called for turning back the clock to a simpler time, ignoring the realities of today and the forecasts for the future. “This focus is our heritage, and this focus provides a foundation for our future,” Radcliffe said. “From this core of scientific principles, the actuary will emerge as a new professional.”

Radcliffe said that the fundamental truths inherent in actuarial science give actuaries unique opportunities. Their core expertise allows them to look at areas where money and risk intersect and to quantify the financial consequences of risk. This foundation propels actuaries, more than any other profession, to enter into emerging financial arenas. It positions them as unbiased advocates and educators on risk and its costs, poised to stretch beyond the usual boundaries to reach a wider audience.

The 1993-94 program year is marked by the profession using the firm foundation of actuarial science and the solid organization of the Society of Actuaries to reach out to new allies and technologies to capture its future.

Moving across international borders

With the rapid globalization in the business world, the future of actuarial science includes the free flow of ideas across national, cultural, and political boundaries. Many companies and clients have overseas operations. Pension and insurance funds have significant foreign investment, and free trade will include financial services.

North American actuaries expect to be among the first professionals recognized for international practice under the North American Free Trade Agreement (NAFTA). The actuarial contingent at a May conference in Cancun, Mexico, for those in higher education and professions was recognized as being one of the most advanced in developing standards acceptable in all three countries. An application to be on the initial list of professionals officially recognized under NAFTA has been filed and is pending before the Department of Labor. The October *Actuary* contains an article that outlines the work done by a joint task force, which included several Society members.

Another global cooperative event this year brought 758 actuaries, including 155 from outside North America, to the 4th AFIR International Colloquium, conducted in conjunction with the SOA spring meeting in Orlando. AFIR (Actuarial Approach for Financial Risks) is the investment and finance section of the International Actuarial Association (IAA). AFIR promotes the exchange of ideas between actuarial and other financial experts, and the 66 papers presented from 17 countries broadened the international focus. The Casualty Actuarial Society (CAS) also participated in the meeting.

A special meeting the day before the AFIR/CAS/SOA meeting brought back together representatives from several actuarial organizations affiliated with the IAA to continue discussions on establishing an International Federation of Actuarial Associations (IFAA). The initial effort began two years ago with “The McCrossan Group,” which continued working through 1993 to suggest a framework for the IFAA. This federation would promote a scientifically based global profession based on

fundamentals of common education and practice applications. At the April Orlando meeting, the group appointed a committee to draft the founding constitution for discussion by the September 1994 IAA Council. The IAA Council agreed unanimously that the committee continue its work on an urgent basis and have a final proposal ready by the end of 1994. The actual founding of the IFAA could take place as early as September 1995. More details about work on the IFAA are in a June *Actuary* article.

For several years, the Society has recognized the importance of greater interaction with those who operate in different economic environments. Although several SOA members have traveled to Russia to exchange information with those involved in its transition to a free market economy, the March 1994 trip of three members resulted in the SOA becoming a worldwide advocate for the development of the actuarial profession in that country. Walter Rugland, 1992-93 SOA president; Warren Luckner, SOA managing director of research, and Warren Adams, director of education and research at The Principal Financial Group, were invited to Moscow by the Financial and Actuarial Center of Moscow State University. They drafted agreements in principle that would promote actuarial education and a national actuarial society in Russia. A May 1994 *Actuary* article details the trips and the March agreements.

The Society continues its seven-year effort to support education at Nankai University. The Society has supported two 3-year graduate level programs and waives exam fees for students and graduates of the programs. The second class of actuarial students graduated this year, and a third 3-year program has begun. Textbooks and study notes have been sent to several other Chinese universities

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and to educational programs in developing countries, such as Bangladesh, Bulgaria, Estonia, Albania, Siberia, Colombia, South Africa, Russia, Lithuania, Poland, and Turkey.

The November 1994 exams were given in 58 overseas exam centers, with 808 ASA candidates and 228 FSA candidates. The Society has seen an increase in international requests for grants in recognition of fulltime faculty members attaining ASA or FSA designations or for Ph.D. candidates, and a significant number has been awarded to individuals outside North America.

With more than 1,250, or almost 8% of its members, now listing addresses outside North America, the Society recognized that overseas members may have special needs for professional information and support. To assist these members, in June the Board established the Ambassador Program recommended by the Committee on International Relations, to be implemented by the International Section. Twelve SOA Ambassadors in Australia, New Zealand, China, Hong Kong, Japan, Taiwan, Malaysia, the Philippines, Thailand, Singapore, Indonesia, and Colombia now provide an important overseas link to the SOA. The Section sent welcome

packets and video tapes of three sessions at the Orlando spring meeting with AFIR to help orient ambassadors to SOA activities.

Surging onto the information highway

Communication barriers have begun to disappear with increased use of "Actuaries Online," the Society's new electronic bulletin board accessed via CompuServe. By the end of October 1994, more than 500 actuaries (25 from outside North America) had signed on. A PC, a modem, a phone line, and the communications software are all that are needed to navigate this user-friendly information highway.

New services and sections are continually added to this system, which went live in April 1994. The immediacy of Actuaries Online was evident during health care reform activities this spring, when the message section, >Now Health!<, contained late-breaking information. In July, May exam candidates avoided the busy signal on the hotline by accessing a list of passing numbers on Actuaries Online.

The SOA's Committee on Actuarial Principles' March 1994 Exposure Draft, "Reserve Principles for Life Risks," generated discussion on Actuaries Online, providing valuable input.

Other message centers include Education & Examination, Research, Pension, and Software. The American Academy of Actuaries recently joined the Society with their own Academy Online message section and library, with the Actuarial Standards Board soon to follow. "Actuarial Stds Bd" will release exposure drafts online in their library for subscribers to download. Subscribers can send formal comments electronically to the ASB's e-mail.

More than 200 files are available online for viewing or downloading. These data libraries include the Literature Center, >Now Health!<, General, Regulatory, Research, Pension, and Software. Any subscriber can contribute to the data libraries.



President Steve Radcliffe (seated) helps new Fellows raise a ruckus at the Dallas Fellowship Admission Course in March. The two-day-long FACs continue to be a successful way to reinforce problem solving skills and to celebrate finishing the long exam process. About 300 new Fellows participated in 1994 spring and fall FACs.

In its short life, Actuaries Online has become a networking success. Answers to "Does anyone know how to ...?" messages come in as soon as they are posted. Recently, 12 actuaries with an interest in computers, including one from the United Kingdom, brainstormed through message threads to develop a prototype for a mortality database. A subscriber helped an attorney find an expert witness through Actuaries Online. The General message center is very popular, where a recent message thread revolved around TV programs in which actuaries were mentioned.

Those almost unreachable by telephone because of time differences or screening methods are very accessible online. In fact, logging on at midnight is not unusual. Recently, a member sent a message questioning something in the regulatory environment and was surprised to get a reply from a regulator. The same regulator uploaded the state's annual memo to valuation actuaries on Actuaries Online.

Conferences, set up either as private "chats" or more public meetings, allow prearranged gatherings online.

Actuaries Online is truly subscriber-driven and is limited only by the users' imaginations.

Interaction makes learning relevant

Educators know that learning comes in many forms, and this year the Society incorporated as many different technologies and formats as possible in seminars and meetings. The main thrust for the program committee this year was to see members take responsibility for their own education — to change from passive learning to more interactive opportunities.

Computer assisted learning (CAL) is now in its second year at the SOA. All CAL sessions were filled this year, with a waiting list. This interactive format led participants through a self-directed educational package with a PC using a laser disc or CD-ROM. In 1995, six CAL titles will be available, taking continuing education into the office and home.



San Francisco was the location for the May spring meeting, where keynote speaker, Richard J. Solomon of the MIT Center for Technology (left), takes questions from the audience after his speech, "Road Atlas for the Seamless Information Highway."

Other new session formats this year were debates, field trips away from the meeting site, interactive forums with much audience participation, interview sessions, and role playing.

The annual meeting keynote speaker, Gen. Colin Powell, also interacted with the audience in a lively Q&A session after his speech. He then met privately with children from a westside Chicago settlement house, proving why he is one of the most admired public figures today.

For those who are involved in financial reporting and valuation, the *Analysis of Dynamic Financial Condition: A Handbook* draft outline was a "bestseller" at spring meetings, with panel discussions on the topic held at all three. This educational document on life insurance financial condition analysis is targeted for publication in 1995.

The same practice area group made this year's Valuation Actuary Symposium September 12-13 the largest ever, with 784 attending.

This symposium draws those in the profession who want a day-and-a-half of focused, relevant technical information and networking with those who have the same needs.

Launching new services

The Resume Matching Service, begun in January 1994, has caught on with

employers, unemployed actuaries, and students with more than 100 credits. By the end of October 1994, 170 positions from all around the world were listed, with about one-fourth of those calling for FSAs. Resumes on file numbered 179. Eight individuals whose resumes were matched with open positions have landed permanent jobs, and three others are working in temporary projects.

Leaping into public policy debates

The attempt to publicly respond with unbiased, actuarially sound information on the implications of proposed health care legislation this year brought about a massive joint effort between the SOA and AAA. Last fall after the release of the Clinton plan, the Academy formed 17 work groups, pulling together more than 100 top health actuaries available to analyze reform components. The work groups have produced 15 monographs to date that have reached the news media and the desks of public policy makers. Seven of the Society's Health Practice Area's task forces, with almost 60 actuaries, continue to address the longer-term research areas related to health reform. The work will continue next year as health care reform continues to be debated in federal and

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state legislative bodies. Articles in November 1993, January, March, April, May, June, and November 1994 issues of *The Actuary* tell of this joint effort.

In addition to the SOA/AAA partnership activities in health care, the Society formed a collaboration this year with academic researchers and practicing actuaries for an important research project on risk adjusters. A system of health risk adjusters is already used in some states and will probably be implemented in any U.S. health care reform program that involves community rating and insurance reform. Most research in this area has been conducted by nonactuaries. This Society research project will involve the manipulation of data from many sources to test the efficiency of alternative risk adjuster schemes.

This multidisciplinary research team involves faculty members at the Harvard School of Public Health and Coopers & Lybrand health actuaries, with four other national experts at universities acting as advisors. This marks a big step forward in actuarial research, to discover

scientific answers to important societal questions under public scrutiny. An article in the November 1994 *Actuary* describes the project.

Fortifying the foundation

Evolving new economies, shifting marketplace paradigms, gaps between what business and government needs and what actuaries are perceived as providing — these dynamic conditions led to a two-year study of the Society's Education and Examination system. A testing expert's report and the work of a Board Task Force on Education have led to some significant discussions as to the appropriateness of the current approach to educate actuaries for the distinctive competencies they must have in the future. Discussion points included whether education has been too narrowly focused on the insurance and pension fields when the future of the profession may rely on providing financial modeling to many industries.

Steps to retain and strengthen the SOA's preeminent role in educating the actuary were a major focus during the

1993-94 year and will continue through 1994-95. The strengthened requirements for the Associateship designation from 200 to 300 credits take effect July 1995. Testing broader skills, such as analysis, synthesis, and evaluation in the Fellowship exams, rather than memory and application, continues to be phased in. Greater investment and financial management content in the core requirements strengthens these conceptualization skills, and the last elective course in the Fellowship finance track is being developed. Case studies as the basis of several questions have been incorporated in many exams over the past three years. The penalty for guessing has been removed to allow candidates to make educated inferences about the correct answer, and the triple-true-false question has been replaced by simple true-false questions. Fellows are now permitted to write exams, if they wish, as a continuing education exercise.

Travel time to the Fellowship designation continues to show an increase of one-quarter to one-half year over pre-FES (before 1988). Candidates are averaging 30-35 credits per session, instead of the previous 50, choosing to extend their time. Those who write for 50 exam credits, however, are more successful than those writing for 30 credits.

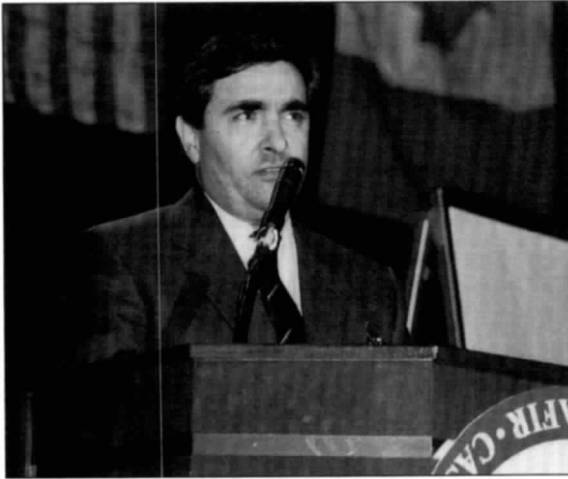
The same dynamics driving the educational changes affect another foundation of the profession — research. Restructuring research committees and staff responsibilities this year has already led to enhanced research efforts for the profession. An article in the April 1994 *Actuary* outlines the new structure. The scope of the research effort is evidenced by the fact that more than 350 SOA members are involved in managing more than 75 research activities in the five major research areas — Knowledge Extension, Life Insurance, Financial and Investment Management, Health Benefits Systems, and Retirement Systems.



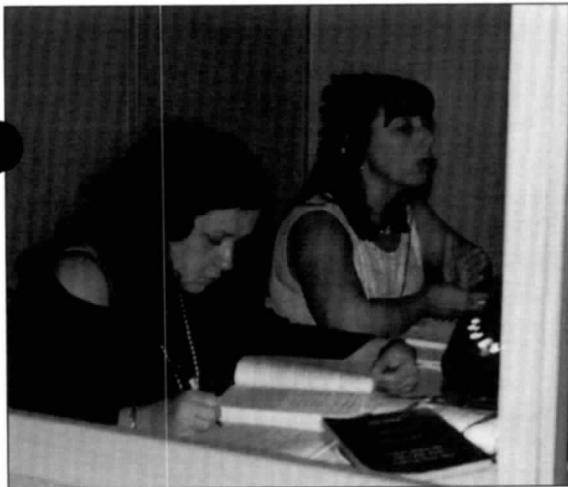
Bill Gradison (right), president of the Health Insurance Association of America, points out newspaper coverage of health care issues to SOA President Steve Radcliffe at the June spring meeting in San Antonio.

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Orlando meeting includes CAS and AFIR International Colloquium



Krzysztof Stroinski (below right), president of the Polish Society of Actuaries, questions Charles Taylor (below left), executive director of the Group of Thirty, who spoke on derivatives. Keynote speaker Stephen Ross (above left), Yale University, speaks on "Survivorship in Finance."



Francois Delavanne, president of Actuarial Approach for Financial Risks, welcomes participants in his native language of French, while interpreters translate into headsets. The joint AFIR/CAS/SOA spring meeting in Orlando drew 750 actuaries from 30 countries, with 66 paper presentations broadening the international focus.

A participant ponders his next move in the Diversity Game developed by Cynthia Barnum (left), president of Globalization Consulting Services, to test knowledge gained in her global awareness sessions at the Orlando meeting.

