

The Actuarial Profession and the Academic Community

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The purpose of this presentation is to report on a number of activities related to the relationship between the actuarial profession and the academic community.

I am going to:

- report on the feedback we received during the related session at last year's Actuarial Research Conference;
- discuss some of the results from the SoA Research Effectiveness Task Force survey;
- mention recent developments such as the joint CAS, CIA, SoA Task Force on Academic Relations; and
- with your help, as time permits, discuss what next

The purposes of last year's ARC session related to the work of the Research Effectiveness Task Force were to provide background and a report on the work of the task force and to obtain input from the conference attendees. After a brief presentation of the background and status of the task force's work, we separated into three small groups to discuss the following questions:

- What is the SoA doing well with respect to research?
- What is the SoA not doing well with respect to research?

- What suggestions do you have for ways to improve the SoA research effort?

The “doing well” items that were emphasized included the Ph.D. Grants program, the *North American Actuarial Journal* and the Actuarial Research Conference. Also noted were the Committee on Knowledge Extension Research (CKER) Grants program, communication with academics, the academic initiatives program, use of project oversight groups, use of conference calls, identification of projects and interaction between academics and non-academics.

The “not doing well” items included encouraging academics and industry actuaries to participate in joint projects, timing of requests for proposals (both with respect to when distributed and with respect to amount of time to respond), and allocation of resources to “bottoms up” or “supply/researcher driven” research. Other items noted included not enough people involved, linking to other actuarial organizations, other disciplines and other countries, and research too narrowly focused and not addressing current industry problems.

Suggestions included a number of ideas for ways to narrow the gap between theory and application. The ideas included academic sabbaticals in industry, adding more non-academic actuaries to CKER, a clearinghouse to match academics and industry problems, development of annotated bibliographies, teaching sessions with emphasis on practical applications of research, and Education and Research Section liaisons to practice area

committees. Other suggestions included free access to data and more emphasis on use of the Web.

What has happened to this input? First, the input was reviewed by the Research Effectiveness Task Force during its deliberations with respect to recommendations to make to the SoA Board. The recommendations to the Board covered broad areas of process, including communications and prioritization of activities. Further investigation of the relationship between practitioners and academics was specifically mentioned. Second, the input has been forwarded to the recently established joint CAS, CIA and SoA Task Force on Academic Relations. More about that task force later. Finally, some of the specific items mentioned have been addressed during the normal course of SoA committee and Section operations. CKER has added another practitioner, and my understanding is that the Education and Research Section has made an effort to provide liaisons to Practice Area Practice Committees.

The Research Effectiveness Task Force survey included a separate section “Relationship with the Academic Community”. That section asked about:

- familiarity with, and usage of, the current academic initiatives program;
- the importance of a close relationship between the academic community and the SoA;
- what has strengthened relations; and
- SoA support of research activity within the academic community

There was also the opportunity to comment and give suggestions.

Survey responses indicated that there was relatively low familiarity with, and eligibility for, the current academic initiatives program. Given the relatively small number of those who are eligible and those to whom the guidelines for the program are regularly communicated, the low percentages may not be too surprising. In fact, some might view the 25-35% awareness as better than expected. What is encouraging is that the percentage response pattern with respect to use of the initiatives is essentially the same as that for eligibility. The fact that apparently more Finance and Investment practice area individuals use the provisions than are eligible for the provisions might be a bit troubling, though!

The survey asked respondents to rate their level of agreement with statements that a close relationship between the SoA and the academic community is important to various organizations and activities. The organizations and activities listed were:

- the actuarial profession;
- the SoA;
- the academic community;
- SoA research activities;
- SoA educational activities;
- academic research activities;
- application of actuarial science in the business community; and

- recruitment of qualified students to the actuarial profession.

Generally a strong majority of the survey respondents agreed that a close relationship was important. The respondents agreed most strongly – at least 70-75% agreeing - that a close relationship was important to the SoA and its education and research activities and to the actuarial profession in general. There was somewhat less agreement, though still at least 55%-60% agreeing, that a close relationship was important to the academic community and its research activities and to the recruitment of qualified students and application of actuarial science in the business community. There was some variability across practice areas, but not substantial.

The survey also asked for an indication of the level of agreement with statements of the form “Relations between the SoA and the academic community have been strengthened by:..... “. The items used to finish the sentence were: academic initiatives other than Ph.D. Grants, Ph.D. Grants, the Actuarial Research Clearinghouse (ARCH) publication, the research conference, and the Committee on Knowledge Extension Research (CKER) Grants. Respondents indicated significant apparent lack of familiarity with these programs since the “no opinion/no response” responses ranged from 50-55% to 70-75%. However, of those who responded indicating a level of agreement, the overwhelming majority – 75-85% - agreed that each of the programs strengthened relations. Similarly, almost 50% of the respondents indicated “no opinion/no response” to the statement “the SoA actively supports research activity within the academic community”, but of those who indicated a level of agreement, approximately 85% agreed with the statement.

All of this seems to suggest that although there is less awareness and familiarity than we would like, the survey respondents believe:

- a close relationship is important for a number of reasons – perhaps more important for the profession than for the academic community; and
- the SoA has initiated some programs that have strengthened relations with the academic community.

Although we have to remember that individual comments are just that – comments from an individual – the written comments illustrate the diversity of opinions with respect to relations with the academic community. Comments varied from “I encourage strongly this kind of activity”; “You’re doing a great job!” and “Continue to do more of the same” to “I’d ignore the academics” and “Kill the program – cut membership fees”.

Independent of the research effectiveness review, a symposium on actuarial relationships with academics, sponsored by the CAS, the CIA and the SoA, was held last February. SoA president-elect Howard Bolnick feels very strongly that the actuarial profession must have closer relations with the academic community and he was the driving force behind the symposium. The purposes of the symposium were to:

- learn about the relationship between academia and the professions in general;
- learn about past relationships between actuaries and academics;

- learn about current relationships between the actuarial profession and academia; and
- discuss ideas for improving the current relationship.

The result of the symposium was a list of ideas to further enhance the relationships and the creation of a joint CAS, CIA and SoA task force charged with:

- exploring the arguments for and against expanding ties;
- if expansion recommended, consider ideas from symposium and any other ideas generated by task force;
- identify programs that might be considered in the future; and
- recommend goals for improving the relationship and way to monitor results of programs proposed.

The task force has met via conference call and twice in person, most recently here in Atlanta yesterday morning. Another meeting is scheduled for the morning of September 17 in Washington D.C. That afternoon there is a joint meeting of the CAS and SoA Boards.

The task force has identified specific objectives for strengthening relationships and prioritized activities to meet the objectives. My own characterization of the ultimate goal is to make optimum use – in terms of both results and process – of the resources of the academic community and the actuarial profession in support of the mission and vision of

the actuarial profession. This means ultimately making best use of the fundamental strengths of each. I view the fundamental strengths of the academic community as basic education and basic research, which produce well-educated students, well-informed and knowledgeable faculty, and new ideas that might enhance the practice of actuarial science. The strengths of the business community include identification of practical problems that need to be addressed.

The current specific objectives the task force identified are:

- more and better students and employees;
- more and better research;
- increase public recognition of profession;
- optimize use of combined resources of the academic community and the actuarial profession;
- more flexible and dynamic educational system; and
- to best address issues associated with globalization of the profession.

The task force consensus seems to be that short term priority activities include some type of enhanced recognition of colleges and universities in Canada and the U.S. with respect to actuarial science education and research, and some type of program to close the gap between theory and application. Longer term, the focus seems to be on creation of graduate level Centers of Excellence, although there is not unanimous agreement about the terminology or criteria.

So what next? The SoA is continuing the existing academic initiatives, although it should be noted that the Ph.D. Grants program is subject to review and evaluation during the 1998-99 academic year. ARC and ARCH continue. Also, the SoA Board has initiated an exercise that involves a general review of all programs in an effort to eliminate non-essential programs and be the best stewards of SoA financial and volunteer resources. If you want to provide input for that review with respect to the value of any specific program – any of the academic initiatives, ARC, ARCH – please direct that input to John O’Connor at the SoA office. The Education and Research Section should continue to have a key role with respect to relationships with the academic community.

I believe the joint task force will make a significant contribution in articulating objectives and recommending activities to meet those objectives, but strengthening relationships is an ongoing effort and requires ongoing review.

My current, relatively new position includes some responsibility for the development and implementation of the new SoA Course 7 and for academic relations. Both those efforts will involve significant interaction with the academic community and hopefully strengthen relationships.

