



SOCIETY OF ACTUARIES

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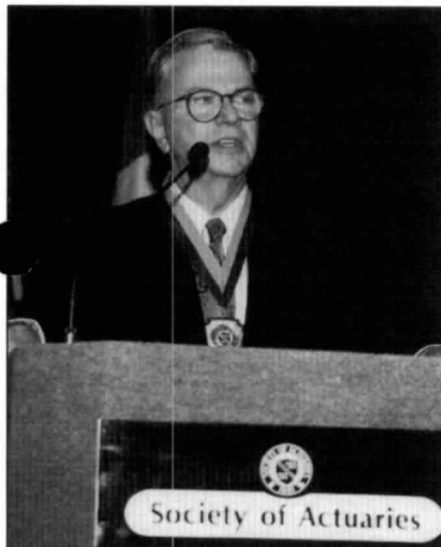
The Actuary

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MESSAGE TO THE MEMBERS

Current issues discussed by new president



by *Barnet (Bob) N. Berin*
1994-95 President
Address at SOA Annual Meeting
Chicago
October 18, 1994

The Society of Actuaries is the world's largest actuarial organization, 16,000 strong. We are engaged in a variety of research and continuing education activities that will add to our knowledge base and help us do our jobs better. We are recognized for an outstanding education and examination program, which is constantly being checked for relevancy, revised, and updated. We are becoming more visible and, most important, we are highly respected.

We have much to be proud of, but we cannot become complacent. We know our profession exists in a challenging environment. It is the responsibility of your leaders to identify those challenges and act on your behalf. But they cannot do this alone. A well-informed membership is essential to keeping the Society of Actuaries strong and relevant. That is why I'd like to take this opportunity today to tell you what is being discussed so that you can tell us, in turn, what you think.

These are, of course, my own observations. They represent my assessment of the current environment, suggestions for the future, and what I will emphasize this coming year as president. I have discussed these with others and would like to share them with you.

They focus on three areas: the Society of Actuaries, the profession at large, and visibility in public policy discussions.

The Society's Canadian members

Let me begin by focusing on the Society of Actuaries and, in particular, our Canadian constituency. These members have been, and continue to be, important, but their involvement in the Society has been declining. This is primarily because the Canadian Institute of Actuaries has responded well to its members' national and local

needs. Nevertheless, 20% of our members are Canadian, and we need this constituency's involvement.

Nine of our 13 Sections have Canadian participation, from 15% to 20% of membership. While this is a good sign, I encourage our Canadian members to take on an even more

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active role in the Society, since everyone benefits from an association based on a common theoretical and technical foundation.

The Society Constitution – Article X

Another area where I believe the Society should increase its member activity is in the debate on national issues. However, we cannot do much because of Article X in our Constitution. Article X allows public expression of professional opinion, but it requires a two-thirds vote to do so. This is a laborious process that hampers our timely participation.

I support the concept of an effective American Academy of Actuaries to speak out on issues, but as I see it, the Society of Actuaries must decide for itself whether to look inward or outward in the future. For example, should we participate more in debates on national health care funding and the future of the private pension system? If the answer is yes, then Article X should be amended to provide for a majority vote, keeping its other safety restraints in place. This kind of change will only happen if you want the SOA to be involved and, in turn, become involved yourselves.

The Society's Finance Track

None of us can predict what the actuaries of the future will be doing, but

we know in many cases it won't be what they're doing today. The development of the Finance Track in our examination structure is a good example of how a new practice specialty can evolve. We must continually refine the knowledge base in this area and simultaneously enhance our relationship with leading investment houses. What better way to do this than by asking them to review our syllabus and suggest modifications? This is important for two reasons: first, to demonstrate our intent to develop and maintain an excellent knowledge base; and second, to let those in the field know that the actuarial profession is producing competent, well-educated actuaries who can make a substantial contribution to their business.

The Society's revenue base

The Society is involved in many activities and many causes important to the profession that require our support. About 50% of the Society's revenue is attributable to E&E, 20% to dues, 20% to continuing education and the remaining 10% to miscellaneous income. Recent trends reflect a declining base of examination candidates. Because of slackening in E&E revenue, we will have to modify some programs and increase dues. Our present surplus will keep most programs going for now and allow for some planned new ventures, but it is subject to change if revenues continue to decline. This is important for you to know.

The profession's standards

I'd like to shift the emphasis for a moment from the Society of Actuaries and discuss two issues important to the profession at large: the Actuarial Standards Board (ASB) and cooperation among the U.S. actuarial organizations.

The Actuarial Standards Board was established in 1988 to prepare and initiate public hearings on standards and to review existing standards in the United States. In the past six years, many standards have been issued. However, I believe that the process needs improvement. For example, the

Society's Sections should participate more fully in the circulation of draft standards that apply to their specialties. This would incorporate input from practicing actuaries directly affected by proposed standards, something I believe is essential.

A well-informed membership is essential to keeping the Society of Actuaries strong and relevant.

Many U.S. Society members do not subscribe to the ASB and therefore do not receive the published standards. Some of them may have access to standards through their colleagues. However, in today's risky environment everyone should have a personal copy of standards. Practitioners must be thoroughly familiar with the standards that apply to their practice specialty. We have written these members, urging that they subscribe to receive the standards.

The profession's organizations

A second professional issue centers on cooperation among the U.S. actuarial bodies. Through the years, we've accomplished much by working together. The Society of Actuaries is the largest organization. However, on voting matters, each of the actuarial organizations generally has one vote. But, on expense allocations, proportionality rules. Some have likened this arrangement to the United Nations without a Security Council and without a veto. Through the Council of Presidents and the Working Agreement Task Force, we will make every effort to increase efficiency and fairness among the five organizations.

The profession's visibility in public policy discussions

The third area I want to discuss is our profession's visibility in public policy discussions. I believe we can make a significant contribution by sponsoring



Bob Berin (right), after his presidential acceptance speech, talks to Bob Myers (left), who was referred to by incoming Senate Majority Leader Bob Dole on NBC TV's "Meet the Press" as, "that great Social Security actuary."

the kind of research that responds to societal needs and focuses on national issues. Let me provide some specific examples of how we can respond to public policy issues. Other situations could be treated similarly.

On the issues of national health care and the future of the private pension system, there are at least three steps the profession can take to contribute its expertise.

Research into costs

First, actuaries could contact their clients and find those willing to share their experiences in analyzing the costs of various proposals. As a research project, the Society of Actuaries Sections could then develop cost aggregates to reflect small, medium, and large plans, summarizing the cost effects on a before and after basis. These compilations could be done quickly, with the analyses released on a timely basis.

Actuarial circles

Second, actuaries could band together by city or state and form "circles" of common interest and concern. These volunteers could react, as individuals, to articles in newspapers and magazines and to requests for appearances on radio and television talk shows and town-hall type discussions.

As a profession, our response has been limited, but as interested individuals, we could respond quickly. To emphasize the importance of such an effort, initially only actuaries with significant experience should participate. Interaction and peer review would also be an integral part of this process. The Society of Actuaries would help prepare these circles to deal with the press.

The aim is to be professional and not partisan. Right now, we are virtually silent in these areas.

Educational seminars

And third, an educational seminar on health care or pension issues could be organized and focused on members of Congress and the Executive Branch, their staffers, and the press. These seminars should be held in Washington, D.C. The Society of Actuaries' continuing education staff could be invaluable in developing this.



Among those congratulating Bob Berin after taking office as president are (L-R) Marilyn Meier from the SOA staff and President Elect Sam Gutterman.

National data base

Another area where the profession can make a significant contribution is in the development of a national data base. We need to develop a macrodemographic model of the United States by city, state, and region. The model should reflect the employed, unemployed, those covered by health insurance or by private pensions, in order to answer quantitative questions raised by the government's Executive Branch, particularly about uncovered groups. Such a model could also be adapted for use in Canada. In the United States, we plan to work with the federal government to develop such a data base.

If the actuarial profession does not participate in or develop the costs of various national proposals, it is certain that others will, with the result that costs may be downplayed or ignored, at great loss to society. The profession's quantitative contribution would be left out of the debate. This kind of research to generate the data base could have a substantial payoff because, once developed, it would answer cost questions related to any series of national time payments, such as welfare and unemployment.

Social Security research

We need to conduct and publish more

extensive research on Social Security. It is the largest and most complex pension plan in the country, and the profession must address the problems of funding, benefit adequacy, and plan design. At the very least, we must alert the public to future problems — which are not so far away — and recommend solutions. In Canada, actuaries are prominent in this process. Comparable involvement by the profession in the United States should be a high priority.

The research discussed involves a substantial commitment from the profession, but it is the kind of work that will benefit the public, bring actuaries to the forefront of discussions on societal problems and provide expanding job opportunities, not only for this generation of actuaries but also for the ones to follow. It is the kind of research the Society of Actuaries Foundation could sponsor, and it is the kind of research that will create and shape our future.

Moving forward will require significant involvement and commitment from the strongest and most able members of our profession, but we always have been good at that.

As president, I will try, always, to act in your best interests. Thank you for giving me this opportunity.