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EDITORIAL

Research is lifeblood of the profession

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Research—the core of any scientific profession—lays the foundation for the advancement of the profession. It also enables its members to contribute to important public policy debates through objective and independent analysis. This issue of *The Actuary* focuses on the increasing research efforts sponsored by the Society and offers a glimpse of the wide range of research now being conducted. It is important to know the scope and depth of the profession's research, because these efforts continually renew the intellectual dynamism of our profession.

Outlined in these pages are the results of research in both traditional areas such as experience studies and areas that are new to us. Experience study research includes the latest Group Annuity Valuation and UP-94 mortality tables and the first-ever long-term care experience study. The analysis of financial security systems experience with a wide range of contingencies has a long history within the actuarial profession. Current research not only continues that tradition but also extends it to address risks that have assumed new importance to insurers, such as the analysis of the credit risk experience of mortgage loan and private placement investment portfolios. Thus, even the Society's traditional research shows its commitment to increase the value of the profession to those institutions that assume contingent financial risk.

The need to respond more effectively to emerging public policy issues has initiated new research in several areas. Among them are the financial soundness of public retirement and disability income programs and the stability of the U.S. health care system. Research sponsored by the Retirement Benefits Systems practice area is described in this

issue on the feasibility of examining alternative macrodemographic models and their ability to shed light on the adequacy of existing funding mechanisms for government benefit programs, the pros and cons of defined contribution and defined benefits programs, and the tax implications of changes in public policy and retirement income programs. This is a major effort and one that should help the public understand the financial implications of policy options on private and public organizations. Building on reliable analytical tools, the profession's collective wisdom will be better able to aid the thoughtful examination of pressing financial issues facing Social Security and other government benefit programs.

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Likewise, the profession's research into the effectiveness of medical care delivered through different vehicles could help public and private organizations improve the quality of care while restraining costs. Through Society-sponsored research on medical effectiveness and risk adjustment systems, both described in this issue, the actuarial profession can make a major contribution to finding lasting solutions to the serious challenges faced by the existing U.S. health care delivery and financing mechanisms.

Society-sponsored research into the major challenges facing life companies also is underway and discussed in this issue. From the search for more

effective financial modeling techniques to a better understanding of risk management alternatives, to the identification and analysis of factors most affecting insurance solvency, Society-sponsored research is tackling critical risk management issues head-on. Looking forward, research on the market valuation of liabilities and the potential evolution of the valuation actuary concept in the United States will help the profession point the way to new accounting and reporting models and risk management tools.

Also discussed in this issue are Society efforts to make certain its research remains focused on new issues as they arise. For example, the Committee on Knowledge Extension Research has organized a research grant program expected to attract research proposals on a variety of emerging topics. Similarly, the Board has approved a permanent committee on Social Security retirement and disability income with the charge of monitoring principal issues.

By spending a few moments reading this issue, I think you will appreciate the breadth and depth of the research being conducted under the auspices of the Society of Actuaries. If you would like a complete list of current SOA-sponsored research, contact the Research Department to request "Highlights of Research Activity" and the "Status of Research Department Activity" or check the Research Library on Actuaries Online, the Society's electronic bulletin board.

Research truly is the lifeblood of the profession, and as indicated by the sampling of projects discussed in the following pages, the profession remains alive and well. With the help of all members of the profession, the Society will continue to expand its already sizable commitment to research.