

Article from:

The Actuary

January 1996 – Volume 30, No. 1

EDITORIAL

The actuarial black box

by Sam Gutterman 1995-96 President of the Society of Actuaries

Il of you have heard of the actuarial black box. This is a situation I will define as one in which actuarial analysis has not been adequately explained to its users. This may be due to the use of a complicated actuarial model, a proprietary product, lack of understanding of what the actuary did, or just poor communication.

Why is this a concern? Isn't it enough for an actuary to say, "Trust me, I know it's correct"? Should we take the extra time to explain fully the work that goes into the analysis to another technically knowledgeable professional, like an economist, financial analyst, or another actuary, let one a nontechnical user? I believe we can't afford not to, if we want our work to be valued and trusted.

I believe the individual actuary and the profession would benefit greatly by the elimination of as many of these black boxes as practical. The cumulative result of inadequate communication and lack of trust can become significant impediments to the profession in achieving its potential for serving its ultimate consumer, the public. It restricts the scope and reach of the profession.

We can eliminate black boxes by more complete disclosure, more time spent with the user explaining what was done, and with better communication. Most actuaries I know can communicate well. However, they don't always give communications enough attention as an important part of any project.

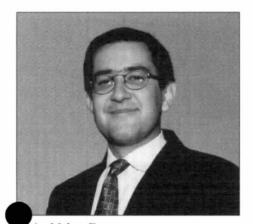
The more a user understands what we do, the more the end product will be valued and trusted, and the more times the actuary will become involved in significant issues.

I hope that you join me in feeling confident in the value of the actuarial approach to problem-solving. If we can boost our users' confidence and trust in us, the better off we will all become.

March 15 deadline for Ph.D. grants

The Society of Actuaries is accepting applications for 1996-97 Ph.D. grants. The purpose of the \$10,000 annual grants is to encourage graduate students to complete research in actuarial science and to pursue an academic career in North America. Grants are awarded on the basis of individual merit, with preference given to those likely to pursue an academic career in North America. Preference is also given to candidates who are members of, or who are working toward becoming a member of, the Society of Actuaries or the Casualty Actuarial Society. Relevance of thesis topic to actuarial science is a primary consideration.

The completed application form and supporting materials must be received by March 15, 1996.
Recipients will be notified by June 14, 1996. For more information or to obtain an application form, contact Kathie Allison at the SOA office, 847/706-3574; fax: 847/706-3599.



Zain Mohey-Deen SOA Research Actuary

Mohey-Deen joins research staff

ain Mohey-Deen, FSA, has joined the SOA staff as a research actuary. He will manage research projects in the life insurance, financial, investment management, and emerging practice areas.

Mohey-Deen comes to the SOA after five years in annuity and investment product pricing, as well as special units pricing, with CNA Insurance Companies, Chicago. Prior to that, he worked in asset/liability management for CONESCO, Carmel, Indiana, and

in valuation and financial reporting for The American Life Insurance Co., Wilmington, Delaware.

He received his bachelor's degree in actuarial science from the London School of Economics in 1982 and his MBA in finance from The University of Arkansas in 1986.

Mohey-Deen is a native of Karachi, Pakistan. He and his wife Renee Morosky, an actuary with CNA, live in Chicago.