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New ideas emerge from convening of Finance Practice Area

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On April 10, 1996, the Financial, Investment Management and Emerging Practices Practice Area committee members, task force members, and members of related Section councils convened near Chicago. The Practice Education and Professional Development committees met separately in the morning. The afternoon joint meeting with all practice area participants was an opportunity to exchange ideas with others active in this area. The Practice Advancement Committee met afterward for follow-up discussions of the issues. The exchange of information from these sessions — the first of its kind — was invaluable in increasing coordination and stimulating new ideas.

One result of the discussions was the conclusion that the name of the practice area was too long. We agreed on a new name: the Finance Practice Area. Strategic issues and initiatives remain the same. The most important ones were discussed during the meetings and in this article in the following sections. They will continue to provide a focus for practice area activities.

Support of emerging practice areas

Many groups are working on emerging practice issues, including the Finance Practice Area, the Actuary of the Future Section and the SOA Foundation. Two Finance Practice Area task forces, Banking and Financial Institutions and Capital Projects, are investigating ways actuaries can contribute in these fields.

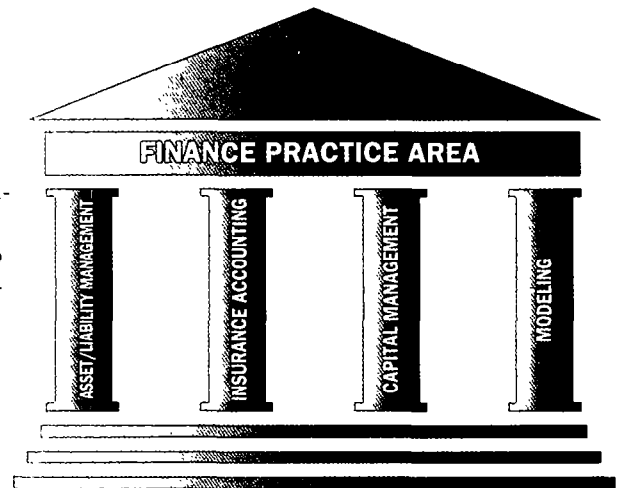
The October 1988 Actuary of the Future Report to the Board recommended several actions. As a result, The Actuary of the Future Section was formed. Joe Rafson, the Actuary of the

Future liaison to the Finance Practice area, gave an overview of SOA activities. These activities include expanding the focus of SOA seminars and annual meeting sessions to cover topics of interest to actuaries in nontraditional careers. We have been actively contacting employment recruiters, both actuarial and nonactuarial, seeking information about what skills are desired of candidates for nonactuarial financial positions. The results will eventually be used to develop a marketing plan for the profession. New ways to use education and research to expand the role of the actuary are also being explored.

The practice area resolves issues requiring the allocation of SOA staff or budget resources. Phil Polkinghorn coordinates the practice area activities, working with Joe Rafson and other interested parties to develop a plan of action. Please call Phil Polkinghorn at 804/948-5979 with any ideas.

Asset/liability management principles

The effort to develop actuarial principles began in the 1980s with the establishment of the Actuarial Standards Board. The role of the Society of Actuaries and the Casualty Actuarial Society is to articulate the basic tenets that underlay actuarial science. A set of general principles was published in the 1992 *Transactions of the Society of Actuaries* (Vol XLIV, pp. 565-628). A set of principles regarding provisions for life risks was presented to the SOA Board in October 1995. The CAS and the SOA are beginning discussions on developing a set of



general principles that will apply to both life and casualty.

To stimulate discussions, Cindy Forbes and Yuan Chang independently developed sample drafts of ALM principles and distributed them at the meeting. After a lively and enlightening discussion, we created an ALM Principles Task Force, chaired by Mike Hughes. Anyone interested in volunteering for this task force is urged to contact him at 312/879-2122.

Insurance accounting

Many believe that statutory accounting, tax accounting, and even GAAP do not provide the best benchmarks for evaluating an ongoing operation's financial position. Solutions, such as market value accounting, focus even more on the terminal value of a company. Accounting systems, by looking at the asset and liability sides of the balance sheet separately, are inadequate models for measuring progress toward goals such as maximizing return or controlling risks.

Activities addressing this issue include the *Dynamic Financial Conditional Analysis Handbook* published in 1995, a seminar on DFCA in October 1995, and sessions on

(continued on page 6)

New ideas emerge (continued from page 5)

DFCA at SOA meetings. Other activities include a call for papers on the fair value of liabilities and a related seminar in December 1995 at New York University, where these papers were presented. More than 120 people attended the seminar, including members of the Financial Accounting Standards Board (FASB). Proceedings from the seminar will be published as a text by Irwin Publishing in late 1996. A follow-up session will be held at the Marco Island spring meeting (Session 35, May 30, 1996). Many issues remain to be resolved in this area. We need help to form a consensus, so please call with your ideas.

Capital management

The capital management strategic initiative is not fully defined. Companies are beginning to look at and use their capital with new intensity and insight. Because skill at managing capital is needed for companies in all industries, this area holds promise for expanding actuarial roles. We need your help to formulate the issues and the activities.

Modeling

Modeling is becoming an increasingly important part of an actuary's work. However, as a profession, we tend to use a few tried and true approaches as universal tools. We need to reexamine both our modeling process and its application.

The target for the first modeling symposium is fall 1996. The goal of the symposium is to provide members with a broader perspective on models. We plan to invite speakers working in areas such as neural networks and banks. Future conferences may include presentations of invited papers as well as calls for papers. We need your help in identifying the issues a modeling symposium should address.

Delivery of new exam materials to the general membership

Many changes have been made in the study material for E&E recently. Significant knowledge of finance and investments is needed to become an ASA, much of it overlapping with material on the Certified Financial Analyst (CFA) examinations. In addition, since 1992, two new tracks have been added: a finance track and an investment track. Many members of the SOA do not know about the changes in the E&E system and are unfamiliar with the new syllabus material.

The professional development committee held sessions on the new syllabus material at all recent SOA meetings. In fall 1995, the committee experimented with a new format for continuing education. A course called "Introduction to Investments" was offered one evening a week for six weeks in Hartford, Conn. The committee is considering expanding the concept to other cities and other

Attention job seekers

For job hunters who've ever considered filing a resume with the SOA's resume matching service, now is the time. Currently, the service is experiencing a resume shortfall, with more jobs than resumes to match them.

Unemployed members and students with at least 100 actuarial exam credits are welcome to use the service at no charge. Here's how it works. Employers submit applications listing qualifications for available positions. The SOA ombudsperson matches actuaries' resumés to the appropriate positions based on qualifications. Candidates are categorized by education, profes-

topics. If you have ideas about how to make the new material accessible to the membership, please contact Marty Klein, the chair of the Professional Development Committee, at 212/989-5488.

Stimulating new ideas

Convening the practice area was successful. We were able to discuss all the varied activities we are undertaking to improve our practice and to promote the profession. The discussion generated many new ideas and suggestions. We hope this article will have the same effect. I think you will agree that these are important issues for all of us, so let us hear from you.

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sional level, area of practice, and experience. It is then up to the employer to make any follow-up contacts.

To request a candidate application or an employer job listing application, contact Pat Holmberg, Education and Examination Ombudsperson, Society of Actuaries, 475 N. Martingale Road, Suite 800, Schaumburg, IL 60173-2226; phone: 847/706-3527, fax: 847/706-3599, e-mail: 76225,3424@compuserve.com, or in Actuaries Online in the Education and Examination message section.