



SOCIETY OF ACTUARIES

Article from:

The Actuary

December 1997 – Volume 31, No. 10



The Actuary

SOCIETY OF ACTUARIES 1996-97 YEAR IN REVIEW

1996-97 year in review

Striding toward the next century

The Society of Actuaries has embarked on several major initiatives to assure that actuarial science and actuaries will be highly valued in the next century. Often called the “redesign of the actuary,” this process has at its center the development of a new educational and examination system. In 1996-97, this major project continued while other forward-looking programs, also focused on the changing world for actuaries, went into effect or were approved for pending action.

President Holland leads the way

In his major addresses and articles in 1996-97, SOA President David M. Holland focused on this transition from the old world to the new. He looked to the near and the distant past for examples to help actuaries think of new ways in which their participation could add value to the financial security systems of business and society.

His work during the previous year as 1995-96 president-elect centered on developing the SOA Mission and Vision Statement. As he assumed the presidency, Holland reminded the audience at the 1996 annual meeting, “Actuaries cannot assume that their world will not change. ... The SOA vision ... seeks to broaden our role from advisers and problem solvers to modelers and managers.”

Throughout 1997, Holland urged actuaries to think more broadly about how their abilities can be applied in a world growing more conscious of managing risks. In his speech at this year’s annual meeting, Holland noted, “The consulting mathematician, the model builders, the collectors and interpreters of data are our real spiritual ancestors. ... Who better than actuaries can design and manage programs that will provide for financial security in uncertain times?”

Circling the globe

Globalization of business and other sectors continues, and the Society responded in several ways over the past year.

To help meet the needs of the 1,420 SOA members who reside outside North America, the SOA Ambassadors in more than 25 countries provide an important resource to local members and a link between the SOA and actuarial organizations around the world.

In addition, this year the SOA launched a new Asia Committee. Its charge is to promote the actuarial profession in Asia and strengthen support and services to Asia’s growing SOA membership, currently about 600. The SOA board and the committee’s leadership, including Chairperson Yuan Chang, see both a need and an opportunity for the Society in China’s position as a potential economic powerhouse.



Among the 292 new Fellows admitted this year were, above left, Lawrence and Eleanor Golden, husband and wife. Here, SOA President David M. Holland (center) presents their certificates as they “graduate” from the Fellowship Admissions Course. Above right, Charles Allegro and daughter Hailey get ready to spend more time together now that Dad’s examinations are over.

Because of the increased interest in actuarial science in the Pacific Rim, the SOA opened a satellite office in Hong Kong in November 1997. A full-time SOA staff member housed in the MetLife building will help the Asia Committee meet its charge to promote actuarial education, the development of research, and the profession in general. An article in the November 1997 *Actuary* gives more details of the functions of this satellite office.

An important milestone in the SOA's work in Asia was celebrated this year when the actuarial science program at Nankai University, Tianjin, marked its 10th anniversary. The Society has provided about 30 North American actuaries as teachers of month-long courses and has underwritten some book and examination expenses. An SOA delegation led by President Holland visited Nankai for the anniversary celebration and the signing of a three-year extension of the agreement pledging the SOA's continued support. The delegation then visited four other cities — Beijing, Shanghai, Taipei, and Hong Kong — to enhance the SOA's visibility in Asia. An article in the September 1997 issue of *Actuary* outlines this trip.

The correspondent program, begun in 1995, now has 41 actuaries from 15 countries enrolled. This program offers correspondent status to actuaries outside North America who are not SOA members. Correspondents receive Society publications and are invited to participate in the SOA's meetings, seminars, and other activities.

The Society continues to offer sessions focusing on international issues at its spring and annual meetings. Many sessions were suggested by the International Section, which now has 1,700 members. Some topics included health care in Latin America, job opportunities outside North America, insurance and pension developments in Indonesia, financial reporting of multinational companies, and the entrance of banks into the insurance industry around the world.



1997-98 SOA President Anna M. Rappaport, third from right, conducts her first SOA board meeting on Oct. 30 after her induction during the annual meeting. At the table with her are (L-R) Jack Turnquist, David Becker (blocked), Bradley Smith, SOA Executive Director John O'Connor, David Holland, Howard Bolnick, and Donna Claire.

E&E redesign goes forward

Since its approval in 1996, the redesign of the SOA's education and examination system has moved forward on schedule toward the January 2000 implementation deadline. The new system will emphasize the application of mathematical and other knowledge to the business problems actuaries face. It will incorporate these business topics at the earliest stages of the educational process.

Reporting to the Board Task Force on Education, the design team, led by Jeff Beckley, is charged with establishing the course learning objectives, defining study materials needed, and creating sample examinations. Its work is being carried out through working groups for each of the Basic and Advanced Courses. The main components in the new design are:

- Basic Education — Courses 1-6, which are actuarial in nature and test mathematical and business knowledge, leading to the Associate designation. Courses 1 and 2 will continue to be jointly administered with the Casualty Actuarial Society.
- Advanced Education — Course 7, which is an applied modeling seminar, and Course 8, which is a collection of exams for seven individual practice areas.
- Professional Development (PD) — An individual study plan to achieve 50 hours of SOA-approved

educational activities completed in a two-year period.

To date, working groups have devoted significant effort to Courses 1-8. A final report on Course 1 has been released to academics for their use in planning their course work. Learning objectives have been drafted for Courses 2-8, and working groups are establishing syllabus content and beginning the development of sample examinations. A Course 8 for each practice area is being developed with input from written surveys and focus groups conducted with senior members in the practice area. Specifics of the PD requirement are being developed by the new Task Force on Professional Development, headed by William Cutlip and reporting to the Board Task Force on Education.

After successful completion of Courses 1-8 and the PD requirement, the final step to obtain Fellowship is the Fellowship Admissions Course (FAC). The FAC is a two-and-a-half-day course on ethics and professionalism. This year, the board approved a task force to develop a professionalism course requirement for ASA candidates. The new requirement would take effect with the Year 2000 exams.

Stepping up organizational changes

This year, the Society saw dramatic moves in organizational issues and events. The board:

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- Passed a resolution separating governance and management of the Society
- Hired an outside consultant to work with the board in examining the SOA's organization
- Began a process to reevaluate SOA programs, their costs, their benefits, and the factors needed for success
- Began conducting research into the needs of actuarial "customers" — employers and clients
- Embarked on strategic planning to implement the SOA's mission and vision

To improve the governance and management of the SOA, the board also voted this year to create an Operations Committee to carry out board-approved activities. The board also eliminated the Executive Committee. Under this new structure, the board will primarily focus on the Society's overall strategic direction, while the Operations Committee will be responsible for management and will place more responsibility on the SOA staff. A partial staff reorganization has created the role of Staff Fellow, who will be accountable for the activities of an SOA practice area. This completes an earlier process that directed much management of the SOA along practice area lines. The Operations Committee will be chaired by the SOA president, with the president-elect serving as vice chair, and may also consist of vice presidents heading the practice areas. However, the board's resolution allows members who are not vice presidents to serve on the Operations Committee.

An outside consulting firm experienced in examining professional associations this year analyzed the Society's volunteer and staff structure. Based on in-depth interviews with key SOA board and staff members, the firm's report was very positive about the SOA as an organization and its capability to grow and thrive while serving its membership. In particular, it commended the SOA's current model of volunteers determining direction while staff has major responsibility for implementing the directives.

The Strategic Planning Committee, headed by President-Elect Anna Rappaport, produced a new strategic plan for the Society. The committee researched how best to implement the mission and vision statement and conducted a major effort to create a plan that builds on the 10 strategic directives set in 1996. In addition, SOA vice presidents and other leaders representing the practice areas formed strategic plans for the individual practice areas as part of the planning process.



This year's SOA exhibit at the Annual Meeting included demonstrations of the SOA's Web site and a kiosk where members could check their Directory listings. Shown at the Web booth are Peggy Grillot (left), SOA online systems manager, talking with Renée Saunders of the American Academy of Actuaries staff. Debbie Jay, SOA online development coordinator, is in the background.

The Strategic Planning Committee conducted two research initiatives to further understanding of actuarial customers. A focus group consisting of senior members of 13 major consulting firms and a written survey of 406 small consulting firms were conducted. The results offer a first view of consultants' perceptions of what actuaries and the Society need to do to help actuaries meet clients' needs and thereby compete more successfully in the marketplace. Work on this customer research project continues, with future

plans including surveying insurance companies and those working in nontraditional jobs.

Also this year, discussions arose between the SOA and the Casualty Actuarial Society (CAS) about some CAS leaders' public statements of belief that the SOA intends to "take over" the CAS. The SOA board has not expressed this interest, and candid discussions by current SOA and CAS leaders have resolved the misunderstanding.

Research efforts start at home

In addition to conducting major research projects, the Society this year began a review and evaluation of its overall research project effort. Immediate Past President Sam Gutterman initiated the Task Force on Research Effectiveness to begin an assessment of the SOA's recent research project initiatives. The task force's charge was to design and conduct a comprehensive review and evaluation of the effectiveness of SOA research project activity, as distinct from the ongoing experience studies recently addressed by a different task force. Norman Crowder, SOA vice president for research, chairs the task force, which consists of six members of the SOA board. Major activities designed to obtain input were a comprehensive survey initiated in June, peer review of selected recent research project activities, and sessions at the annual Actuarial Research Conference and the SOA annual meeting.

The Society cosponsored and assisted with the 32nd Actuarial Research Conference, Aug. 6-8, at the University of Calgary, Alberta. Nearly 60 participants from Canada, China, Russia, the United Kingdom, and the United States attended. The formal program included three introductory addresses, 28 academic presentations, and three non-academic presentations, including a luncheon address by SOA President-Elect Anna Rappaport on "The SOA: Issues and Challenges." She also chaired a focus group to discuss how the SOA can better serve the needs of academic members.

SOA research this year included several examinations of the managed care environment:

- The “Definition of Managed Care Effectiveness” project seeks to find a common definition of effectiveness for managed care entities considering the perspectives of all stakeholders — health plans, health providers, patients, and others. Sessions at the spring and annual meetings presented partial drafts of the eventual SOA Monograph and a grid showing the numerous stakeholders and their widely differing perspectives. Howard Bolnick, 1997-98 president-elect, has oversight responsibility for this project.
- Two projects of the Committee on Health Benefits Systems Research aim to put actuaries at the forefront of the health plan measurement debate:
 1. A \$30,000 grant was awarded to the State of Utah to study the reliability of HEDIS 3.0 (Health Plan Employer Data & Information Set), the data collection and reporting standard advocated by the National Committee for Quality Assurance.
 2. A \$30,000 grant was given to the University of Michigan to study the usefulness of HEDIS measures to employees trying to choose a health plan.

Another important research project released this year was the “Pension Plan Turnover Rate Table Construction Final Report” by Steve Kopp of the University of Western Ontario. This is the first study of employee turnover and retirement patterns sponsored by the SOA. In addition to providing pension actuaries with much-needed data on these decrement patterns, this report breaks new ground with a multivariate analysis on a broad range of explanatory variables.

Ongoing research efforts include about 85 different activities in process in the six major research areas: knowledge extension, finance and investment, health benefit systems, life insurance, retirement systems, and special.

New publications hit the street

Volume 1, Number 1 of the *North American Actuarial Journal (NAAJ)*, a quarterly scientific publication replacing the annual *Transactions*, was published in January 1997. The first year’s issues illustrated the journal’s intent to reach beyond the actuarial audience to other professionals in business, academia, and government. The July issue was devoted to modeling, a topic of great interest in the financial community. Other issues displayed an extensive range of subjects, including interest rate risk management, analyzing data from continuing care retirement communities, and even the mortality of professional basketball players.

The second edition of *Actuarial Mathematics*, published mid-year, updated this important textbook to address some new ways of working in actuarial science. The book recognizes new products and approaches, reaches out to an international audience, and requires in its exercises the use of current information technology.

The SOA Monograph program, begun in 1996, continued this year with the publication of *Group Medical*

Insurance Large Claims Database Collection and Analysis, the results of a research project cofunded by the Health Section and the SOA. The project assembled and analyzed the first database of detailed information for a vast number of claims of \$25,000 or more. Claims came from 26 insurers for 1991 and 1992, totaled more than \$10 billion, and represented about 171,000 claimants. The 295-page Monograph is the largest of the five published to date and is available for \$35 from the SOA Books Department.

Several SOA communications received awards in 1997. In its inaugural year, the *NAAJ* earned a Certificate of Achievement in the American Society of Association Executives Gold Circle Awards, earning second place among the 19 other national peer-reviewed journals entered. Also in 1996-97, honors from communications organizations were awarded to: SOA President Holland for his speech, “Back to the Future,” from the 1996 annual meeting; *The Actuary*; the SOA Web site; the SOA Foundation’s program, “On the edge of change: Putting Social Security back

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The International Section reception on Oct. 28 during the annual meeting drew SOA members, honored visitors, and SOA staff from around the globe. Among those attending were (L-R) Sam Gutterman, 1996-97 SOA immediate past president; C.F. Yam, president of the Actuarial Society of Hong Kong; Patrick Cichy, SOA Asian services coordinator, assigned to the SOA’s new Hong Kong office; Lela Long, the SOA’s international outreach coordinator; William Bugg, 1996-97 International Section Council chairperson and a member of the SOA’s Committee on International Issues; and Linden Cole, SOA managing director, whose responsibilities include the SOA’s international activities.

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in balance"; and the Actuarial Circles program, a grassroots initiative to encourage actuaries to become involved with community groups and the media in their area.

Picking up the pace with technology

Expansion of the Society's information technology continued this year in support of members' needs and interests.

The SOA Web site, www.soa.org, already housing more than 1,000 files,

libraries, links to more than 130 sites, and e-mail links to all SOA staff members.

At the September 1997 SOA board meeting, the board voted to create a technology innovation fund of \$200,000 to further develop technology to enhance service to SOA members and the public. Among proposed uses are improvements to the SOA Web site, upgrading SOA hardware, and expansion of technology such as CD-ROMs for continuing education.

For the second year, the SOA produced CD-ROMs for continuing education use. Following the three issued in 1996, two new CD-ROMs were created in 1997. Both "Product Development," focused on product management issues, and "Hybrid Plans," discussing nontraditional pension plans, are interactive, and

"Hybrid Plans" can be used for continuing education credit by Enrolled Actuaries.

In step with other organizations

In keeping with its mission and vision, the SOA continued building bridges to other actuarial organizations. However, 1997 was a particularly active year for reaching out to other professions, spheres of activity, and nations.

Preparations began early in 1997 for a special seminar on Oct. 30 in Washington, D.C., concerning social security in the NAFTA countries. The seminar, "Impact of Mortality Improvement on Social Security: Canada, Mexico, and the United States," assembled a multidisciplinary group of 80 panelists and participants to discuss forecasting methodologies,

factors affecting mortality change, and mortality assumptions for each of the three countries. The seminar, co-funded by the Society of Actuaries Foundation, brought economists, demographers, medical researchers, and policy analysts together with actuaries and involved each country's social security administration. Participants completed a questionnaire during the last session of the seminar, and the results will be analyzed and used as a guide to set assumptions to test the impact of mortality improvement and long-range financial status of social security systems.

Results from the social security seminar will help strengthen the Society's relationship with another organization, the American Association for the Advancement of Science (AAAS), in which the Society was accepted as an affiliate last year. The social security project and its results will be presented in a session at the February 1998 annual meeting of the AAAS, which marks the 150th anniversary of the AAAS. For the first time, actuarial science will be represented in a formal way at this gathering of important scientific researchers.

As part of the SOA's goal to increase actuaries' roles in the broader finance sector, work was completed in 1997 for a conference, "Integrated Approaches to Risk Measurement in



Women are increasingly taking leadership roles in actuarial organizations. Gathering at the Board of Governors dinner on Oct. 25 are (L-R) Mavis Walters, president, Casualty Actuarial Society; Daisy McFarlane-Coke, president, Caribbean Actuarial Association; Anna Rappaport, 1997-98 SOA president; and Rosa Maria Farrell, president, Mexican Organization of Consulting Actuaries.

added several new features in 1997. Discussion forums were launched to prepare for the discontinuation of Actuaries Online, the interactive service for members on CompuServe, in 1998. An international calendar of educational events now lists important seminars and conferences the world over. And for the first time, members were invited to an online dialogue with candidates for the SOA presidency. To raise visibility for the profession, two sections were begun for visitors outside the profession — the News Room, in which the news media can access recent SOA news releases; and the page entitled "How Do I Become an Actuary?" for students and others looking for career information. The Web site now has more than 350 files

Halmstad Prize winner announced

Greg Taylor, Ph.D., has been named winner of the 1997 Halmstad Prize, administered by the Actuarial Education and Research Fund.

The SOA member was honored for his paper "An Equilibrium Model of Insurance Pricing and Capitalization." It was published in the September 1995 issue of *The Journal of Risk and Insurance*.



The President's Awards program, recognizes those chosen by the SOA president for their contributions to the profession. Left, SOA President Holland presents an award to Robert Batten, who retired in 1997 from his position as professor of actuarial science, Georgia State University, after 30 years of teaching. Also receiving awards this year were: Jack Moorhead, 1969-70 SOA president and author of Our Yesterdays, a history of the profession; Christopher Daykin, past president of the Institute of Actuaries and immediate past chair of the International Forum of Actuarial Associations; and Linden Cole, SOA managing director, who has announced his retirement in 1998.

the Financial Services Industry," held Dec. 8-9 in Atlanta. The multidisciplinary group of speakers included academics and practitioners from insurance companies, investment and commercial banks, and firms providing risk management services to institutions.

As a member of the International Forum of Actuarial Associations (IFAA), a section of the International Association of Actuaries, the Society was represented in the IFAA's successful effort to gain an actuarial voice in developing proposed worldwide accounting rules for insurance companies. The International Accounting Standards Committee (IASC), which developed proposed pension accounting rules without actuaries' input initially, turned its efforts to insurance companies this year.

An IFAA committee, headed by the 1997-98 Penultimate Past President Sam Gutterman, will help develop the proposed rules with the IASC. The committee represents both life and property-casualty companies. In addition, the IFAA is working with the IASC to alter its pension rule proposal.

Strengthening its relationships with other actuarial organizations, the SOA continued work on several joint projects, including:

- Joint CAS/SOA Statement of Actuarial Principles, which seeks to articulate the basic principles that are part of all actuarial work
- AAA/SOA Health Benefit Systems Communications Committee, which continued its work to promote awareness of health issues

- Joint AAA/SOA Health Financial Issues Committee, which completed its task of defining needs for research projects and public interface actions related to the various financial issues and capacity concerns encountered by risk-bearing health organizations
- Forecast 2000, the joint public relations initiative of the six organizations representing North American actuaries. Administered by the American Academy of Actuaries in Washington, D.C., Forecast 2000's goal is to gain more visibility for the actuarial profession among public policy makers, the media and the public. A June 1997 article in *The Actuary* gives an overview of this eight-year-old program

- The first CAS/SOA Actuarial Career Information Fair (see page 16)

Key staff changes ahead

Linden N. Cole, the SOA's managing director, has announced he will retire in October 1998. He joined the SOA staff in 1980 and currently serves as managing director, with responsibilities including the SOA's international activities and liaison work with other organizations. Cole joined the SOA from his former position as second vice president and actuary, Mutual Benefit Life, Newark, N.J. He attained Fellowship in 1963, and before joining the SOA staff, he served on various Education and Examination Committees. He graduated cum laude in mathematics from Harvard University.



David Holland, right, receives a replica of his presidential portrait from SOA Immediate Past President Sam Gutterman at the annual meeting while SOA Executive Director John O'Connor looks on.