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## EDITORIAL

# Beyond the numbers

by Ken McCullum

Whenever I am asked what it is I do, the easy answer is to say I'm an actuary. More specifically, I'm a life product development actuary. To the world at large, that job description appears to imply a rather mundane existence. The quick take is that I crunch numbers to figure out how long people are going to live and then find a way to profit from that knowledge.

The reality is that the challenges of my job don't often lend themselves to easy answers. While it's true that at the foundation of my business are black and white numbers, the structure is filled with hotly debated issues that have no simple resolution. It's in those gray areas that most of my energy is spent. It's there where the work is fun, the results are unpredictable, and the consequences of my actions are important.

Hot topics and actuarial controversy abound in the individual life insurance business. Stories in this issue of *The Actuary* explore the specific positions and concerns of life actuaries on some of the contemporary issues we face. As we address these issues, our responsibilities to our customers, our profession, and ourselves are challenged.

Current news items in the individual life insurance industry reflect the spectrum of hot issues. Consolidation, regulation, and litigation dominate the headlines as the competition looks more and more like a struggle for survival in a mature market with an overabundance of product suppliers. In this turbulent environment, I suggest that the creed of product development actuaries reads something like the following:

Daily we hope we've done well enough to satisfy our customers and earn the privilege to continue

the job tomorrow. Daily we face competition on all fronts. Daily we endeavor to do business in a way that creates value for the consumers who purchase our products, for the investors who finance our product development work, for the distributors who sell our products, and for the employees whose livelihoods depend on our products.

In balancing the often competing objectives our customers have, we face a multitude of dilemmas. In addressing the tactical choices, our abilities are put to the test. In our intensely competitive marketplace, the decisions we make are governed broadly by our ethics and more specifically by an array of regulations.

Much of the life actuary's professional energy has been spent analyzing and refining the specific requirements of the life insurance regulations. A sampling of this can be found in this edition of *The Actuary*. The article by Tim Fitch is an example of this. Specifically, he questions the compliance of a recent universal life product innovation with our current set of regulations. Also, we've published an update on the American Academy of Actuaries' efforts to work with the NAIC on revising the Standard Nonforfeiture Law. Further, Deanne Osgood explores some controversy with an element of the new Illustration Model Regulation, affectionately known as the GRET. Finally, Rachel Hancock questions the actuarial assumptions underlying the information we present to our various customers.

When we coined the motto "Ask an Actuary," we clearly suggested that we were professionals prepared to provide

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- Nontraditional Marketing:
  - Grant Hemphill
  - Carl E. Meier
  - John B. Yanko
- Pension:
  - Colin England
  - Lindsay J. Malkiewich
  - Lee J. Trad
- Product Development:
  - Katherine A. Anderson
  - Boris Brizeli
  - Larry N. Stern
- Reinsurance:
  - Graham J. Bancroft
  - Bryan J. Featherstone
  - Michael W. Pado
- Smaller Insurance Company:
  - Rodney A. Keefer
  - Stephen L. Marco
  - Lori A. Truelove

The Section councils are in the process of electing their new officers and planning their first 1997-98 meetings, many to be held at the SOA's upcoming annual meeting in Washington, D.C.

## Editorial (continued from page 2)

an answer. If we are to be an important profession, we must be able to answer questions that deal not only with objective matters of mathematical equations, but also with subjective matters of right and wrong. If we are to be a noble profession, we must define an ethical framework for crafting our answers and we must progressively act within that framework. If we can only reach such a framework via regulatory action, then I believe we are a sorry lot, ill prepared to keep pace with the world we live in, never mind playing a leading role.

Because actuaries are proud of the profession, and because they are obligated to fulfill the responsibilities they've been given, they must not allow that to happen. Policyholders,

employees, and shareholders all depend on the actuary to protect the franchise. In that spirit, I believe some of the key questions individual life actuaries need to address include:

1. Are tontines bad ?
2. What commitments for nonguaranteed element management do we make to the public ?
3. How do we best fulfill our primary responsibility — insurer solvency — in a competitive market?

I think that if our profession can answer those challenges, we can work to remove, rather than further, the regulatory burdens encumbering our business.

In attempting to address these core issues, our current regulatory environment has very specific and detailed

prescriptions for us to follow, ostensibly to ensure that we meet the core objectives. Unfortunately, the specific rules have obscured the broader principles and have lost much of their relevance with the evolution of our business. I believe we need to create a free market environment that will allow us to devote more of our professional talent to simply doing business. To enable us to do so, our ethical framework must focus squarely on the "forest" and ignore the "trees." The proposed revisions to the Standard Nonforfeiture Law are an important step in this direction.

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## Introducing the profession — via the SOA Web site

Recent visitors to the Society of Actuaries' home page ([www.soa.org](http://www.soa.org)) have discovered a new hot link on the main page. The "How do I become an actuary?" section is packed with information designed to help those who know nothing at all about actuarial science become familiar with the profession.

The site's purpose is to provide basic information about the SOA and our sister organizations, the exams, the high school and college courses necessary to become an actuary, minority scholarships, and other facets of an actuarial career, such as what do actuaries actually do all day?

The "How do I become an actuary?" section was created by a sub-group of the Committee on Career Encouragement. The section soon will offer the preliminary exams for downloading. Other suggestions include creating a list of actuarial mentors who are willing to become unofficial counselors to young people considering or already trying for a career in actuarial science.

Keep watching the site for the latest updates. Comments and questions about the new section can be directed to Linda Heacox at the SOA (phone: 847/706-3528; fax: 847/706-3599; e-mail: [lheacox@soa.org](mailto:lheacox@soa.org)).