



SOCIETY OF ACTUARIES

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Report to members

A view of SOA accomplishments and the road ahead

by Anna M. Rappaport
1997-98 SOA President

Last year, the SOA leadership informed you of the SOA's strategic plan and its objectives. I am very proud of the many activities underway today. My year as president, which ends in October, has not represented a change in direction but rather a continuation of the activities started by my predecessors, Dave Holland and Sam Gutterman. While some additional emphasis has been placed on outreach, our goals today are largely consistent with those of the last few years.

Our goal during my term was to help our members become more effective in serving the needs of their customers. Actuaries' long-term success will be a function of:

- Actuaries adding value to our customers and being known for doing that
- Adequate traditional and non-traditional job opportunities for actuaries
- An adequate supply of good people to fill those jobs
- Keeping our knowledge base up-to-date so that we can add significant value to our customers.

Knowledge, visibility

from outside the profession
One of the leadership's key objectives was to find appropriate avenues for joint ventures and other work with outsiders, an initiative which has grown in recent years. This enriches the content of our work, gives us visibility outside the profession, and offers valuable new contacts. In 1998, the SOA worked with several organizations.

The retirement and health practice areas sponsored a symposium, "Strategies for a Changing Workforce," in March with the American Compensation Association and the International Foundation of Employee Benefit Plans. The presenters and audience were a mix of actuaries and human resource

professionals. (See story, "SOA cosponsors conference to explore changing workforce," *The Actuary*, February 1998.)

About three years ago, the health practice area determined that managed care effectiveness was its top priority. This resulted in three research projects now underway involving groups and individuals from outside the profession:

- A monograph on managed care effectiveness discussing ways to meet the needs of diverse stakeholders
- An analysis of HEDIS (Health Plan Employer Data Information Set) indicators from the perspective of purchasers
- An analysis of HEDIS indicators from the perspective of consumers

In addition, the symposium "Managed Care in a Time of Transition" was held last month to present preliminary results of that research. (See story, "SOA symposium to explore managed care issues," *The Actuary*, April 1998.) Panels included a group of purchasers and a group representing the consumer perspective. Attendees included actuaries, purchasers, and other members of the health care community.

The finance practice area has identified the value at risk methodology and other new ways of measuring and defining risk as crucial elements of the actuarial knowledge base. A call for papers was issued, and a symposium was held in December 1997. (See story, "Integrated approaches to measuring risk is topic of December SOA conference," *The Actuary*, September 1997, and "Dialogue on risk," *The Actuary*, March 1998.) Again, the presenters and attendees were a mix of actuaries and nonactuaries. Another program on risk measurement is planned for spring 1999.

Mortality has been improving, and mortality rates are of concern to actuaries in various practice areas. During 1997-98, a group headed by Mike Sze and Irwin Vanderhoof worked on a three-phase research project on mortality improvement projection methods and the impact of mortality improvement on the NAFTA countries' social security systems. (See "NAFTA countries support SOA study on social security mortality," *The Actuary*, November 1997; "Social security 'summit,'" *The Actuary*, January 1998; and "A gathering of scientists," *The Actuary*, March 1998.) The project was a cooperative effort between the SOA, the Pension Research Council, and the three NAFTA countries' social security agencies. Other funders included The Actuarial Foundation, the Retirement Research Foundation, and the American Society of Pension Actuaries Education and Research Foundation. Participants included leading actuaries, demographers, economists, and medical researchers. Results were presented at the 1998 American Association for the Advancement of Science annual meeting and a meeting of a working group of the International Institute for Applied Systems Analysis, and they are scheduled for presentation at the International Congress of Actuaries and the 1998 SOA spring meetings.

Retirement security is a growing concern in our aging society. The SOA is in the middle of a project designed to help us understand the post-retirement period better. A call for papers was issued around the topic of a retirement needs framework, and 16 papers have been promised which will be presented at a conference in December 1998. (See story, "How do needs change during retirement?," *The Actuary*, February 1998.) This is a project of

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the retirement practice area. Again, we expect authors and attendees to include both actuaries and nonactuaries.

Annuities represent an increasing share of life insurers' business. The SOA sponsored a conference on annuities jointly with LOMA and LIMRA in April. This one-and-a-half-day conference focused on income annuities and conservation. Some 200 attendees, a mix of actuaries and other professionals who develop and administer annuities, discussed trends in medicine and lifestyles and the point at which people will have to invest more wisely and save more to fund their growing retirement years. Topics spanned packaging payouts, how to increase participation in qualified plans, the next generation of variable annuities, and equity-indexed annuities.

The SOA has a number of activities that involve us with members of the academic community. SOA projects currently involve researchers from about 30 universities. An ongoing SOA program provides support for academic SOA members to participate in SOA committees and meetings. In addition, we are seeking to expand our relationships with academia. One step in this process is formation of a task force to explore increasing the ties between the SOA and academic institutions. (See story "Are strong academic ties our missing link?" on page 10.)

Outreach also extends beyond North America. In 1997, the Financial Reporting Section sponsored four seminars with local actuarial associations in the Far East's four countries. A session is scheduled for August sponsored jointly by the Section and a local actuarial organization in Argentina. The role of SOA ambassador — members who help support SOA efforts — has been established in more than 25 countries. Our Hong Kong office, which opened in late 1997, supports the efforts of the SOA Asia Committee and our members in eastern Asia.

The projects mentioned above are helping to expand our knowledge base.

At the same time, given the speed of change, we are concerned about keeping up with the needs of SOA members, potential SOA members, and actuaries' current and potential customers.

Research initiatives

A revised discussion draft of the Joint CAS/SOA Statement of Actuarial Principles has been developed by the CAS and SOA principles committees. It is expected to be distributed to members of the actuarial profession by late summer. Also, the current draft will be presented at the International Congress of Actuaries this month in Birmingham, England.

During the last few years, the SOA Committee on Knowledge Extension Research (CKER) grants and Ph.D. grants programs have helped strengthen our relations with the academic community at the fundamental level of basic research. These programs both encourage basic research related to actuarial science and help develop young actuarial researchers, two activities that are essential to the continued success and survival of any scientific profession. CKER has agreed to fund up to seven new research projects as part of its grants program, and the Ph.D. Grants Task Force is in the final stage of evaluating applications and expects to award at least six.

New emphasis on modeling

The SOA has begun to place significant emphasis on modeling in both our education and research efforts. In December 1996, the SOA sponsored its first modeling research conference and is organizing a second for December 1998. The importance of modeling research to the SOA is evidenced by the recent selection of three papers for the inaugural Edward A. Lew Award for the best papers in modeling research. The current intensive seminars and the new syllabus' Courses 4 and 7, which will be required of all SOA students, reflect the importance the SOA places on modeling in its education process.

Technology

Technology is increasingly important to

actuaries and to the SOA. We are gradually increasing the use of electronic publishing and will continue to do so. The Web site is operational and is being improved regularly. The SOA is exploring the delivery of education through the Internet and hopes to launch its first program next year on an experimental basis. Several programs have been released in CD-ROM format. At the same time, the technology committee has been expanded and is working on a long-term vision for technology within the SOA. Information on technology is being exchanged among all actuarial organizations.

Educational programs

During 1998, we expect that 17,000 students will write 35,500 examinations at 290 different examination centers. We will fill 9,200 orders for study notes and offer 675 different study notes. Student enrollments are down, partly as a result of the transition to the new syllabus, but it also appears that the number of new entrants is down as well.

Work continues on the implementation of the new syllabus. The first four examinations will be held jointly with the CAS. Many volunteers and staff people are working very hard on this effort. The final report for each course in the new system is posted on the SOA Web site as soon as it has been approved. The reports for Courses 1 and 2 are already posted; reports for Courses 3 and 4 are expected to be available by the end of June. All others are slated to appear by the end of the third quarter but will be released earlier if possible.

Our continuing education program is extensive. During 1998, we will sponsor four major meetings and 17 seminars. We expect 3,000 registrations at the major meetings, and 1,200 at the seminars. The continuing education coordinating committee is working on alternative delivery methods and a catalog to help people plan better. It is focusing on how to deliver the professional development component of the new educational program and on how to deliver

services effectively to members outside of North America.

Career planner

In the current environment, all of us must take responsibility for our own careers, and it is quite common for change to force us to rethink where we are and where we might be going. The SOA recently published *The Actuary's Career Planner*, a powerful tool for members and students alike to use in managing their careers. Sessions are conducted at SOA meetings for members seeking help in working through the career planner. We hope that use of the career planner will support members and students throughout their professional lives.

Experience studies

This has been a challenging area for us in recent years. It is difficult to get data, and studies often are not completed in a timely fashion. Several years ago, a task force headed by Esther Milnes made recommendations to improve performance. We continue to work on implementing these recommendations. At the same time, SOA Vice President Norman Crowder is seeking ways to innovate and make further improvements. This will have high priority for the next few months.

Reorganization

to focus on practices

Within the last three years, we have reorganized the SOA Board of

Governors and made some changes in the staff and committee structures. We are now reorganizing the staff, dividing functions into four main areas and creating a management team consisting of the executive director and the managing directors in charge of the four areas. A key feature of the new organization will be a much greater focus on practice areas and greater involvement of the practices in managing the SOA's research and education agenda. Each major practice area is supported in the new structure by a practice fellow, called a staff fellow, who has primary responsibility for driving implementation of practice initiatives. Three of the four staff fellows are now in place: Jeff Allen, finance; Judy Anderson, retirement systems; and Jerry Vance, health. Linden Cole, an experienced SOA staff actuary who will retire this fall, is serving as the life practice fellow while we recruit for that job.

During 1997-98, a major study was completed on the effectiveness of our research efforts. One change will be to establish criteria for selecting and prioritizing research projects. Every project will need to have a strong advocate and a strong client, and in many cases, the practice area will be the client.

In 1997, we hired a management consultant specializing in associations to study the SOA's office operations.

Most of the recommendations have been evaluated, and many have been implemented. Howard Bolnick, 1997-98 SOA president-elect, is heading a task force seeking further opportunities to improve operations. The longer term

In the short run, the actuarial world looks very good. There are lots of jobs and opportunities, and we have been doing many exciting things. However, the SOA leadership is paying attention to two dramatic warning signs. First, our primary customers are in industries undergoing great turmoil. Second, SOA membership has dropped over the last three years. This is at least in part due to a 1995 change in the requirements for Associateship, which has resulted in a temporary slowdown in the flow of candidates into Associateship status as they work to meet the new requirements. We are seeking a greater understanding of this trend and the examination enrollments. Howard Bolnick, who as president-elect chairs the SOA strategic planning committee, is working with the committee to address our longer-term future, identifying threats and opportunities and exploring possible future scenarios.

Anna Rappaport, principal of William M. Mercer Incorporated, Chicago, can be reached by e-mail at anna_rappaport@mercer.com.

Next Bowles chairholder and symposium topic announced

The fourth holder of the Thomas P. Bowles Chair of Actuarial Science is Harold D. Skipper, Jr., Ph.D., CLU. He will lead the 1999 Bowles symposium, which will focus on financial services integration and globalization.

Skipper is professor of risk management and insurance and holder of the C.V. Starr Chair of International Insurance at Georgia State University, Atlanta. He received his bachelor's degree from Georgia State and his master's and doctoral degrees from

the University of Pennsylvania, where he was a Huebner Fellow.

Papers available

The third Bowles symposium, chaired by Patrick L. Brockett, Ph.D., of the University of Texas at Austin, was held March 26-27, 1998, at Georgia State. More than 100 attendees participated in the two-day program on the medical, underwriting, legal, and ethical issues relating to genetic technology and underwriting.

The program produced many original papers. These papers combined

with the Anderson Award papers are available for \$50, and audio tapes of the entire symposium, including audience discussions, are available for \$75. (See story, "Winners of 3 actuarial research competitions announced," page 17.)

To order 1998 symposium material or for more information on the 1999 Bowles symposium, contact Anne Chamberlain at Georgia State (404/651-0931; e-mail: achamberlain@gsu.edu) or visit the Bowles Web page (www.rmi.gsu.edu/bowles/b-chair.htm).