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Looking outward

Expanding SOA relationships was theme of 1997-98 year

Year in review, 1997-1998

In her address at the 1997 SOA annual meeting, incoming president Anna Rappaport gave high priority to "further develop(ing) multidisciplinary joint ventures with other professional associations and academia, including facilitating the exchange of ideas between academics and practitioners."

Rappaport's presidential year was marked by continuous efforts linking the Society and the profession with other disciplines. Both the Society's programs and Rappaport's individual activities as president reflected her commitment to her presidential year's theme, "Reaching Out to Make a Difference."

Rappaport's commitment stemmed from the value such relationships can bring to the profession. In a time when institutions and disciplines are merging even as new discoveries are made in financial areas, multidisciplinary projects offer actuaries a way to gain and contribute to new knowledge that is richer and, therefore, perhaps more complete than that of the past. When actuaries take prominent roles in such projects, the importance of actuaries and their work can become visible in a highly positive way to leaders outside the profession.

Building relationships across professions, borders

As Rappaport's presidential year began, the Society staged a multidisciplinary seminar that was the second phase of a three-phase joint research project related to social security systems. The project, "Impact of Mortality Improvement on Social Security: Canada, Mexico, and the United States," set the tone for the year. It brought actuaries together with leaders in several important disciplines to address a critical societal topic, social security, affecting people worldwide. Also, the issues involved in projecting mortality are important to actuaries in life, health, and pension practices.

The project began a few months earlier with a review and analysis of existing literature on mortality improvement and its measurement. It continued on Oct. 30, 1997, in Washington, D.C., with an invitation-only seminar of 80 experts from academia, government, and business in the fields of actuarial science, demography, economics, medical research, and public policy. A survey of these experts asked their opinions and best estimates on several mortality measurement topics, including the expected range of mortality improvement in each NAFTA country. Phase three examined projections for social security financing in light of the experts' views, and the results were presented at a session held Feb. 17 during the 150th annual meeting of the American Association for the Advancement of Science (AAAS) in Philadelphia. A six-member panel of four eminent actuaries, a top administrator of Mexico's social security system, and an academic dean presented the project's results, which indicated that social security financing is adequate for the foreseeable future.

The project's reach was extended in March when Michael M.C. Sze, chair of the project oversight group, made a presentation to the International Institute for Applied Systems Analysis. Based in Austria, the 13-country organization had sent a representative to the AAAS meeting, where the representative heard the Society's presentation and recommended it to the institute's leaders. This highlights one of the values of visibility with multidisciplinary groups such as the AAAS.

Also early in the presidential year, risk experts from several disciplines gathered for the SOA's conference, "Integrated Approaches to Risk Measurement in the Financial Services Industry." The conference, held Dec. 8-9, 1997, in Atlanta, recognized the ongoing mergers of financial institutions and, therefore, the need to manage risk for the full range of financial vehicles, including insurance, within an institution. Discussion centered on many of the key methodologies, especially value at risk, underlying risk management. Speakers represented the fields of economics, accounting, risk management, and finance and came from academia and eminent financial services firms. With

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on continued growth in the number of students taking exams. To reduce the expected losses, certain dues and fees will be increased. For 1999, dues for Fellows and Associates who became Associates prior to 1996 will increase by $25, and the dues for Associates who become Associates after 1995 will increase by $15.

Cutting programs when necessary is hard. Yes, it is true that we had a phrase, "The board hasn't met a program it didn't like," but for the SOA to remain fiscally responsible, costs will continue to be monitored and steps taken to contain them when needed.

an audience mix of practitioners and academics, the goal of creating idea exchange between the two groups was served. Topics of this conference were the subjects of sessions at the 1998 spring and annual meetings. Related topics will be featured in upcoming Society and professionwide events, including the conference, "Individual Savings Product Risk," Jan. 14-15, 1999, New York, cosponsored by The Actuarial Foundation and Nationwide Financial Services. (See "Conference to explore individual savings product risk," *The Actuary,* October 1998.)

In February, the Society and two other important actuarial organizations — the Casualty Actuarial Society and the Canadian Institute of Actuaries — formally launched an initiative to strengthen the profession's ties with universities and colleges. An invitation-only seminar brought academics and practitioners together on Feb. 4 in Chicago to hear presentations on academia's importance to the strength of a profession and the actuarial profession's history with academia. Breakout sessions raised ideas on how the profession might create stronger relationships with institutions of higher education. A task force headed by 1993-94 SOA President R. Stephen Radcliffe was formed to evaluate the need to expand academic ties and how that need might be met.

The following month, the Society cosponsored the conference, "Strategies for a Changing Workforce," with two premier employee benefits organizations, the American Compensation Association and the International Foundation of Employee Benefit Plans. Held March 9-11 in San Diego, Calif., the conference featured several actuaries among more than a dozen employee benefits professionals discussing demographic shifts in the workforce and how employers can address the changing benefits needs arising from these shifts.

The Society joined with two major life insurance organizations, the Life Insurance Marketing and Research Association and the Life Office Management Association, to sponsor "The Annuity Conference," April 1-3 in Orlando, Fla. Here, the emphasis was on connecting professionals who develop, market, and administer annuities to share ideas and information. Speakers and attendees included actuaries, marketers, managers, and other professionals who actively work with annuities.

This year saw 303 members become Fellows. Here, Anna Rappaport, principal of William M. Mercer Incorporated, poses with Fellowship Admissions Course (FAC) "graduates" from Mercer at the FAC in Dallas last March. Four FACs were held in 1998, the others in Atlanta, Toronto, and McLean, VA.

The dominant form of health care in the United States was the subject of a Society symposium presented May 4-5 in Minneapolis. "Managed Care in a Time of Transition" brought actuaries together with speakers representing the medical profession, a state regulatory office, health care plans, and academia to hear and contribute to the SOA's ongoing study of the issues surrounding managed care. Experts participating and attending heard the results of three SOA research projects, one examining different stakeholders' views of managed care's effectiveness and two focusing on HEDIS (Health Plan Employer Data and Information Set), the most widely used set of measures of managed care quality. The conference was part of the health practice area's major priority — responding to the need of health actuaries to understand the issues surrounding managed care.

In June, several Society members attended the International Congress of Actuaries (ICA) in Birmingham, England. The premier event of the International Actuarial Association (IAA), the ICA has typically been held once every four years as an event for individual actuaries interested in international issues. The June 1998 ICA, however, created a turning point for the IAA when members voted to convert the IAA into an association of organizations rather than individuals. This marked the formal beginning of the actuarial profession's globalization, and the SOA is among the initial member organizations. SOA members Anna Rappaport, Howard Bolnick, David Holland, and Sam Gutterman were among the SOA members who participated actively in the congress at both the formal sessions and in informal meetings with colleagues from several countries.

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Also in June, President Rappaport and several other actuaries were among the 200 delegates to the U.S. SAVER Summit at the White House. Sponsored in accordance with passage of the federal SAVER Act ("Saving is Vital to Everyone's Retirement"), the June 4-5 summit drew public attention, through news media coverage, to the need for more retirement savings. The delegates, representing a wide range of U.S. groups, were addressed by U.S. President Bill Clinton and other high-ranking U.S. officials.

Another historic event was a joint meeting of the governing boards of the SOA and the Casualty Actuarial Society, which gathered Sept. 17 in Washington, D.C., the day before both boards met separately. The meeting was the culmination of diplomatic efforts launched in 1997, after some CAS leaders publicly expressed concerns about relations with the SOA. Rappaport and then-CAS President Mavis Walters reported that members of both boards discovered common interests and concerns and demonstrated mutual respect. In her speech at the CAS' annual meeting, Walters cited as one of the year's achievements "the excellent relationship that now exists between the leadership and the boards of the CAS and the Society of Actuaries" and said, "For the good of the profession, we must make sure that mutual respect and good working relationships continue beyond the terms of any particular presidents." She and Rappaport have recommended joint board meetings annually or every two years.

The National Academy of Social Insurance (NASI) is developing a session for 1999 SOA spring meetings on the project, "Evaluating Issues in Privatizing Social Security," a multidisciplinary study organized by NASI. The Actuarial Foundation donated $25,000 to NASI for printing the final report. Anna Rappaport (center) presents the check to (left) Pamela Larson, NASI executive vice president, and Virginia Reno, NASI research director.

The joint board meeting was one of four significant events in relationship-building between the SOA and CAS.

This year and earlier, educational leaders of both the SOA and CAS recognized the value of cosponsoring the first four courses of the new SOA education and examination system, effective in 2000. Agreement was reached this fall on joint sponsorship of Courses 1-4, which will test mathematical concepts used in both SOA and CAS members' work.

Building on the successful October 1997 Actuarial Career Information Fair, the combined team of SOA and CAS staffs and Career Encouragement and Minority Recruiting committees planned two 1998 fairs that reached more than 300 students and educators. The Sept. 27 fair was the day before the CAS "Loss Reserve Seminar," and Patrick Grannon, CAS vice president, was the keynote speaker. The Oct. 18 fair was held in conjunction with the SOA annual meeting, and SOA Immediate Past President David Holland was keynote speaker. More than 50 companies sponsored lunches, briefbags, and other items and sponsored and staffed information booths.

Also this year, the two organizations issued a second discussion draft of the "Joint CAS/SOA Statement of Actuarial Principles." The effort, launched in 1996, will result in a statement of principles that highlight the statistical, economic, and behavioral framework for actuarial science and the financial principles, actuarial modeling principles, and principles underlying risk management and financial security systems that are important in actuarial science.

Fall brought publication of a study funded in part by the Society in a prestigious journal of a nonactuarial organization. The November issue of the *Journal of the American Medical Association* (*JAMA*) included a paper by David Eisenberg, M.D., on alternative medicine (also called integrative medicine). The SOA's new task force on alternative care is working with Dr. Eisenberg with the goal of providing actuaries with data important to their work for health plans, public policy, and other endeavors.

The Society's "Retirement Needs Framework" conference, Dec. 10-11, Orlando, Fla., was the culmination of work on this multidisciplinary project during the 1997-98 program year. Actuaries joined the speaker roster of more than a dozen experts, including professors of finance, law, and economics. With the United States' 76 million baby boomers striding toward retirement, and with similar situations in other countries, financial security has become a major topic for nations around the world, However, one crucial question was not being addressed: what are the range of needs in retirement? This conference focused on the period after retirement and planning for the variety of contingencies faced as we age. Once again, actuaries and respected members of other disciplines joined to apply their different viewpoints and knowledge to a major issue of worldwide importance.

Ongoing efforts link the SOA, others

The 1997-98 year saw the continuation of efforts linking the Society with other actuarial groups and with disciplines outside actuarial science.

A second grant from the Society and the Health Section was given to the National Association of Health Data Organizations (NAHDO) for its database and its National Health Information Resource Center's (NHIRC) Web site (*www.nhirc.org*). The NHIRC is an online interactive resource for information about current health data and information projects and databases. This second grant will help NAHDO develop a health database locator module; a topic indexing, search, and retrieval system; and a section for project abstracts related to outcome and performance measurement.

As it has in the past, the SOA formed groups to respond to requests from the NAIC. Two were active in 1998.

One, the Disability Valuation Task Force, was launched in April to answer two related NAIC requests in light of reports that statutory reserves based on the current morbidity tables used as the basis for calculating minimum statutory disability insurance reserves frequently fail the tests of adequacy and reasonableness. The first request from the NAIC's Life and Health Actuarial Task Force (LHATF) was a three-part effort: review the tables; as appropriate, recommend revised tables; and extend the review to contract and claim reserves and across all lines of disability insurance — group and individual, and short- and long-term. The second LHATF request asked the SOA to comment on what appropriate conditions should exist when an insurer uses its own experience to establish claim reserves.

The SOA disability task force presented its preliminary report to the LHATF in June. The task force's preliminary conclusion was that the statutory morbidity table for individual disability claim reserves was not adequate for a significant number of companies. Another preliminary conclusion was that the statutory morbidity table for group long-term disability may produce unnecessarily high margins. Because of the need to do different analyses for group and individual insurance, the task force formed two subcommittees to work on each area. This process was accepted by the LHATF, and work continues.

The other task force was formed to address two questions on the NAIC's alternate proposal to Regulation Triple X, the Valuation of Life Insurance Policies Model Regulation, in time for the NAIC's December meeting. The SOA report offered technical opinions on whether margins in the alternative proposal are consistent with margins in the 1980 CSO table and the theoretical soundness of using different mortality tables for basic and deficiency reserves. The report stated that the basic reserves being proposed had margins that were generally in excess of those in the 1980 CSO table when it was first implemented. For deficiency reserves, there was no explicit margin, and the report said that the appointed actuary should determine the proper mortality factor to be used for products covered by Regulation Triple X. The LHATF publicly thanked the SOA committee for its work to produce an unbiased report that helped clarify how the new regulation would work. Donna Claire, who presented the report, said it was one of the deciding factors behind the LHATF's Dec. 5 vote to allow the new version of Triple X to be proposed for NAIC adoption.

Also in 1998, the SOA board voted at its October meeting to form a committee to respond to the LHATF's request to develop a new valuation table for life insurance products in light of industry-wide changes that have occurred since the table now in use, the 1980 CSO table, was developed. A committee roster was being finalized in December. Primary among the committee's decisions will be how to address changes in underwriting standards that have developed since the early 1980s.

The SOA's spring and annual meetings again included dozens of guest presenters, experts from outside the actuarial profession in fields including economics, public policy, technology, and management. Prominent actuaries hosted informal luncheons for guest speakers in the investment and health areas to build relationships and facilitate discussions of leading-edge ideas.

As in recent years, the SOA continued its international outreach efforts. Among this year's achievements were organizational changes by the SOA board, which took major actions at its Sept. 18 meeting.

First, the increasing complexity of international issues for the Society motivated the board to create the International Policy Committee. Its members will be drawn from the leadership of the other four international committees to allow for a comprehensive approach to the management of the SOA's international efforts. (The committees are the Committee on International Issues, the International Actuarial Association Committee, and two committees focused on Southeast Asia and China.)

Second, to provide clearer focus to differing needs in Asia, the SOA board voted to establish the Southeast Asia Committee to serve member and student needs in Malaysia, Indonesia, Singapore, Thailand, and the

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Irwin Vanderhoof receives a Presidential Award from Anna Rappaport during the presidential luncheon held at the 1998 annual meeting for his many years of distinguished volunteer service to the Society.

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Philippines. At the same time, the board renamed the Asia Committee the Greater China Committee, which will focus its efforts on Hong Kong, Taiwan, and mainland China.

The board also approved a policy to partially subsidize dues in a limited number of countries in recognition of income levels that are significantly lower than those in North America. Additionally, a scholarship matching program is scheduled to take effect in November 1999 to match students from a select group of countries with corporate or individual sponsors for educational materials and exam fees.

In Hong Kong, the SOA representative's office completed its first year of operation. Patrick Cichy, the representative, provides support for the SOA's growing membership in Asia, currently more than 650. The office now will support both the Southeast Asia and Greater China Committees.

A. Norman Crowder, III, 1998-99 SOA president-elect, addresses more than 1,000 members at the 1998 annual meeting's presidential luncheon, saying "Change is upon us ... . The Society must move boldly, and at times aggressively, to remain relevant to its customers, industry, and the environment."

In 1998, highlights included the seminar, "The Impact of the Asian Financial Crisis on the Insurance Industry," Sept. 25, Hong Kong. The seminar featured speakers from Australia, Hong Kong, the Philippines, Singapore, Taiwan, Japan, and Indonesia, and SOA President-Elect Howard Bolnick gave a presentation on the globalization of the profession. Bolnick's visit itself was a highlight that included visits to Renmin University, Beijing, and Nankai University, Tianjin, both of which receive support from the Society. Also, at the end of the year, the Hong Kong office established a page for the SOA's Asian activities on the SOA Web site (*www.soa.org/committees/asiahp.html*).

Building for the future

As SOA president-elect, Rappaport led the SOA's strategic planning committee in looking at ways to increase and communicate actuaries' value to their customers, including both employers and consulting clients. In 1998, SOA President-Elect Howard Bolnick directed the committee's attention to possible outreach to members of other disciplines. (The 1998 strategic plan will be detailed in a supplement to *The Actuary's* January issue.)

The SOA Task Force on Organizational Effectiveness developed important organizational refinements this year and recommended that they be implemented in 1998-99. These include:

- Strengthening SOA board committees and their authority. The board would establish three committees focused on the SOA's primary missions: the Board Committee on Education and Examination, Board Committee on Continuing Education, and the Board Committee on Research. The four existing practice advancement committees (for the life, health, pension, and finance practice areas) would be recognized as the board's four practice-related committees.
- Providing a route for Sections to participate in high-level SOA activities while minimizing duplication of efforts that creates complex, inefficient, and expensive organizational needs. This would be accomplished by allowing Sections to voluntarily enter into agreements with appropriate board committees — probably the practice-advancement committees. Sections would continue to be generally unsupervised entities.
- Creating continuity of strategic SOA initiatives. The annual redesign of the SOA's strategic plan would be discontinued. The plan would be monitored by a committee of a small group of past SOA presidents and chaired by the president-elect, who would approach the board about creating a new plan when and if the committee believes one is needed.

Mike Sze presents results of a major SOA research project at the 1998 annual meeting of the American Association for the Advancement of Science. Sze chaired the project oversight group for the project, "Impact of Mortality Improvement on Social Security: Canada, Mexico, and the United States." The team of volunteers and staff working on the project received a 1998 SOA Presidential Award.

Also, the task force urged the board to create a Senior Advisory Council, recommended by 1997-98 SOA President Anna Rappaport and Executive Director John O'Connor in the June 1998 SOA board meeting. The council would bring together senior SOA members who cannot devote time to SOA governance but who would share advice and guidance. Their contacts would be the executive director and board officers for maximum efficiency and contribution to overall SOA efforts.

The SOA's education and examination (E&E) system, one of the cornerstones of the Society, is undergoing extensive redesign. Recognizing the changing environment in business and employment, the SOA is putting new emphasis on business applications of mathematical skills and on other capabilities, such as critical thinking, problem solving, and communication skills, which will be crucial to success in the future. The new system will go into effect in the year 2000, and the current exam structure will be discontinued at the end of 1999.

Courses in the new E&E system will cover business and practical applications of mathematical technicques, as well as financial, investment, and practice-related principles and concepts. Subjects will be covered in an interactive fashion. In 1998, preliminary content determination was completed for all courses. Now under development is study material that will treat subjects in an integrated fashion. In addition, the extensive volunteer group involved in the redesign is shifting its focus to test development and planning for implementation of the new system.

Requirements for the professional development (PD) component were approved. Beginning in 2000, FSA candidates will have to complete the 50-unit PD requirement within two years after completing Course 8, the final course in the new E & E system. The PD component will include completion and communication of a research project.

In continuing education, the Society launched a Web-based education vehicle, the "SOA Virtual Campus," offering courses and support (e.g., discussion forums) for self-study. Use of this facility, which can be accessed through the SOA Web site (*www.soa.org*), is being explored for possible use in completing the PD requirement.

The 1997-98 year also included continuing education sessions at two well-attended spring meetings on Maui and equally popular sessions at the annual meeting in New York.

With research as one of the SOA's main missions, the past and future of research efforts were evaluated this year. The Research Effectiveness Task Force, begun in January 1997, completed its extensive review of all SOA research projects and the processes involved in selecting, assigning, and completing projects. It presented its report to the SOA Board of Governors in January 1998. The board directed the implementation of the task force's recommendations and development of further recommendations, if needed, to the SOA Committee on Research Coordination and its Research Project Oversight and Experience Studies Oversight Subcommittees. Task force recommendations included enhancing the process for selecting and prioritizing research projects; developing a comprehensive communication plan; enhancing the execution of the research process across all activities; and setting a policy and procedures to encourage research on a joint or shared basis with other organizations.

A landmark in research prizes this year was the presentation of the first Edward A. Lew Award, established by the SOA board in honor of the 1972-73 SOA president for his support of actuarial research. Three awards of $5,000 were presented for papers by Siu-Wai Lai, Marjorie Rosenberg, Virginia Young, Edward Frees, Emiliano Valdez, and J. Luo.

Also awarded were:

- The SOA's Annual Prize, for the best paper published in the *North American Actuarial Journal* (*NAAJ*), to Phelim P. Boyle and Sheldon Lin
- Two $3,000 prizes, sponsored by the Investment Section, to Jacques Carriere and Yong Yao for the best papers submitted in the "100-Year Term Structure of Interest Rates" call for papers
- An expense-paid trip to the International Congress of Actuaries for John Mange, whose paper was ranked best in the "Actuarial Aspects of Currency Risk" call for papers and who presented the paper at the congress

The SOA research function also continued to support its Ph.D. grants program, providing three new and three renewal grants to promising actuarial research projects by graduate-level students, and the CKER grant competition, which funded six projects.

SOA research projects also led to publication of several papers in the

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At the 1998 SAVER Summit (L to R): Russ Mueller of the House Committee on Education and the Workforce; Anna Rappaport; Ron Gebhardtsbauer, senior pension fellow, American Academy of Actuaries; and Ken Steiner, Academy vice president.