



SOCIETY OF ACTUARIES

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Biggest year yet

Celebrating a landmark in a time of rapid change

The last year in the 20th century was an important time for the Society of Actuaries. Central to the Society's 1998-99 activities were the celebration of its 50th anniversary, consideration of the Big Tent concept for the profession's future, finalization of its new education and examination system for implementation in 2000, and sponsorship of a wide range of scientific projects and seminars.

Marking its golden anniversary, the Society's dual goal was to highlight important landmarks in the profession and actuarial thought while also exploring the impact that actuaries have had — and can continue to have — on vital national and international issues and events. Anniversary activities included major public figures keynoting the annual meeting, special editions of SOA publications, a new book on the SOA's history, and a media campaign for the Futurism Section's outlook for the years ahead. (See pages 10-14).

The Big Tent concept

President Howard J. Bolnick spearheaded a Society-wide discussion of the Big Tent concept for the profession's advancement. The Big Tent approach sees actuaries as financial professionals working in a wide range of organizations and business disciplines, educated in a variety of ways (including the traditional self-study method), and qualified by the actuarial professional organizations.

Open discussion of the Big Tent concept was launched with the publication of the report of the 1997-1998 Strategic Planning Committee (supplement, *The Actuary*, January 1999), which was headed by then President-Elect Bolnick. Throughout 1999, members discussed their views through sessions at SOA meetings, *The Actuary* ("In favor of change," May 1999, and "Past presidents speak out," June

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1999), the SOA Web site's discussion forums, and actuarial club meetings. Bolnick discussed the concept at the SOA's two spring meetings, Valuation Actuary Meeting, annual meeting, 15 actuarial club meetings, and several committee meetings.

The SOA Board of Governors approved taking next steps toward Big Tent implementation at its May meeting. These steps include defining a vision for actuarial education for the year 2005; developing strategies and plans to implement increased continuing education activities; forming a task force to establish a systematic program of outreach to other professional, industry, and public policy groups; and asking the Council of Presidents to consider how the profession can be more effective working through the North American organizations.

Discussion of the Big Tent concept and its specifics is expected to continue next year as the SOA Board considers the Society's and profession's future.

Throughout the year, the Joint Task Force on Academic Relations — cosponsored by the Casualty Actuarial Society (CAS), Canadian Institute of Actuaries (CIA), and the SOA and chaired by SOA Past President Steve Radcliffe — worked to articulate a vision of the partnership between the academic community and the actuarial profession for the year 2005. Its work culminated in a draft white paper that identified the motivation and objectives

for the partnership, articulated a vision for 2005, and identified initiatives to make the vision a reality. Those initiatives include enhancing existing efforts, such as the listing of academic actuarial science programs (see the SOA Web home page, www.soa.org, click *Academic Relations*) and possible new endeavors. The latter include programs that could facilitate academic, business, and government actuaries jointly working on practical actuarial projects; actuarial profession accreditation of academic actuarial science programs; and a comprehensive examination option to obtain credit for all jointly sponsored CAS and SOA examinations.

At their fall meetings, the individual CAS, CIA, and SOA leaderships discussed the draft and approved the formation of a permanent Joint Committee on Academic Relations. The committee's charge is to facilitate coordination of efforts and efficient use of resources in the partnership between the academic community and the profession. The task force will finalize the white paper and submit it to the leadership groups for approval to distribute to their memberships for reactions and suggestions. If approved for distribution, the paper will be distributed to the groups' members early in 2000.

Education 2000

Dozens of volunteers joined selected SOA staff members to complete the implementation of the SOA's re-designed education and examination (E&E) system in time for its launch in January 2000. This year's work included providing transcripts for candidates showing the conversion of their exam credits from the old system to the new, completing course reports and sample exams, instituting policies and procedures for the new Course 7

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seminar and the professional development requirement, finalizing the course of reading, and setting the examination calendar.

Implementation of the professional development (PD) requirement for Fellowship candidates proceeded this year. Building on the framework and general requirements approved by the SOA Board and continuing the work initiated by the Task Force on Professional Development, the PD Committee has developed guidelines, criteria, mechanisms, and procedures to establish this very important new facet of the educational system. Several SOA meeting sessions and seminars were approved as eligible for PD credit. Selected sessions sponsored by other organizations, including CIA and Conference of Consulting Actuaries programs and the Dec. 9-10 Bowles Symposium at Georgia State University, also obtained SOA-approved status as eligible for PD credit. PD unit values were established for examination-validated options; model plans were developed, and the receipt of initial PD plans began on Oct. 1.

The PD Committee has worked hard to ensure effective communication with candidates by establishing a section on the SOA Web site entirely devoted to the requirement. The PD Web page provides a wealth of knowledge regarding the PD requirement, including guidelines for advisors, model plans, a sample project outline, and answers to frequently asked questions. The committee has also set up an e-mail address for candidates to voice concerns and obtain answers to their individual questions.

Another major effort in the implementation of Education 2000 has involved the many aspects of Course 7 – Applied Actuarial Modeling. The hands-on, three-and-a-half-day intensive seminar is preceded by a pre-test to assure the candidate possesses sufficient background to participate in the seminar.



The SOA's relationship with the growing actuarial profession in China included a special luncheon for Chinese guests at the 1999 annual meeting. Many international actuarial dignitaries attended.

Arrangements to administer the pre-test and to secure faculty and seminar sites as well as the establishment of course readings are well underway.

In September, the SOA Board formed the new Task Force on Education and Qualification 2005. The charge of the Task Force is to provide further refinements to Education 2000 and prepare for the "next generation of an evolving system." Chaired by Steve Radcliffe, the task force will seek liaison representation from the CAS, CIA, U.K. Institute of Actuaries, Faculty of Actuaries, and Institute of Actuaries of Australia.

Meeting the demands of globalization

The Society continued adapting to a changing business environment, in which technology allows capital and information to flow more freely than at any time in history.

The SOA Board approved changes to the SOA's global policy. The revisions include asserting that the Society is interested in formal liaisons with key national actuarial organizations; in enhancing global recognition to help create more opportunities for actuaries;

in acting in concert with the IAA; and in acting in specific ways, such as supporting national organizations that choose to use the SOA E&E system, to encourage the profession's development worldwide.

Like other financial professionals, actuaries can now more easily move to career positions or consulting assignments in a variety of countries. Furthermore, trade agreements being established by many nations support the notion of recognizing designations in foreign jurisdictions in order to facilitate the trade agreements. Acknowledging these developments, the Board formed the Task Force on Mutual Recognition in March 1999 to explore whether and how to grant SOA membership status to fully qualified actuaries from other organizations. At its September meeting, the SOA Board approved the task force's recommended process for mutual recognition; entering into mutual recognition agreements with the U.K. Institute and Faculty of Actuaries; and formation of an E&E Assessment Committee to evaluate a mutual recognition request from the Institute of Actuaries of Australia.

The SOA continued to be active in the International Actuarial Association (IAA). Dominating activity again this year was the IAA's Insurance Accounting Committee. The group addresses worldwide actuarial needs in light of international accounting standards being developed by the International Accounting Standards Committee (IASC). Chaired by SOA Past President Sam Gutterman, the IAA committee submitted responses to several IASC exposure drafts for new or revised accounting standards. The next step in this process is the publication in early December of the "Issues Paper on Insurance Accounting," which will have a six-month exposure period for comments. The IASC will develop a proposed accounting standard later in 2000 or early in 2001. SOA member Paul McCrossan is a major contributor to this effort as the IAA's official liaison to the IASC's Insurance Accounting Steering Committee, providing actuarial insights into the steering committee's direction as the exposure drafts evolved. In another role, Gutterman similarly serves the IAA as its liaison to the IASC Discounting Steering Committee, which is developing a standard for discounting in the calculation of present value of future cash flows.

The SOA correspondent office in Hong Kong, established in 1997, this year became the Joint Actuaries Office to support the profession in China and Southeast Asia. The office is funded by the SOA, the Faculty and Institute of Actuaries, the Institute of Actuaries of Australia, and the Actuarial Society of Hong Kong.

President Bolnick represented the SOA at many special events, including ceremonies honoring the 50th anniversary of the Actuarial Society of South Africa and the 100th anniversary of the Institute of Actuaries of Japan, as well as the 10th East Asian Actuarial Conference in South Korea.

A delegation of Chinese actuaries and educators attending the SOA's 50th Anniversary Annual Meeting was a continuation of efforts begun by Bolnick

in 1998. As president-elect, Bolnick led a delegation on a September 1998 tour of China and Kuala Lumpur to help actuaries there identify their needs and discuss ways to meet them.

Throughout 1999, Bolnick and others participated in numerous phone calls and meetings with the SOA's China Region Committee. The committee and its chairman, K.C. Chan, are helping the world actuarial committee support the profession in China. A comparable group, the SOA's Southeast Asia Committee headed by Hassan Kamil, is actively exploring ways to support actuarial students in that region.

Scientific contributions and recognitions

SOA research projects completed this year included:

- Managed Care and Performance Measurement: Implications for Insurance Markets; the report will be published in an upcoming issue of the *North American Actuarial Journal (NAAJ)*
- Survey of Asset Valuation Methods for Defined Benefit Pension Plans
- Multivariate Analysis of Pension Plan Mortality Data
- HEDIS Measures and Managed Care Enrollment; the report was published in *Medical Care Research and Review*, vol. 56, supplement 2, 1999
- 1997 Preferred Underwriting Survey Report
- "Life Insurance Companies Investing in High-Yield Bonds," report of the project, Long-Term Bond Yields of Life Companies with Junk Bond Portfolios
- 1993-94 Group Annuity Experience Report
- 1986-91 Individual Disability Loss-of-Time Report
- 1986-94 Credit Risk Loss Experience Study: Private Placement Bonds Report

Two recent SOA research projects focused on cash balance pension plans, a topic of widespread public debate. A new project, Actuarial Aspects of Cash

Balance Plans, was undertaken this year. The article "Benefit Value Comparison of a Cash Balance Plan," published in the October 1998 issue of the SOA Pension Section's journal, *The Pension Forum*, was requested by several major news organizations this year.

November saw the release of the exposure draft of the RP-2000 Mortality Tables for uninsured pensions. The tables are based on the largest collected data set of uninsured, privately sponsored pension plan mortality experience ever collected by the SOA. It has provided an opportunity to consider features that may not have been addressed in the past, including mortality of participant status, collar type, industry, and size of annuity.

In October, the exposure draft of the Joint CAS/SOA Statement of Principles Underlying Actuarial Science was released for comment by the two groups' members and other interested parties. Significant changes were made as a result of feedback on two discussion drafts, the latest issued in August 1998. Comments on the exposure draft will be considered early in 2000.

Work begun in spring 1999 continued on a review of the process by which the SOA conducts its experience studies. Sam Gutterman, the reviewer, in his first report, described the importance of SOA experience studies and some recommended steps to get them on track. His final report is expected to be completed in 2000.

The SOA periodically conducts scientific efforts to aid the NAIC. Among such initiatives this year was formation of the Individual Life Insurance Valuation Mortality Research Task Force. This group will develop mortality tables to serve as the basis for a new CSO Table, the valuation table that sets the level of policy reserves that must be reported to regulators. The table has strong indirect effects on the design of insurance products and the level of

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premiums they require.

The 50th anniversary brought a special award for outstanding contribution to the profession during the last 50 years. The James C.H. Anderson Memorial award was presented to Dr. Hans Buhlmann by the Actuarial Education and Research Fund (AERF) at the SOA's annual meeting. Dr. Buhlmann's accomplishments include publication in more than 60 journals worldwide and past presidency of the IAA's ASTIN section (Actuarial Studies in Non-Life Insurance) and of the Swiss Association of Actuaries. The prize is a one-time \$10,000 scholarship to Dr. Buhlmann's alma mater, the Swiss Federal Institute of Technology, Zurich, where he is now a professor emeritus.

The AERF also sponsors the Everett Curtis Huntington Prize, honoring the best research paper receiving Associate-ship or Fellowship credit under the SOA's educational program. This year's award was given to Dorothy Andrews, ASA, for her paper, "Simplified Cash-Flow Testing of Traditional Participating Whole Life Insurance."

The 1999 David Garrick Halmstad prize for the best actuarial paper published in a journal was awarded for the paper "Forecasting Social Security Actuarial Assumptions," published in the October 1997 issue of the *NAAJ*. The recipients of the award, also sponsored by AERF, were Edward Frees, FSA; Yueh-Chuan Kung, Ph.D.; Marjorie Rosenberg, FSA; Virginia Young, FSA; and Siu-Wai Lai, ASA.

The SOA's 1999 Annual Prize, given for the best paper in an SOA publication, went to Hans U. Gerber, ASA, Ph.D., and Gerard Pafumi, Ph.D., for "Utility Functions: From Risk Theory to Finance," published in the spring 1998 issue of the *NAAJ*.

The Edward A. Lew Award for modeling was presented to Hans U. Gerber and Elias S.W. Shiu for their

The SOA Board of Governors passed a resolution of appreciation honoring SOA Executive Director John E. O'Connor, Jr., after his death on June 15. SOA President Howard Bolnick presented the resolution to Judi O'Connor at the 50th Anniversary Annual Meeting.



paper, "Investing for Retirement: Optimal Capital Growth and Dynamic Asset Allocation," which will be published in an upcoming issue of the *NAAJ*. The award, which carries a \$10,000 prize, is sponsored by the SOA Committee on Knowledge Extension Research.

Awards were given to three papers presented at the Retirement Needs Framework conference, Dec. 10-11, 1998. First prize of \$2,000 was awarded to Eric Stallard, research professor, Duke University, for the paper, "Projections of Acute and Long-Term Care Needs and Expenditures of the U.S. Elderly Population." Two papers received honorable mentions with a \$500 prize attached to each. They were "Analysis of Financial Needs in Retirement," Bruce L. Jones, associate professor, University of Western Ontario, and "Ruin Probabilities, Asian Options, and Life Annuities," Moshe Milevsky and Chris Robinson, finance professors, York University, Ontario.

John Culver Woody, an actuary who was eminent in several fields, earmarked funds in his estate to provide scholarships for actuarial students. For the 1999-2000 academic year, Woody Scholarships were awarded to Michael Hanley of the University of North

Carolina at Chapel Hill, Chen Hui of Zhongshan University, May-Yee Ng of the University of Iowa, and Peter Shelley of Elizabethtown College.

Innovation marks CE seminars

Several innovative continuing education events were held this year, bringing together well-established experts to advance knowledge of issues impacting major public and business situations.

The seminar "Impact of Social Security Privatization on Retirement Income," held May 13 at the University of Michigan, Ann Arbor, featured 12 Canadian, U.S., and international experts discussing the possible impact of privatization, particularly individual accounts, on social security systems. The seminar was jointly sponsored by the SOA, the university's Mathematics Department and Business School, and the American Academy of Actuaries.

The second Annuity Conference was cosponsored by the SOA, LIMRA International, and LOMA March 24-26 in San Antonio, Texas. The conference addressed informational needs of actuaries, marketers, managers, and other professionals working with annuities.

The conference "Fair Value Accounting for Insurance Companies" was held March 18-19 at New York University to discuss the basis for

realistically valuing assets and liabilities on insurance company balance sheets. The conference was held as FASB worked to set standards for this valuation. The conference was cosponsored by the SOA and the Salomon Center of NYU's Stern School of Business, with the Association of Investment Management and Research and FASB as cooperating sponsors.

The SOA's continuing education (CE) volunteers and staff began work on a concept, the CE "catalog," a listing of available CE programs. The intent is to develop a complete list of course offerings for at least one entire year, possibly two. The catalog currently is posted on the SOA's Web site.

Professionalism

Several developments in professionalism emerged this year that will affect SOA members.

The Code of Professional Conduct for the U.S. profession is being revised. The first exposure draft was distributed this year, and a second is expected to be issued in 2000. The revision is intended to improve the code's clarity, address issues arising from internationalization, and reflect the need for changes identified in recent years by the Actuarial Board for Counseling and Discipline (ABCD).

U.S. actuaries are affected by a revision to Article X of the bylaws of the American Academy of Actuaries, which include governance of the

ABCD. The revision complements the Rules of Procedures for the ABCD, reflecting knowledge acquired in recent years. Other changes include allowing, for the first time, a private reprimand as a form of discipline under certain conditions.

Governance and leadership

A new special interest Section, the Long Term Care Insurance Section, was added to the roster in 1999. This brings to 15 the number of Sections gathering members together on topics of professional importance.

Operation of the Society along practice area lines continued to develop. Among 1999's events were changes in SOA policy to ask that a Section coordinate and enter into agreements with SOA practice areas when the Section performs activities fundamental to the SOA mission. The new policy also asks a Section to coordinate reports to the board with the appropriate practice area committees when Section activities relate to one or more practice areas.

Aiming for greater consistency and more effective implementation, the SOA strategic planning process this year moved to a multi-year format for the



Shown at the annual meeting's closing session are the meeting's leaders (L to R): Ian M. Rolland, 50th anniversary honorary chairperson; Bradley M. Smith, 50th anniversary chairperson; Deborah K. Sloan and Melvin J. Feinberg, co-chairs, program committee, content; and Linda M. Delgadillo, SOA managing director, marketing and membership services.

first time since its inception. Chaired by the new president-elect, the planning committee has traditionally developed a different plan each year, reflecting the chair's vision for the Society. Under President-Elect A. Norman Crowder, III, the committee focused on the existing strategic plan formulated by the 1998-99 committee chaired by Howard Bolnick. Specifically, the committee explored possibilities for implementing the Big Tent concept. The 1999-2000 president-elect, Robert L. Brown, expects to continue this practice.

Several new committees were formed to reflect current and anticipated needs. Now among the Society's 100-plus committees are those on external relations, banks and financial institutions, post-welfare retirement benefits, health benefit system seminars, and health benefit system online programs and publications. The board also approved conversion of the Committee on Career Encouragement to a joint committee with the CAS.

In the summer, the SOA conducted its periodic Member Needs Assessment Survey. The study showed a high degree of member satisfaction with SOA programs and services.



Gathering at the annual meeting were (L to R) Rita DeGraaf, executive director, Conference of Consulting Actuaries; guest Mary Patrick; James Murphy, former SOA vice president; Faye Holland; and David Holland, 1996-97 SOA president.

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Expansion of the SOA's online communications continued, reflecting worldwide trends. In light of the exploding use of the SOA's 3,000-page Web site, an editorial board was formed to oversee the site's policy, procedures, and content. New forums are being added to the discussion section, which also is being upgraded to allow for real-time chat and to support a new requirement, developed by the editorial board, that participants register and use their names online. The SOA *Directory* was posted on the Web site as a searchable database. And the Web site's "Newsroom" section was redesigned for easier use by journalists to improve communication of the Society's public information messages.

Staff leadership suffered a tragic loss with the death of Executive Director John E. O'Connor, Jr., on June 15. His 20-year commitment to the Society was honored in several ways.

The SOA Board established the John E. O'Connor, Jr., Distinguished Service Award for outstanding Society volun-

teers. The first recipients were W. Paul McCrossan and Walter Rugland for their significant roles in launching the International Actuarial Association to bring the profession together globally.

The board also passed a resolution expressing its "deepest and heartfelt appreciation ... for his years of service" and acknowledging his numerous contributions, including shepherding the extensive growth of the Society and bringing "his integrity, leadership, and strength" to his office. Also, a history book commissioned for the SOA's golden anniversary, *The First 50 Years: The Society of Actuaries 1949-1999*, was dedicated to him. The book and resolution were presented by President Bolnick to O'Connor's wife, Judi, during the 50th Anniversary Annual Meeting, attended by the O'Connors' children and their spouses.

A search committee headed by Norm Crowder was formed to identify candidates for executive director. Sarah J. Sanford was named to the position and joined the staff Dec. 1. She was chief executive officer and executive

director of the American Association of Critical-Care Nurses, held committee positions in the American Society of Association Executives (ASAE), and serves on the ASAE Foundation Board of Directors.

Recruiting for the profession

A new Web site, *www.BeAnActuary.org*, to interest students in the profession was jointly developed by the SOA and CAS committees for career encouragement and minority recruiting.

The site debuted at the fourth CAS/SOA Actuarial Career Information Fair, held Oct. 20 at the annual meeting in San Francisco. Attended by about 120 college and high school students and educators, the half-day event featured breakout sessions on actuarial career opportunities and the CAS and SOA exams. Fifty-seven sponsors, including 31 booth sponsors, supported the fair.

The CAS/SOA Joint Committee on Minority Recruiting also initiated a new grant process for universities to establish summer actuarial programs for high school students. Programs at four universities received \$32,000 under the new guidelines. More than \$95,000 in corporate and individual donations was raised to support the summer programs and other scholarship programs, which gave \$36,500 to 29 qualified college students to encourage their pursuit of an actuarial career.

This year, the committees expanded their program of external activities by participating in two Hispanic career development conferences and the National Alliance of Black School Educators Conference. The committees continued to participate in the Joint Mathematics Meeting, the joint annual meeting of five professional associations for math educators and mathematicians.



About 120 college and high school students and educators gathered at the fourth CAS/SOA Actuarial Career Information Fair. Attendees eagerly sought advice, insights, and giveaways provided by the 31 booth sponsors.