



SOCIETY OF ACTUARIES

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Blueprint for a 'Big Tent' future

The following speech by SOA President Howard Bolnick and the report of the Society of Actuaries' 1998 strategic planning committee discuss a new avenue for developing membership in the Society and the actuarial profession. This approach, which the committee labels the "Big

Tent" vision for the profession, considers inviting qualified professionals into the ranks of the profession and the Society.

Bolnick and the strategic planning committee are seeking members' views. They ask first for your careful reading of the speech, which serves as an "executive

summary" of the strategic plan, or of the plan itself. The committee encourages you to forward your views to SOA Strategic Plan, *The Actuary*, Society of Actuaries, 475 N. Martingale Rd., Suite 800, Schaumburg, IL 60173 (fax: 847/706-3999; e-mail: strategicplan@soa.com).

Big Tent Broadening membership in the actuarial profession



by Howard J. Bolnick
1998-99 President
Society of Actuaries
Address at the SOA Annual Meeting
New York, Oct. 20, 1998

I'm proud to be an actuary, and I'm excited about our profession and our future. It's our future that I'd like to talk to you about today.

Nothing we do is more important than to build on our historical success as a vital, well-regarded profession. As your new president, my commitment is to do what's necessary to extend our historical success into the next century.

I'm asking you to help make this happen.

The Society of Actuaries has a vision. It's for actuaries to be recognized as the leading professionals in the modeling and management of financial risk and contingent events.

We have our historical roots in the insurance industry. Actuaries became

known in the mid-1800s as highly regarded scientists whose mathematical wizardry could overcome the unfortunate propensity of life offices to go bankrupt. As a result of our science, the life insurance and annuity business flourished. Actuaries flourished as well, both as individuals and as a profession.

Executive Summary

In the early 1900s, actuaries began applying their evolving techniques to new problems in the general insurance business. Then in the mid-1900s, our competencies were discovered by businesses that maintained employee benefit plans. Actuaries expanded their horizons to solve problems for these new users of our skills.

(continued on page 2)

Today we are again presented with new opportunities to broaden the actuarial profession. Computers are an enormously useful tool to expand the practical applications of actuarial mathematics. Their capability has triggered an explosion in practical application of our intellectual capital.

The financial services industry has developed applied statistical and mathematical techniques for use in noninsurance businesses. At the same time, historical barriers among financial institutions throughout the world are being breached. We're witnessing the development of a global financial services industry capable of providing a wide array of options for individuals, businesses, and governments to manage financial risks.

The greatest opportunity for our profession is clearly captured in the SOA vision. It is to be the highly regarded scientists whose mathematical and business wizardry and professional conduct allow the global financial services industry to flourish.

We have an opportunity to solve new problems for new institutions far beyond our historical niches. Today, we're being given a chance to write a new chapter in the history of the actuarial profession.

So, where are we going?

It's clear to me -- and it's clear to the SOA board -- that we're moving toward what I call a "Big Tent" actuarial profession.

A Big Tent actuarial profession takes us into an arena well beyond our historical roots in life, health, and property/casualty insurance and employee benefit plans. A Big Tent actuarial profession in the future might be characterized like this:

1. The actuarial profession will be broad in its scope of practice.

Actuaries will be employed in all the evolving financial services institu-

tions and work on a broad range of financial and risk problems.

2. The actuarial profession will be inclusive in its membership. The actuary will become an even more widely recognized and influential professional. Many talented people working for noninsurance financial institutions today will seek to become members of this Big Tent actuarial profession. And we will welcome them, facilitate their education, and test their attainment of professional status.

3. The actuarial profession will be expansive in its activities. Basic education, continuing education, research, professionalism, and public policy activities will cover all aspects of financial services and risk assessment. The actuarial profession will be growing, dynamic, and more relevant to society than it ever has been. Our members will be viewed by business and the public as the people to hire and consult for high-quality, professional answers to a wide range of finance, risk, and business problems.

This powerful vision will drive growth in members and jobs.

Becoming a Big Tent profession means carefully defining who is an actuary. Historically, we have developed jobs in specific niches. We have developed a strong competitive advantage in those niches based on critical core skills in three areas: mathematical knowledge, business knowledge, and professional ethics and qualifications.

Our historical competitive advantage in mathematical knowledge is that:

- We focus on a limited number of industry-specific finance and risk problems.
- We develop both the data relevant to these problems and the knowledge of how to use it.

- We integrate behavioral and business implications into our mathematical models.

Our competitive advantage in business knowledge is that:

- Actuaries have a strong institutional knowledge.
- We earned protective and regulatory roles for our services.

Our competitive advantage in professional ethics and qualifications is that:

- We act professionally with regard for industry participants and their customers.
- We control access to the profession and make entry attractive to many of the best and brightest mathematically oriented students.

The strength and uniqueness of these core skills and abilities explain our historical success. Using these core skills, we can extract a broad working definition of "actuary" that we can use to help us determine who a "new actuary" might be: a professional who applies sophisticated mathematical models to specific institutional financial problems based upon a solid knowledge of business context and behavioral implications.

This definition might be used as follows: If we add professionalism to their mix of skills, financial engineers could be included in this definition of actuary. In fact, our vision is to attract the best and the brightest of them into a new actuarial practice area.

This definition of actuary also points to the challenge we face in broadening the profession: we have competition.

The growth in practical financial applications of statistical and mathematical models has provided many nonactuaries some of the skills needed to compete with us for jobs, even in our existing niches. In addition, existing actuaries have no strong competitive advantage in nontraditional financial institutions, since they have no training or experience either in a business context or in behavioral implications. Most nontraditional financial institutions employ highly trained individuals who have mathematical modeling skills and a knowledge of business context and behavioral implications. Actuaries, therefore, compete

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based solely on mathematical skills, which today are heavily skewed towards modeling insurance and employee benefit problems.

The unfortunate truth is that traditionally trained actuaries have difficulty competing with other highly trained individuals working in nontraditional institutions. In fact, our lack of success in expanding the profession in the last decade provides solid evidence for this disquieting assertion.

However, we do offer an opportunity to highly trained individuals working in what we can define as “new actuarial” jobs to become true professionals.

First, we can recognize that their competitive advantage and skills meet our definition of actuary, and, second, we can find ways for the best and brightest of them to join the actuarial profession.

Professionalism is our drawing card. It provides the opportunity to organize a new professional practice area with all the collegial activities, business and societal recognition, and ethical obligations that have been so attractive to those of us who have chosen an actuarial career.

Selling this sense of pride and value in professionalism to “new actuaries” is vital to our success in broadening the profession. To actively pursue our Big Tent vision, we must attract and represent the best and brightest of those currently performing jobs we choose to include in the Big Tent and those students who choose to follow these career paths.

This requires the profession to make important strategic commitments to expand the actuary's scope of practice. These commitments include the following.

1. A commitment to attract existing nonactuarial practitioners to our profession. Our professional organizations must commit to invite into the profession the best practitioners in nontraditional actuarial jobs who meet our criteria for defining actuary. This outreach is a major expansion of those whom the

profession is willing to recognize as actuaries.

2. A commitment to attract a broad range of new actuarial students to our profession. Our postgraduate self-study education and examination process creates a formidable barrier to attracting the brightest students interested in nontraditional actuarial jobs. To be a Big Tent profession, we must commit to move towards a university-based education system. Additionally, we must ultimately refocus the role of professional actuarial associations to limited testing of university-trained actuaries for granting professional credentials and to provide nation-specific and advanced practice-specific education.

3. A commitment to stronger ties to universities and academics. The actuarial profession must work with universities and business schools to establish programs to train the “new actuary.” Ideally, we can establish schools of actuarial science which teach a broad range of actuarial mathematics, financial mathematics, and business courses. Promoting an actuarial track within graduate business schools fits well with this ideal. Recognized university-based programs could also become solid resources for the profession's continuing education, research, and public policy activities.

These commitments clearly move us towards our vision for the profession.

In this Big Tent profession, membership will increase, jobs will be widely available, job content will broaden, and our profession's standing in the eyes of business and the public will be greatly enhanced.

How can we effectively take advantage of today's opportunities to develop a Big Tent profession? I don't have a “silver bullet,” nor does this challenge appear easy to surmount. However, our relationships with outside audiences are a clear means to success. Key relationships must be built with:

- Students who want to practice in

new areas and become “new actuaries”

- Academics and policy makers with interests in targeted financial institutions
- Existing practitioners working in these nontraditional areas who want to be identified as true professionals
- Consulting firms whose practices extend to new financial institutions
- Executives in these financial institutions who want the best possible professional support to run their businesses
- Regulators who supervise financial institutions and have a strong interest in their solvency and ethical business practices

Effective tactics to broaden the actuarial profession will be aimed at influencing all these key audiences. Relationships are how we will continue to be a relevant profession in the 21st century. If we succeed, actuaries will become the leading professionals in the global financial services industry.

As I mentioned earlier, your help is needed. I'll be visiting most of you during my year as president at local actuarial club meetings. This is our chance to talk face-to-face about where we're going and how we can best get there. From this process, we'll develop a strategy to move forward.

But developing strategies and executing tactics require your understanding and help. And the many relationships we must build are little more than the sum of your personal professional relationships. Together, the “actuarial body” represented by all of us will assure the future success of our profession.

I am excited about our profession and its future. What better way to celebrate the Society of Actuaries' 50th anniversary in 1999 than with sound strategic commitments to a vision that builds on our historical success and ensures our future. I look forward to going down this path with you and our profession's leaders.

Thank you.

Comments on the strategic plan can be directed to the SOA at strategicplan@soa.org.