



SOCIETY OF ACTUARIES

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## PERSPECTIVE: 1988 AND 2000 VIEWS

# Vision for our actuarial profession

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In October 1987, the Society of Actuaries established a Task Force on the Actuary of the Future “to study and make recommendations concerning the future roles of the actuary and the professional activities necessary to prepare and to support actuaries for those roles.” Concerns about the future of the actuary had been on the agendas of the SOA Board of Governors and the Planning Committee since the beginning of the decade. These concerns were spurred by changes in the business and competitive environment, including:

- CFOs were becoming more influential and the “chief actuary” title was disappearing in many companies.
- Non-actuaries, with the support of computers, were performing functions formerly performed by actuaries.
- Morbidity and mortality risks, where actuaries were acknowledged experts, were becoming less important than asset and asset/liability management.
- Roles suited for actuaries in banks, stockbrokers, and other financial services organizations were being filled by MBAs.
- Comparable major changes were occurring in employee benefit areas; e.g., there was a significant shift from defined-benefit to defined-contribution plans.

In spite of mounting evidence that change was needed, surveys showed that most Society members were basically content with their actuarial careers and relatively unconcerned about the profession’s future.

The Actuary of the Future Task Force took on a number of activities during 1988. They included forming a 2010 vision and developing possible

future actuarial roles within that vision, conducting surveys of members and nonmembers who interface with actuaries, and holding open forums at each 1988 SOA meeting to obtain further member input.

At its October 1988 meeting, the SOA Board approved the task force’s report. Several activities resulted. For example, a successor Task Force was formed to put together a plan to develop nontraditional opportunities for actuaries. This plan led to significant changes, some of which included:

- Major modifications of the SOA’s education system and content
- Revised SOA recruiting and career support materials
- Formation of new committees charged with forging stronger links with nontraditional employers
- Formation of a new special interest section, the Actuary of the Future Section

Even after these changes, many members and those in leadership roles continued to be concerned that SOA change was occurring too narrowly and too slowly. Recent Big Tent discussions reflect a number of these concerns.

It is important that more members become involved in discussions about our strategic direction to ensure the future of our profession. The rest of this article will provide some perspective by reviewing the vision of 2010 that was developed in the 1988 SOA Actuary of the Future Report and by discussing how this vision might be modified in 2000, given the developments of the past decade.

### The Actuary of 2010; a 1988 view

The 1988 Actuary of the Future Task Force created a vision of the actuary in 2010 built upon:



- Perceived future changes in national and global competitive forces, consumer characteristics and technology,
- Society’s perceived future needs as a result of the changing environment, and
- A redefined actuarial mission built on both the profession’s core capabilities and its need to expand applications of that core.

The 2010 environment was characterized by seven changes:

1. Convergence of many financial services
2. Growth in cross-border activity of financial services companies
3. Growth in the complexity of many issues faced by financial services companies
4. Increasing developments in mathematical processes and technology
5. Lack of a simple applicable economic theory, hence the need for alternative scenario analysis
6. The changing relative importance of traditional contingencies (e.g., investment risks were increasing in importance relative to mortality risks) and the emergence of important new contingencies (e.g., political change and AIDS)
7. Powerful demographic changes, particularly in aging countries

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## Vision for our actuarial profession (continued from page 3)

In this future world, actuaries were perceived as needing greater ability to deal with change, with strengthened competence in problem identification, working with less-structured situations, applying inter-disciplinary approaches, communications, and conceptualization. Recent SOA exam system modifications were a response to meeting these needs.

The redefined Mission Statement stated that actuaries sought “to be, and to be perceived as being, the financial architects and potential managers of enterprises, both private and public, that are built on the intellectual core of the actuarial profession.”

The Intellectual Core was defined as “the application of experience analysis and risk evaluation to measure, communicate and respond to the current financial implications of future contingent events.”

If the SOA achieved its mission, actuaries in 2010 would have:

1. Greater perspective and communication skills, enabling actuaries to serve a broader range of employees, clients and publics more effectively
  - More involvement in areas such as corporate planning, corporate finance, technology, and investment management
  - More involvement in businesses other than insurance and employee benefits (e.g., law firms, trust companies, banks, investment firms, marketing firms, utilities, and government)
2. Greater recognition as an important, special voice in many public and private arenas
3. Greater extension of the actuary’s role from analysis to solution development and implementation
4. Expanded number of contingencies evaluated (e.g., AIDS, inflation, political change and securities defaults)

### The Actuary of 2010; 2000 view

Over the past 12 years, the SOA has taken strides in preparing actuaries to

meet the demands of the 1988 view of the 2010 environment and the actuary’s mission within it. However, there has been much faster, more wrenching change than was projected in earlier prognostications or was envisioned by new programs instituted by the SOA in the 1990s.

Examples of quantum changes we have seen include:

- The incredible growth of personal computing and related development of the Internet
- The resulting increase in consumer awareness and related demand for information and “control”
- Continued acceleration in scientific discoveries in all areas, including medicine, genetics, derivatives, space and power
- Tremendous reliance on women and youth in meeting consumer and operating demands of the new millennium

Extending what we know today, one could envision a 2010 environment with these features:

- Average lifespan of 100 years, with all but the last two or three years being of high quality
- Cultural change, driven significantly by the Internet’s power in putting control in consumer hands and creating new social frameworks, requiring a difficult fundamental shift in traditional financial services company management protocols. One example is the shift from fixed retirement points (e.g., age 65) and fixed education points (18–25) to gradual/continuous retirement and education models.
- New financial services leaders often come from outside of the traditional financial services industry (e.g., from fund managers, affinity organizations, Internet portals and telecommunications companies)
- Emergence of universal financial security products, enabling consumers to address all contingencies

related to core risks such as losing assets, losing income, and inadequate retirement funding

- Global business managed on and perceived to be on a seamless basis
- Consolidation extending to mid-sized and large insurers, often across financial services, leading to continued decline in traditional actuarial employers and roles. More specialty financial service organizations spring up, as traditional industry “clutter” disappears, offering creative entrepreneurial opportunities to interested and prepared actuaries.

In this rapidly and fundamentally changing era, we actuaries have an unparalleled opportunity to reshape our profession around our core skills and “specialness” to win in the world of 2010. All of our traditional employers and virtually every other business entity are struggling to deal with these changes. Individually and professionally, we need to develop and maintain a strong spirit of innovation and a framework for adapting more quickly.

What are you doing to prepare to add value to your company and its clients as an actuary in 2010? How is your company using your core skills in new ways to gain — or remain in — a strong position in the industry? *The Actuary* would like to hear from you. Whether you call it progressive thinking, stepping out of the box, or just common sense for what needs to be done for the actuarial profession to be a player in business in the future, sharing your perspective could turn on the light bulb for someone else in his or her professional life. Please e-mail to [editor@soa.org](mailto:editor@soa.org) or write to me at the Society of Actuaries address, and I’ll compile your answers for a future issue. **Robert D. Shapiro, editor of *The Actuary*, is president of The Shapiro Network, Inc. in Milwaukee.**