

## Letter From The President

# OPPORTUNITY IS EVERYWHERE

BY MIKE MCLAUGHLIN

*The Following is adapted from the acceptance speech Mike McLaughlin, the SOA's 2009–2010 president, gave at the 2009 SOA Annual Meeting.*

**I'D LIKE TO BEGIN** by thanking Cecil for his leadership over the past year. He will be moving on to become president-elect of the International Actuarial Association. Cecil, now actuaries worldwide will benefit from your wise guidance. We wish you the best.

I would also like to welcome Don Segal as president-elect of the SOA. Don has served on our Board for several years, and I look forward to working with him in the year to come.

For those of you who don't know me, I'll tell you a little bit about myself. I was born in Jamaica, went to university in Canada, lived in the Bahamas, and moved to Dallas. I currently live in Chicago where I am a principal with Deloitte Consulting. I consider Chicago to be a fantastic city, in spite of the dramatic difference in climates from the Caribbean!

I learned about the profession while I was a bright, young computer programmer at British-American Insurance Company in Kingston, Jamaica. There was a project in which the actuaries needed premiums and reserves for a new 'rate book,' as we called it back then. I was the only person at the company who knew Fortran programming, so I got the assignment.

They sent me commutation tables and formulas, and while coding, I discovered and fixed an error in the formulas that they provided. That impressed my bosses, who suggested I should take the actuarial exams if I liked that kind of work. And that is the short version of how I joined the profession.

My lovely wife, Mary, encouraged me through the long series of exams. She is here today, along with Rachel, one of my two wonderful daughters. There is also a strong contingent of actuaries from the Caribbean Actuarial Association (CAA) attending this meeting. The CAA has been a great source of support and friendship for me over the years, and I am very pleased to see them here in Boston!

### OPPORTUNITY

Over my career, I've benefited greatly from our profession, which brings me to why I'm here today. I'm here to talk about opportunity. I see opportunity everywhere! Opportunity for the profession as a whole, and for each of us as individuals.

You've all seen the changes taking place in the traditional markets we serve. In the pension area, we are all aware of the shift from defined benefit to defined contribution plans. This has spurred us to take a new look at funding retirement in the future. In the life insurance industry, capital is scarce, competition is intense, and actuaries need to be ever more creative.

Health care in the United States is still under debate. The focus on health reform is a great opportunity for actuaries to contribute to the discussion.

In addition, the financial turmoil of the last year or so has driven governments, private-sector businesses and institutions to take a deeper look at their financial risks.

These are challenges, yes. But these are the very challenges that we, as actuaries, are equipped to manage. These challenges present a great opportunity for our profession. In fact, the opportunity is so great, actuaries may be in danger of being overwhelmed by it.

Many other professionals are getting involved in finding risk management solutions—and they're doing a good job! We face competition!

We are a relatively small profession, with approximately 48,000 actuaries worldwide, of which there are 21,000 SOA and approximately 5,000 Casualty Actuarial Society (CAS) members. To put our size in perspective, the AICPA, a professional organization of accountants in the United States, has 340,000 members. There are also more than 96,000 CFAs, which is an increase of 47 percent in the past five years. Obviously, these aren't apples-to-apples comparisons, but you get the idea.



**Mike McLaughlin**

## THE NEED FOR GROWTH

As a profession, we need to grow to meet the opportunity. At the same time, there must be no compromise of our rigorous standards. You may ask, “If more actuaries are part of the pie, doesn’t that leave a smaller piece for me?” And others may say, “Things are good. I have a good job. I’m well compensated. Why should we change anything?” I like to think of the adage, “Growth is the only evidence of life.” I don’t believe our opportunities are fixed in size, or static in nature. And change is all around us.

Our profession *can* and *should* grow. The business world needs our training in mathematics, financial economics, model construction and risk management. I firmly believe our actuarial skills and knowledge are underutilized. There are broader uses for these skills outside our traditional areas of pensions and insurance. We must expand our influence in broader financial services, work more with other disciplines, and reach across geographic boundaries. There are lessons to be learned from other countries. In Australia and South Africa, for example, actuaries are working for banks and asset managers, with financial product pricing and management.

We should also look at how we can apply actuarial skills to solve problems in other areas such as manufacturing, technology and transportation. For example, you know how complex airfares can be—that could be a great area to apply actuarial pricing skills. Technology products, too, require sophisticated pricing and management techniques. If we can demonstrate the value of our skills, employers will require a greater supply of actuaries to fill those roles.

For another example, consider enterprise risk management (ERM). With ERM, our profession has the opportunity—perhaps the duty—to apply our skills much more broadly than

ever before. ERM is a logical extension of traditional actuarial methods and training. We will manage a wider range of risks, and consider their interactions across an organization in many scenarios. I believe it is the future of our profession. It is important for us now to think of ourselves as actuaries and risk managers.

How are we as actuaries equipped to be leaders in ERM? With our CERA credential. The CERA embodies the set of skills employers and clients need to execute enterprise risk management. And this is true for life, health, pension and property/casualty actuaries. It’s true in the United States, in Canada, and around the world. The SOA led the way with the CERA credential and now actuaries worldwide are recognizing its value. This is a huge endorsement of the SOA’s leadership and ERM for actuaries.

## GLOBAL CERA

Cecil mentioned yesterday that we are working toward offering the CERA as the global ERM credential. This is an ambitious project. We’re working with 13 other actuarial organizations.

One of the biggest challenges has been figuring out how to maintain consistency across borders, while upholding the high quality, consistency and rigor of the credential. A credential that varies by country in these important characteristics is not a global credential. We will have a rigorous quality assurance process. There will be no negative impact. In fact, the global CERA will boost the image of actuaries as risk managers. Most of the details have been addressed, and we’re close to signing an agreement. Our profession is truly blazing a trail—I haven’t yet seen another credential offered by multiple organizations working collaboratively.

## COLLABORATION

As I talk to members, one question I hear con-

sistently is, “Why do we need so many actuarial organizations?” People have mentioned the idea of forming one large actuarial organization. This isn’t practical. And, in my opinion, isn’t necessary. But rather than maintain the status quo, we could reshape how we manage the profession. I would like to discuss that for a moment. Let me give some examples.

The SOA and CAS already administer certain exams jointly. We have a profession-wide Image Advisory Group, and we work together on the Marketing and Market Development Plan. We also collaborate with the Casualty Actuarial Society and the Canadian Institute of Actuaries on the Climate Change Committee. But we can do more. We must clearly identify the mission of the profession as a whole, and the appropriate role for each organization.

Recently we formed the Actuarial Collaboration Task Force, ACTF, composed of the current presidents of the five U.S.-based organizations. We have defined roles for each body more clearly and will also recommend various organizational changes to reduce overlap and make better use of volunteer resources. We have made great strides, and I know we will be working even better together in the future.

## THE FUTURE

Obviously, we can’t discuss the future of the profession without talking about the Future Education Methods (FEM) concept. We know FEM has been a hot topic among members.

I’ve been viewed by some as an FEM supporter. Perhaps that’s because I have been in favor of exploring the concept. I’ve also been told I’m not a strong supporter because I’ve suggested ways to change the concept.

Let me say right now, I do not support FEM in its present form. On the other hand, some new and different ideas have surfaced that deserve consideration.

The Board had a lively discussion of this, at the meeting that concluded on Sunday. After considering your comments, the Board has acknowledged your concerns, and has decided not to proceed with FEM in its present form. The Transfer Knowledge Strategic Team will communicate education strategy to the Joint Steering Committee, which has been asked to identify possible alternatives to meet our educational goals, without university course exemptions, as currently proposed. We're asking them to report back to the Board in February 2010. I will also appoint a task force to communicate with our members and employers specifically on this issue. We have heard your voices.

## COMMUNICATION

Although it has been controversial, one benefit of the FEM discussion is that it has emphasized the importance of good member communication. Communicating with members has always been of prime importance to the SOA.

The Board and SOA staff are looking at several ways of obtaining feedback. One of the first was the 'Conversation with the 2010 President' that took place earlier this morning. It was great to have a group of you attend this discussion.


Some other ideas: Our friends at the CAS use a member advisory panel, and I think that's a great idea worth exploring. We are also considering more frequent communications from SOA leadership, and using a blog, or Twitter. I want you to know that you are free

to contact your Board, Section leaders and me with any ideas, comments and suggestions you may have.

## CONCLUSION

In conclusion, I look forward to an exciting year of improved collaboration, growth—including broader influence in ERM—and opportunity for the actuarial profession. Remember that we are actuaries and risk managers. We must look outward together, in order to expand our horizons.

I'd like to conclude with a quote from General Douglas MacArthur, who once said, "There is no security on this earth. Only opportunity."

Thank you. 

---

**Mike McLaughlin, FSA, CERA, MAAA, FIA**, is president of the SOA. He can be contacted at [mmclaughlin@soa.org](mailto:mmclaughlin@soa.org).

# Life and Annuity

## SYMPOSIUM

NEW DECADE. NEW DIRECTIONS.

May 17-18, 2010

MARRIOTT TAMPA WATERSIDE  
TAMPA, FL

WITH LIFE AND ANNUITY SEMINARS ON MAY 19.

First there was the Life Spring Meeting.

Then there was the Product Development Symposium.

Now the SOA is combining these two valuable meetings to bring you the best of both including:

- Two full days of offerings
- Extended session lengths
- In-depth coverage of important topics
- More networking opportunities
- An optional third day with seminars

**BE THERE. MAY 17, 18 AND 19. TAMPA.**

More details will be available soon at [www.soa.org](http://www.soa.org).

**Actuaries**

Risk is Opportunity.®