SOCIETY OF ACTUARIES

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SECTION CORNER

Actuary of the Future
The new Actuary of the Future Section, with 379 members as of August 1, elected as its first Council members: Linda Kahn, chairperson; Joe Paesani, vice chairperson; Selig Ehrlich, secretary/treasurer; Paul Campbell, Fred Kilbourne, Judy Latta, Mike Rosenfelder, Alan Routhenstein, and Len Tandul.

Campbell announced Section plans in the first newsletter (July), including identifying role models of those now working in nontraditional areas, identifying appropriate research in new areas, setting up networking and training, and defining a framework for managing critical issues. Rosenfelder wrote about "Protecting and Enhancing our Core Skills."

The Actuary of the Future Section will participate in two sessions at the annual meeting of the Actuarial Society of Greater New York September 28 and two sessions at the SOA annual meeting October 19.

Smaller Insurance Company Section
The Smaller Insurance Company Section has selected Bob Dreyer as chairperson and John O'Sullivan as vice chairperson of its Council. Grant Hemphill is treasurer and Jack Taylor is secretary. James R. Thompson is *small talk* editor. In the first issue (June), Dreyer wrote about giving the small company view on nonguaranteed elements and policyholder dividends at an Actuarial Standards Board hearing. O'Sullivan reported on Section Survey results, which indicated the issues of most concern to its members are (1) effective use of resources, (2) concern about regulatory changes, and (3) valuation actuary. Hemphill's article, "Marginal Risk-based Capital," focused on how RBC changes as factors entering the calculation change.

This Section, with 367 members as of August 1, plans to co-sponsor with the Financial Reporting Section the SOA annual meeting session, "Appointed Actuary Update: Is the U.S. on the Right Track?". Its follow-up session is "New Standard Valuation Law in Retrospect."

That's your opinion

The Actuary *invites members and students to express their opinions on any matter for articles to be published under the headline, "That's your opinion." Now's your chance to instigate a lively exchange between fellow actuaries, so send in your articles to the Society office (no more than 500 words, please). Here's our first one.*

What is wrong with actuaries?

by Edward B. Schwenk III

The actuarial profession in the past few years has undergone significant changes. For a long time, actuaries held what might be regarded almost as sinecures — they were well-paid, enjoyed great security on the job, had little stress at work, and generally did well once they had finished the actuarial examinations. Things have changed. Now actuaries are like managers, executives, or technicians in most industries. They have to worry about performance and results, they have to develop new skills, and they are subject to dismissal if the economy turns sour.

How do we account for this drastic change? An economist would say that the examinations and the unique position held by the profession in insurance amounted to a monopoly. Actuaries worked in a little-known, quite technical, and crucial discipline. Because their numbers were limited and the examinations constituted what economists call a barrier to entry, they faced little competition and enjoyed great security. Because they had a monopoly on pricing and financial reporting in insurance companies, they did not face the pressures faced by executives in most industries.

This situation began to change because of several events — the 1988 *Jobs Rated Almanac* rating the job of actuary as the best in the country, the increase of new graduates of schools of business, and the troubles faced by the insurance industry. The "best job" publicity caused an influx of new entrants into the profession, and competition for positions increased. MBAs began to work in accounting, pricing, management, and positions typically assumed by actuaries. And the insurance industry, after years of stability and growth, faced troubles with, among other things, burdensome costs and bad investments, leading to shrinking employment. Life may never be the same for actuaries.

What should the profession do? The work of the Task Force on the Future of the Actuary and the new Section is a promising start. Actuaries are too closely wed to the insurance industry. To rest the fate of a profession on one industry is a mistake.

Actuaries do possess unique skills in dealing with risk, which should be of great value to commercial and investment banks, manufacturing and service corporations, governments, universities, hospitals, and many institutions. They should seek new opportunities.

Actuaries' skills also may be too narrow. Most are involved with either pricing or financial reporting. Their knowledge of accounting, management, investments, marketing, law, and medicine is, at times, primitive. Of course, some FSAs and ASAs bear great knowledge and experience, but they acquired these talents in their careers, not through their training.

My last observation brings us to education. Actuaries must pass difficult examinations, but how relevant are these tests? The emphasis on detail is important in pricing or financial reporting where large sums of money are committed to a new product or must be accounted for in an annual statement, but it may be overdone. If actuaries are to become managers as well as experts in highly abstruse realms, they might study institutions, marketing, management, investments, medicine, law, and related disciplines in much greater depth. Perhaps less time should be spent on rarely used distributions in statistics or differential equations, except for those who wish to become theoreticians, and more time should be spent on the practical aspects of managing an institution holding billions of dollars in assets and