



SOCIETY OF ACTUARIES

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## THAT'S YOUR OPINION

**F**our readers responded to Edward Schwenk's September 1993 article, "What is wrong with actuaries?" This article offers their views.

**Mark Chartier works as actuarial assistant in the pricing/risk management unit of Monarch Life Insurance Company in Springfield, Massachusetts, and says he "bears the designation of career Associate with pride."**

Edward Schwenk asserts that entrance to the actuarial profession should not depend on the ability to pay for a university education. I agree that the profession should continue to rely on examinations the student can pass by self study and not cede the role of actuarial education to the universities. However, I have serious reservations about the way students are tested.

Are the skills needed to be an actuary the same skills needed to pass an actuarial exam? An actuary must have technical knowledge, good communication skills, sound business judgment, and a strong sense of ethics. The last two skills are not testable by a written exam. To pass an actuarial exam, a student must have technical knowledge, speed, stamina, and the ability to memorize large volumes of material. Some exams, such as Course 200, are pure tests of speed and memorization.

The Society recently decided to "strengthen" the ASA designation by requiring candidates to complete the 200 series of examinations. If a trained seal jumps through three more hoops, is it a more professional seal? If students perform three more feats of memorization, are they more professional actuaries?

I think the 100 series of Associateship exams are in some ways superior to the Fellowship exams, because:

- Associateship exams test for skills that are so general, they are used by all actuaries, regardless of their practice area.
- The content of the 100 series exams never goes out of date. The newer stochastic approach to life contingencies doesn't make the material in Jordan wrong; it augments it. Fellowship exam knowledge can become obsolete a few months after the exam date.
- In my experience, while memorization is essential at all exam levels, it is less crucial at the Associateship level.

Of course, the 100 series exams do not test verbal skills, but neither do the Fellowship exams. Students are encouraged to answer written exam questions in shopping list format. Are written answers graded according to rhetorical skill or the completeness of the shopping list?

I therefore make the following three recommendations:

1) Make all exams open book. The real world is an open book exam. If I have a question about laws or regulations, I'm going to look up the answer before I rely on anyone's memory.

2) Reduce the number of topics covered on any single

exam to reduce the need to speed-read during preparation. I know at least two students who passed life contingencies without any knowledge of the commissioner's reserve valuation method. By cramming so many topics into a single exam, we encourage students to practice selective skipping, so they can learn certain topics well enough to pass.

3) Survey "career Associates" to determine why they stopped taking exams. Were they discouraged by their inability to pass, or did they think the value of passing wasn't worth the effort? I would like to hear about career Associates who have attained the company rank of chief actuary. How can they be qualified for such a post without successfully completing Fellowship exams? If this is not an indictment of the individuals, can it be an indictment of the exams themselves?

**Alan Finkelstein is an assistant actuary, group, with North American Reassurance Company, New York, and is a member of the SOA Committee on Management and Personal Development.**

I take exception to several points in "What is wrong with actuaries?," specifically:

- There is nothing wrong with actuaries. The question should be rephrased, "How should the actuarial profession address the recent decline in job opportunities, given the emerging economic outlook of the 1990s?" I do not subscribe to the belief that we have become smug and complacent following the publication of the 1988 *Jobs Rated Almanac*.

- Schwenk suggests actuaries' skills are too narrow and more emphasis must be placed on accounting, management, investments, marketing, law, and medicine. Except for management skills, all these topics are covered on the SOA exam syllabus, and every effort is being made to improve the material and broaden areas of practice. In the case of management, the Committee on Management and Personal Development is actively writing articles, sponsoring workshops, and drafting specialty guides to help sharpen our management and leadership skills.

- Schwenk suggests a university education should not be required by an actuary. The SOA exams are not a substitute for a college education. Certain skills must be gained through work experience rather than a textbook, but there is no substitute for a college education. Is he faulting the educational system for actuaries' lack of transferrable skills to noninsurance related fields?

I do agree, however, that the learning process should not end with attainment of the ASA or even the FSA designation. We should continue to improve our skills through other means (college courses, seminars, pursuit of other professional designations).

**Carl A. Westman is an actuarial associate with Aetna Life & Casualty in Hartford, Connecticut.**

Edward Schwenk correctly identifies the cause of reduced employment opportunities for actuaries, but his recommendation for improving our lot would likely worsen the situation.

To his credit, he cites the *Jobs Rated Almanac* ranking the actuarial profession as the best job in the country as a primary source of excess supply of actuaries. Because our profession is so small, only a little favorable publicity was needed to saturate the market. I also agree that the actuarial profession should be more diversified by industry.

I disagree, however, that the examination system should de-emphasize mathematics and place greater weight on investments and marketing. First, weakening the mathematical core of our profession weakens what makes actuaries different from other business professionals. A strong command of mathematics provides a competitive advantage for us in the marketplace by providing us analytical tools that others may lack. Without this strong foundation, how are we different from MBAs? Second, we cannot expect any series of examinations to comprehensively cover all we will have to learn for our careers. We must settle for including just what is basic to most actuarial work. Obviously, actuaries are free to pursue additional study in a field if they so choose.

Schwenk seems concerned that the SOA may abandon sponsoring some examinations in favor of university training. I agree that such a system would limit the diversity of actuaries into the profession, since only a few universities offer actuarial studies. In addition, students would have to decide in high school whether they wanted to become an actuary to select the right college.

However, I disagree with the notion that a "university education should not be required to be an actuary." The absence of a university requirement for SOA membership should not lead us to boast. A frequent criticism of actuaries is that we lack strong communication skills. I cannot fathom how this would improve if a larger proportion of actuaries lacked a university education. Perhaps the Society should not mandate that actuaries have university degrees, but promoting such a position will not gather respect and demand for our skills in the marketplace.

Actuaries face new and unfamiliar challenges on the employment front. To succeed, we must promote our profession to noninsurance industries and strengthen our skills. By finding new ways to apply our unique skills, we will succeed with the former. By maintaining an educational system focused on our core expertise that embraces many disciplines, we also will achieve the latter.

**Joe Nunes is employed at William M. Mercer, Toronto.**

Actuaries may find greater employment opportunities with a broader education, and this broader education may even provide actuaries with a greater ability to do their jobs. However, this broader education should not be the Society's responsibility and should not be considered as a substitute to the current highly technical examination syllabus.

An actuary's job often is highly technical. If the public is to have faith in our work, we must show we have adequate training. Recently, I prepared a report for a worldwide soft drink producer, in which I examined data they provided under a range of assumptions. My work relied on my understanding of the binomial, Poisson, and normal distributions. My client is unaware of the Poisson distribution; however, he relies on the fact that "actuaries know that stuff." If we stop requiring this highly technical education, how will we distinguish ourselves from accountants or insurance salespeople?

Although universities may provide valuable training, the responsibility for certifying its members lies with the Society. The responsibility of training membership should not be casually delegated to a third party whose interests are not exactly those of the Society.

I have nothing against expanding the exam syllabus to include other materials considered necessary to the FSA designation. To avoid requiring 20 years of exams, however, individuals should pursue in their own time topics that are not necessary and under their own chosen study method.

## 29th ARC to be at Oregon State U.

Each year, the Actuarial Research Conference (ARC) provides a central meeting for academics and researchers interested in all aspects of actuarial science. The 29th Actuarial Research Conference will be Thursday, August 25, through Saturday, August 27, 1994, at Oregon State University, Corvallis, Oregon.

Participants are invited to present papers on all topics of interest to actuaries. A lead paper on market value based accounting for insurers is expected, followed by discussion on this subject and related topics.

For more information, contact Donald A. Jones at his *Directory* address, or call him at 503/737-5174; fax: 503/737-0517; E-mail: donjones@math.orst.edu.