



SOCIETY OF ACTUARIES

Article from:

The Actuary

January 1999 – Supplement

Challenges to becoming a Big Tent profession

The strategic planning committee identified key challenges and barriers to be removed if we are to reach for a Big Tent vision to be recognized as the leading profession in a wide range of financial institutions and problem solving contexts. A Big Tent profession brings jobs that currently exist in non-insurance financial services into the actuarial profession. The “new actuary” might include financial engineers, health economists, small plan pension specialists, corporate risk managers, and other existing job categories.

To realistically pursue our vision, the actuarial profession needs to find ways to attract and represent the best and brightest of the people who currently perform jobs we choose to include in the Big Tent and those students who chose to enter them. Eliminating the barriers described in the following section, which outlines the elements of a Big Tent plan, is essential to our being able to attract the growing numbers of nonactuaries who we see successfully competing with us for jobs.

1. *Attract a broad range of “new actuaries” to our profession.* Our postgraduate self-study education and examination process creates a formidable barrier to attracting the best and brightest students interested in working in traditional and nontraditional actuarial jobs.
2. *Attract existing nonactuarial practitioners to our profession.* Our professional organizations must find ways to attract the best and brightest practitioners in today’s nonactuarial jobs that model and manage financial risks and contingent events. We see this outreach as a major expansion to those whom we are willing to recognize as actuaries. This model is similar to the definition of actuary in Mexico.
3. *Establish a strong and visible professional idea.* The “new actuary” needs to work with universities and business schools to establish programs to train more “new actuaries.” Ideally, we can establish schools of actuarial science that

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teach a broad range of actuarial science (mathematics of risk), financial engineering, and business courses. Promoting an actuarial track within graduate schools of business fits well with this ideal. These university-based programs would also become resources for the profession’s continuing education, research, and public policy activities. In the United States, the profession can also enhance our public recognition by working with a broad range of regulators (e.g., comptroller of currency, SEC, etc.), state legislators, and the U.S. Congress to establish a legal and regulatory role.

4. *Reorganize the actuarial profession for the future.* Representing professionals employed in a broad range of activities, the actuarial profession needs to compartmentalize itself and provide specialized education and particular credentials for the different practice areas.

These strategies clearly fulfill our fundamental goals for the profession. In a Big Tent profession, membership will increase, jobs will be widely available, and job content and our professions’ standing will be greatly enhanced. This vision brings with it becoming a powerful profession based upon powerful ideas.

There is much room for concern about how we might become successful in attracting the “new actuary” to our profession. We need to have a compelling reason for people in existing jobs and students to join us rather than to compete with us for jobs. Lowering our self-study education and examination barrier and redirecting it towards university-based education with a short professional accreditation exam seems essential to our success. This might make

becoming “professionals” an attractive addition to “new actuaries’” careers. Establishing a firm legal and regulatory role for the “new actuary” will only enhance our appeal. However, this step will not be possible in advance of our bringing new people into our profession.

The “new actuaries” whom we would target generally have established a competitive advantage in their work. Financial engineers, health economists, and similar professionals have made themselves valuable to their employers by providing the type of skills that actuaries have in our institutional niches. The “new actuary” brings an established competitive advantage upon which we can build by adding valuable professional and legal-regulatory elements.

Making commitments to the strategies necessary to pursue a Big Tent vision will be controversial, difficult to adopt, and highly challenging to accomplish. To attract and retain the “new actuary,” we would need to offer valuable services, both real and perceived, that help them better perform their jobs. If we are unwilling or unable to take these big steps, or ones that effect similar results, we will need to reconsider our vision of becoming a Big Tent actuarial profession.

Threats to maintaining a Little Tent profession

Pursuing a Little Tent vision for the actuarial profession brings with it serious threats. In this vision, actuaries would continue to practice mainly in historical niches. Within these niches, we would strive to solve a wider range of financial and business problems. This strategic vision clearly means fewer members and fewer jobs than a

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Big Tent strategy, or even than we have in today's profession. However, the actuarial profession would still commit to enriching our members' jobs and defending our niches from encroachment by others who will increasingly claim to solve our problems.

The strategic planning committee identified what we feel are the most important strategic activities to successfully pursue a Little Tent vision.

1. *We must continue to attract to the actuarial profession a reasonable flow of the best and brightest mathematically oriented students.* The committee believes that our lengthy postgraduate self-study education and examination process creates a growing barrier to attracting the best and brightest students. Anecdotal reports make us concerned that students we would like to attract are increasingly entering financial engineering and business programs. These programs lead to well-paid, challenging jobs with no post-university requirements. They also appear to be attractive to graduate business students, giving them a strong mathematical treatment to supplement their business school finance curriculum. An actuarial career option may be viewed as too lengthy, too difficult to attain, and too narrow in its job content. To assure our future as a Little Tent profession, we need to create a means to enter the profession that can compete against other rapidly emerging career paths for the best and brightest mathematically and business-oriented students. A university-based alternative to our self-study education system appears to be the

minimum required change to our career education path.

2. *Improve our public image and provide a strong institutional setting for strengthening the profession.* Stronger ties to academia also have the salutary effect of improving our standing with the public and providing a strong, recognized base for professional education and research. Please see the transcript of Dr. Burton Bledstein's address to the recent SOA Symposium on Actuarial Relationships with Academia for more information. (The full text is posted on the SOA's Web site, www.soa.org, under General Libraries; an excerpt, "Organization, rhetoric not enough, says scholar," was published in *The Actuary*, June 1998.) The actuarial profession needs a strategic focus on developing key relationships with a limited number of high-quality university actuarial programs.
3. *Strengthen the mathematical, communication, and business skills of our existing members.* SOA continuing education activities need to be greatly expanded. This strategic focus is needed to provide assurances to the public that our members stay current in a rapidly changing environment. We feel that this can best be done in the context of our adopting mandatory continuing education. Much of our need can be met by using universities as our continuing education providers, particularly in areas where our members and staff have no special expertise (e.g., general business skills).

4. *Expand our intellectual capital and support for our public policy efforts.* Effective, focused research is the source of our professional vitality. There is no substitute available to us. Recently, the Board Task Force on Research Effectiveness concluded that our research efforts are not well managed. We cannot afford for this to continue. As with continuing education, much of our need can be met by focusing our research efforts around universities and university-based actuarial programs.
5. *Improve our value added to employers.* A common complaint about actuaries is their lack of communication skills and business knowledge. Our self-study education and examination program provides actuaries with solid mathematical skills but not adequate training about how to use these skills in a business context. The profession also has no particular credentials to teach communication and general business material. Actuarial education provided at universities, rather than self-study, offers the opportunity for students to be exposed to nonmathematical material that is vital to their long-term career success.

If we do not adequately address these threats, the supply of "new actuaries" is likely to diminish as students increasingly choose other career paths. As more and more university-trained, mathematically proficient people become available and fill finance and risk jobs, and as barriers among financial institutions crumble, it is inevitable that nonactuaries will begin to solve actuarial problems. Over the long-term, it will be very difficult for actuaries to defend our Little Tent vision for the actuarial profession.

Our strategic dilemma

As previously stated, the strategic commitments made by our board do not appear to be realistic and consistent with our vision to become a Big Tent profession. The strategic planning

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committee believes that we *do* have a strategic dilemma: high aspirations are being pursued with inadequate actions. Our Big Tent vision may be an illusion, not a realistic future.

At its June 1998 meeting, the SOA board held a two-hour discussion about the strategic direction of the Society. There was strong support of issues raised by the strategic planning committee. The board, virtually unanimously, holds the following opinions:

- The profession, for some time, has envisioned pursuing a Big Tent vision, but our activities have been directed mainly towards preserving our existing Little Tent profession. Therefore, our vision is being pursued using generally inadequate and ineffective tactics.
- The board recognizes that a Little Tent profession may be becoming indefensible as other university trained workers with solid mathematical and business skills begin to look to our now secure niches in life, health, pension, and general insurance for jobs.
- The board reaffirms its belief that the actuarial profession should be pursuing a Big Tent vision.

We then spent much of our time discussing possible strategies and tactics that could lead to an effective path toward our Big Tent vision.

If we are to continue as a viable profession well into the 21st century, we need to clearly define our vision and understand the activities that the SOA and the actuarial profession, with and through our sister organizations, must commit to do to reach our vision. To help make specific plans and specific commitments, we need to ask ourselves hard questions such as:

- Which financial institutions (public and private) are we *committed* to serve and what jobs do we want actuaries to dominate?
- What problems are we *committed* to solve for these institutions?
- How are we going to solve these problems?
- How are we going to convince these institutions and the public

Our vision is to attract (other professionals) into recognized actuarial practice areas.

that our commitment gives us a competitive advantage versus others that also would like to solve these problems?

- How are we going to attract and train adequate numbers of new professionals to meet this future demand for actuaries?

The strategic planning committee does not believe that we have good answers to these questions. We also believe that these questions cannot be answered with strategic planning activities organized as they are today. We need to have a strategic planning activity that involves all of our North American actuarial organizations, provides continuity of leadership and staffing for the effort, and, once adopted, is not changed each year by new leaders and boards.

Our existing strategy

It is clear from these points that board members feel we have had, and will continue to have, little success with our existing strategy for building a Big Tent profession. Our current strategy, which evolved over years as the actuarial profession addressed a succession of planning challenges, can be described as a passive strategy:

Train actuaries via a periodically updated self-study education and examination system, with heavy emphasis on insurance and employee benefits, and then encourage individual actuaries to migrate into jobs outside the institutions we historically serve.

This "individual pioneer" strategy has not been successful over the 10 or so years that it has been pursued. The board recognized that recent changes in the financial services industry and in the education of financial risk managers will make this path even less attractive and less effective in the future. To continue our historical success and to

effectively develop our envisioned Big Tent form, the actuarial profession needs to adopt new strategies.

Following the board's discussion, the strategic planning committee was asked to take this input and to develop strategic and tactical recommendations for action. In that context, the strategic planning committee strongly believes that success in developing, adopting, and executing an effective strategy to reach our Big Tent vision must be a professionwide effort. The challenge is too great and the solutions too complex for the Society of Actuaries to pursue on its own. Without the enthusiastic support and cooperation of our sister North American actuarial organizations, the actuarial profession will not become a Big Tent profession. For this reason, our immediate goal is to present this report of the strategic planning committee to stimulate further discussion among and joint strategic planning by the SOA board and other North American actuarial organizations.

Who is an actuary?

Broadening the actuarial profession depends heavily on defining "actuary." The Big Tent could include the best and brightest people with competencies that meet this definition, with the addition of professionalism.

As previously stated, we developed a basis for a definition through our analysis of actuaries' historical competitive advantage. We argued that the profession's historical success has been based on combining three strong legs: mathematical knowledge, knowledge of business context, and professionalism. Using these core skills, we can extract a broad working definition of "actuary":

An actuary is a professional who applies sophisticated mathematical models to specific institutional financial problems based upon a

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solid knowledge of business context and behavioral implications.

By adding professionalism to the competencies of highly trained individuals such as financial engineers, this definition implies that the best and brightest of these people are, in fact, actuaries. Our vision is to attract them into recognized actuarial practice areas.

Challenge to developing a Big Tent profession

The committee's definition of an actuary points to the fundamental challenge we face in broadening the profession. Existing actuaries have no strong competitive advantage in nontraditional institutions since they have no training or experience in business context or behavioral implications and no historical track record. These institutions currently employ highly trained individuals who have mathematical modeling skills *and* knowledge of the business context and behavioral implications. We, therefore, compete with them based solely on our mathematical skills, which are heavily skewed towards modeling insurance and employee benefit problems. We do not compete well with them in business context or behavioral implication skills. Traditionally trained actuaries, then, do *not* have a strong basis with which to compete with these other highly trained individuals working in nontraditional institutions. Our historical lack of success provides solid evidence for this assertion.

However, we do offer an opportunity to highly trained individuals working in "new actuarial" jobs to become true professionals by us accepting that their competitive advantage and skills meet our definition of an actuary and then by

finding ways for the best and brightest of them to join the actuarial profession. "Professionalism" is our drawing card. It brings with it the opportunity to organize a professional practice area with all the collegial activities, business and societal recognition, and ethical obligations that are so attractive to those of us who have taken this path as our career. Selling this sense of pride and value in professionalism to "new actuaries" is vital to our being able to broaden the profession. While it is not certain that this will be sufficient to attract "new actuaries" to the profession, the committee feels that this is the strongest attraction available to us.

Strategy to develop a broader actuarial profession

The SOA board has clearly stated its intentions for the actuarial profession of the future to encompass a broader scope of practice. It is difficult to define "broad scope" and "new actuary" completely, and it is probably not necessary. Currently, the profession depends on individual, traditionally trained actuaries to become pioneers and migrate into new areas of practice and into new institutions. We believe that poor results over the past 10 years have shown this existing strategy to be an inadequate and ineffective tactic for broadening the profession.

The new strategy recommended to the SOA board and the profession by our committee is to broaden the profession by:

- Inviting the best and brightest practitioners currently holding targeted nontraditional jobs in financial institutions (e.g., financial engineers) to join the existing actuarial profession as "new actuaries"

- Using this core group of "new actuaries" as the leadership group whose responsibility is to develop a new area of actuarial practice
 - Supporting the development of new means for the best and brightest university students training for these "new actuary" jobs to identify themselves as actuaries and to enter an expanded actuarial profession
- The recommended strategy makes a number of major changes from our current one.
- We move from a passive strategy, based on encouraging pioneers, to an active strategy with well-defined leadership.
 - We move from actuaries' encroaching on what nonactuaries see as their own turf to creating opportunities for "new actuaries" to form their own professional organization.
 - We embrace "new actuaries" as equals by inviting the best and brightest of them to join us in forming new practice areas rather than competing with these talented people for recognition from their employers and students.
 - We recognize and embrace other attractive educational programs that exist for high-quality students to learn the mathematical and business skills needed to call themselves "new actuaries."

The committee feels that it is only through this major shift in strategy that all of the necessary and sufficient steps will be taken for the profession to actively and effectively pursue our Big Tent vision.

Actuarial profession's strategic commitments

To actively pursue our vision, we need to find ways to attract and represent the best and brightest of the people who currently perform jobs we choose to include in the Big Tent and students who choose to follow these career paths. This requires the profession to make strategic commitments to expanding actuaries' scope of practice.

In a Big Tent profession, membership will increase, jobs will be widely available, and job content and our profession's standing ... will be greatly enhanced.

1. *A commitment to attract existing nonactuarial practitioners to our profession.* Our professional organizations must make a commitment to invite into the profession the best and brightest practitioners in today's nontraditional actuarial jobs that meet our criteria for defining "actuary." This reaching-out 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 best and brightest students interested in working in traditional and nontraditional actuarial jobs. To be a Big Tent profession, we need to commit to move towards a university-based education system and ultimately refocus the professional associations' role to limited testing of university-trained actuaries for granting professional credentials and providing nation-specific and advanced practice-specific education.
3. *A commitment to professionwide planning and cooperation.* To succeed, the recommended strategy needs to be adopted and executed by the entire North American actuarial profession, not just the Society of Actuaries. A commitment needs to be made to a level of cooperation that is above and beyond the norm among our actuarial organizations.
4. *A commitment to establish stronger ties to universities and academics.* The actuarial profession must commit to working with universities and business schools to establish programs to train the "new actuary." Ideally, we can establish schools of actuarial science that teach a broad range of actuarial science (mathematics of risk), financial engineering, and business courses. Promoting an actuarial track within graduate schools of business fits well with this ideal. These university-based programs

These steps also require the profession to engage in a discussion not only with the leaders of the various North American actuarial organizations, but also with their members.

- would also become resources for the profession's continuing education, research, and public policy activities.
5. *A commitment to establish a stronger relationships with relevant publics.* The profession must reaffirm and expand its commitment to building strong working relationships with carefully chosen relevant audiences.
 - We enhance our public recognition by working with a broad range of regulators (e.g., controller of currency, SEC. etc.), state or provincial legislators, and national governing bodies (e.g., the U.S. Congress) to demonstrate our value and to establish a legal and regulatory role for actuaries.
 - We enhance recognition of our intellectual capital and abilities by working with academics, universities, and nonpartisan public policy institutions.
 - We enhance recognition of our business skills by working with business groups, public policy institutions, and other professional associations.

These commitments clearly fulfill our fundamental goals for the profession. In a Big Tent profession, membership will increase, jobs will be widely available, and job content and our profession's standing in the eyes of business and the public will be greatly enhanced.

Steps to resolve the profession's strategic dilemma

The committee discussed a series of steps that the profession might take to fulfill our strategic commitments.

1. Engage our sister actuarial organizations in a professionwide strategic

planning process. The goal for this effort is to develop an agreed-upon vision and strategy that will be pursued in a cooperative effort among the organizations.

2. Identify a team of outside experts to review our work and to validate our conclusions. The goal of this effort is to make certain that we clearly understand the strategic problem and have not overlooked important explanatory factors or other potential future strategies.
3. Empower a professionwide task force to identify target opportunities, to explore the willingness of key individuals in targeted jobs to join the profession as "new actuaries," and to explore in more detail what will be required to develop "new actuarial" practice areas.
4. Based on this task force's analysis, recruit practice-specific leaderships and empower them to do what is necessary to develop new actuarial practice areas.
5. Concurrently, work with our sister actuarial organizations to provide the support needed to allow these new practice areas to flourish.

These steps also require the profession to engage in a discussion not only with leaders of the various North American actuarial organizations, but also with their members. The result of these leadership and membership discussions will be a widely understood and supported commitment to an effective, professionwide strategy to reach our Big Tent vision. Our existing strategic dilemma will be resolved.

Summary and recommendations

Nine years ago, the SOA Task Force on the Actuary of the Future issued its
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report. In it, the task force challenged us with the following analysis of a Big Tent demand for actuaries.

Society's need for actuarial services far outstrips its demand, which in turn exceeds supply. The need has been substantially met in terms of narrow actuarial services applied to conventional private financial security programs. ... The need is substantially unmet in terms of other financial security programs, particularly those that focus on assets rather than liabilities, and on banking services rather than insurance. This need is essentially unmet and unrecognized in areas beyond financial security programs. ...

Society is unlikely to recognize its unmet needs and demand new actuarial services as soon as actuaries assert they have an untapped potential. ... If actuaries do nothing, either society's needs will be met by others less qualified, or the needs will go unmet.

The external environment has changed in the last nine years. Unmet demand has been recognized, and well-qualified "others" have been trained to fill society's need. Actuaries continue to focus on conventional private security programs.

The task force clearly saw the greatly enhanced potential for the profession and, in a subsequent document ("A Plan to Develop Non-Traditional Opportunities for Actuaries"), recommended clear steps for us to fill society's need by our becoming a Big Tent profession. The actuarial profession embraced that vision, but has been either unwilling or unable to execute their strategy.

The past 10 years have been productive ones for the SOA and the actuarial profession. We have significantly strengthened our professionalism through the Actuarial Standards Board, Actuarial Board for Counseling and Discipline, and Professional Code of Conduct. We have revised our examinations and developed a new finance track. Our members are providing a wide range of nontraditional services to traditional employers. The American Academy of Actuaries has expanded our public outreach. Actuaries are recognized by law and regulation as the professionals to perform a wider range of public services. New mathematical modeling tools are in widespread use. And, our research efforts have been greatly increased. However, these accomplishments have not brought us much closer to our vision of becoming a Big Tent profession, and the problems we face in reaching this vision have increased enormously.

Maintaining a Big Tent vision for the Society of Actuaries is a responsible course only if we pursue an effective strategy and make the necessary commitments. During the past 10 years that we have professed various versions of a Big Tent vision, little real progress has been made. We now find that a changed environment has made our vision even more elusive and more difficult to attain.

The strategic planning committee applauds the board's strong commitment to a Big Tent profession. This report provides a possible roadmap and assessment of what it will take to get there. It is not a pretty picture. To become a Big Tent profession, the Society of Actuaries board, the actuarial profession, and our members need to rethink basic tenets that underlie our

50-year history: self-study education and examination, and who we accept as actuaries. *If* the profession is willing to move towards university-based education, and *if* we are willing to embrace as equals qualified nonactuaries in jobs we envision as "new actuarial" jobs, *then* we may well be able to execute a new, active strategy that can effectively broaden the scope of our profession.

We look forward to your comments and reaction to our report.

Follow-up discussion

At the September 1998 SOA Board of Governors' meeting, where President-Elect Bolnick discussed this report, the board passed a resolution without objection approving the following:

1. The board discussed the report of the strategic planning committee and encouraged organizing discussions and activities consistent with the report on a priority basis.
2. The board requested the president and president-elect to continue assessing, jointly with appropriate actuarial organizations, the strategy recommended in the report. At the earliest possible time, specific recommendations for strategies and tactics should be brought back to the board for approval.
3. The board requested the president and president-elect to establish appropriate working groups, jointly with regarded nonactuaries, to explore the feasibility and tactics necessary to apply the committee's recommended strategy to specific new areas of actuarial work.

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