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EDITORIAL

The right thing to do

by Marc Twinney

Last summer, I received an invitation to a seminar on mortality improvement in the NAFTA countries and how their social security systems might be affected. The seminar was to be a multidisciplinary summit meeting seeking a consensus on how to forecast mortality. This subject raises debates among actuaries alone. Add demographers, economists, public policy researchers, and even biomedical experts to the mix, and how could we ever reach a consensus? How good would the various types of research be? Would any of us speak the same professional language?

Then the working papers and other materials began to arrive. The research was first rate, thorough, and focused. My doubts began to ease, and by the time the seminar's first session ended the morning of Oct. 30, I realized: this was the right thing to do. In a time unprecedented for its globalization and potential for lower mortality, bringing together concerned researchers might be the best way to address a critical problem affecting countries that share borders, history, and language.

One of the seminar organizers, Irwin Vanderhoof, details the seminar in an article in this issue on page 6. I believe the seminar's multidisciplinary approach was beneficial for the Society and the profession. We improved our relationships with many people from the academic and government worlds.

Here are some key ideas that made the gathering worthwhile:

- The data and the processes for measuring and projecting mortality have advanced because of better information, increased computing capability, and more sophisticated models.
- The forces driving mortality improvement are relentless; we need

to respond more expertly to them and their projected potential.

- We do not agree about what the new information and processes mean.
- The information for older age categories — where we have the most room for improvement — is the hardest to analyze, and its implications are the least clear.
- Projecting mortality by population subgroups and by factors such as education and marital status — each almost as forceful as gender — is important in large systems because of changes in the “mix.”
- The potential variation in long-term mortality improvement can be measured more precisely and applied to achieve better understanding of the assumption of risk by social security and private plans.
- While people are living longer, their health status is unclear. Some research says that in many of the cohorts, the people are healthier at specific ages than in the cohorts that have gone before.
- Comparisons by country are useful in gaining understanding of the individual forces that may be at work in many locations.
- Many, but by no means all, of the enhanced processes and data may result in projections of longer life expectancies and higher social security costs.

Focusing on mortality improvement is important now for several reasons. The data and models available have improved greatly over the years. The genetic response to disease is still ahead. Societies around the world would find it helpful to have better techniques to project future benefit and cost information for public, private, and personal retirement plans. And improved techniques would be

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SOA mission and vision (continued from page 1)

In some practice areas, only fine tuning of current activities is required. In others, however, such as finance and investment, greater challenges exist. For example, the mathematics used today to price financial products is much different than the mathematics most of us learned a few (and more than a few) years ago. In fact, the change is major, and it will be a substantial challenge to learn and apply it. The new text *Financial Economics: With Applications to Investments, Insurance, and Pensions* will be an important tool in this educational process. The finance and investment practice areas will also be developing continuing education programs to help members bridge this gap.

Actuarial employment in key market segments

While practice area representatives were developing their strategic directions, the planning committee also looked at several segments of actuarial employment, including large consulting firms, life insurance companies, the health care industry, small consulting firms, academia, and regulators. Our intent was to focus more specifically on the needs of different market segments among members. This research, which will provide ongoing market analysis, will continue under a new Market Research and Analysis Committee, chaired by Jay Jaffe.

Our early research indicated:

- Some larger organizations in industries actuaries traditionally serve are low users of our expertise. We will be conducting additional research to determine why.

- Consultants are split between very large and very small firms, with little in the middle. We are focusing on understanding the needs of both SOA member segments.
- Recruiting the right people into the actuarial profession is a major concern among employers. We will conduct a feasibility study to review different recruiting strategies for the profession.

To realize the vision of actuaries being recognized as the leading professionals in the modeling and management of financial risk and contingent events, the Society of Actuaries also needs to focus on doing the right things effectively. To this end, two additional activities were initiated over the last year. A task force assessed our research effectiveness, and it will complete its work shortly. Secondly, a consulting firm that specializes in association management reviewed our operations and compared them to best practices in similar organizations. The Board of Governors will use the information collected from these initiatives to improve overall effectiveness. We will also solicit input from both members and users of actuarial services.

A plan for 1997-98

Work on both basic and continuing education is well underway. In addition, this next year I plan to emphasize the following:

- Bring even more life to the mission and vision. This is the basis for our practice area plans.

- Continue market analysis. It is important to look at both existing customers and larger organizations in our traditional areas of practice, particularly those companies offering insurance or health care that are not large users of actuaries.
- Further develop multidisciplinary joint ventures with other professional associations and academia, including facilitating the exchange of ideas between academics and practitioners.
- Increase our focus on technology and its use to support our activities.
- Help actuaries become more effective in serving customers' needs.
- Determine whether there are different things to do for pension actuaries. This group, more than others, is served by multiple organizations. While we will not focus on reorganizing the profession, we want to rationalize service to pension actuaries and ensure that they are well served.
- Review how our services meet the needs of Canadians.
- Further develop support for actuaries outside North America.
- Seek opportunities to increase our effectiveness in everything we do.

Last, but certainly not least, I plan to listen to the membership and work hard to meet your needs. I am delighted to have this opportunity to serve as president. I look forward to working with all of you.

Editor's note: *A story discussing the SOA strategic plan in detail will appear in the February issue.*

The right thing to do (continued from page 2)

necessary to help manage an indexing system for benefit retirement ages if such indexing is chosen to help stabilize the ultimate costs of defined benefits in a social security system.

Editor's note: *We welcome Richard Schreitmueller as an assistant editor of The Actuary beginning with this issue.*

He was a 1994-97 SOA board member, served as 1991-96 editor of the American Academy of Actuaries' Enrolled Actuaries Report, and served on many SOA committees.

Dick brings to the assistant editor role more than 30 years' employee benefits experience in insurance, consulting,

government, and teaching. Most recently, he was director of regulatory and legislative services, Aon Consulting, Baltimore, before his retirement at the end of 1997. His role included writing and editing articles for publication.