



SOCIETY OF ACTUARIES

The Actuarial Profession: A Global Perspective

Steve Kellison, SOA President-Elect

Southeastern Actuaries Conference

Naples, FL

24 June 2004

Canada and USA

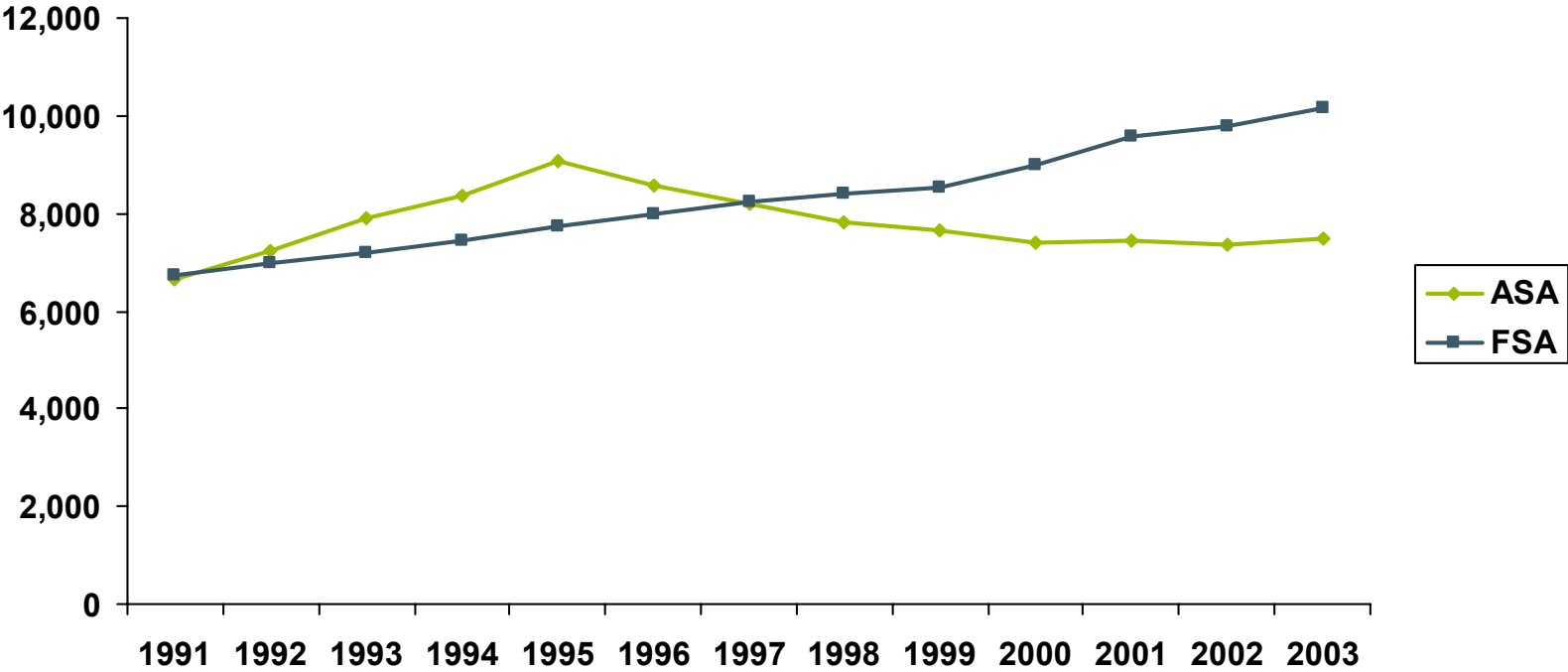
- Society of Actuaries
- Casualty Actuarial Society
- American Society of Pension Actuaries
- Conference of Consulting Actuaries

- American Academy of Actuaries
- Canadian Institute of Actuaries

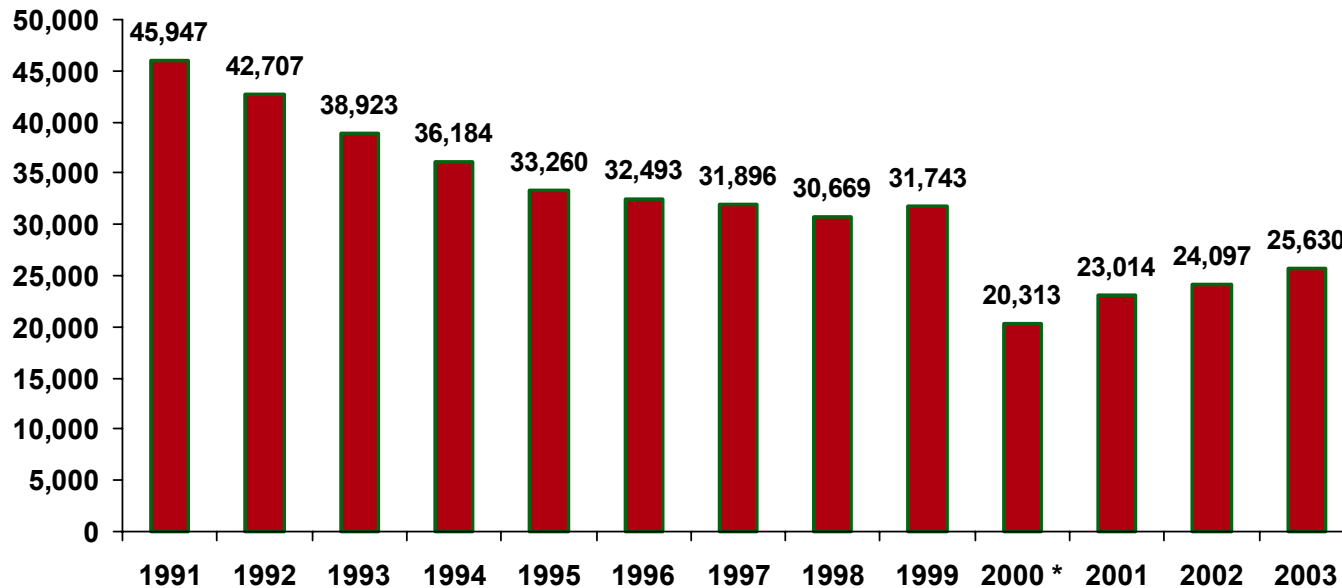
- Joint Board (grants EA designation)



Number of SOA Members



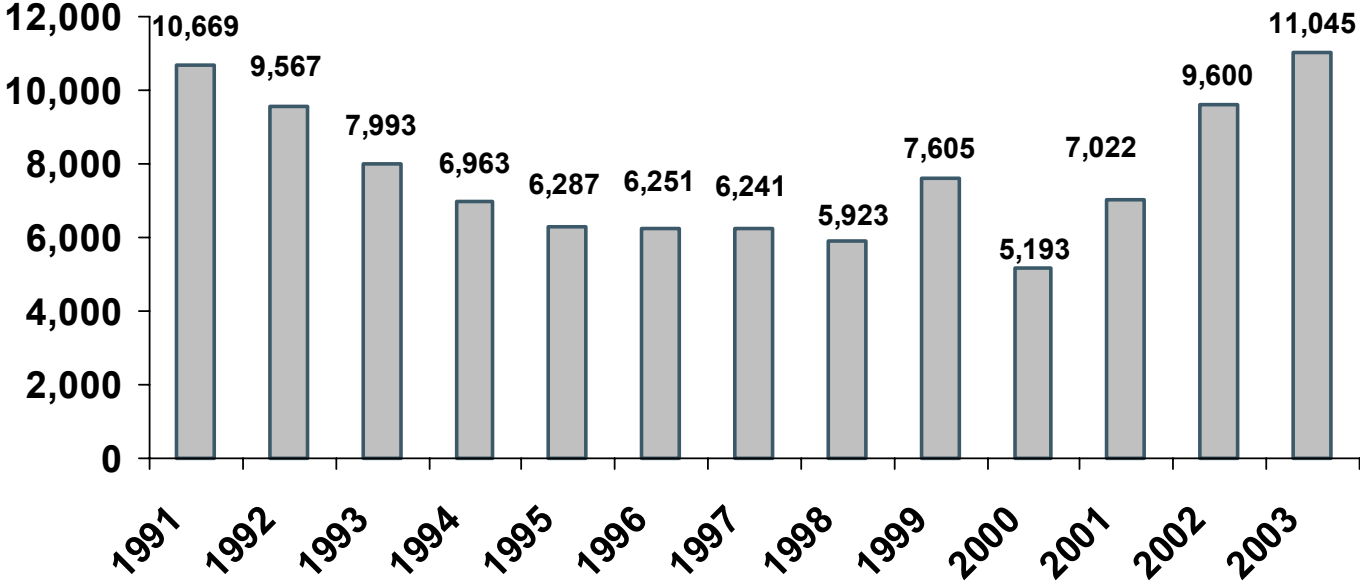
Number of Active SOA Candidates



Source: SOA CSGI Department Note: * Exam system converted in 2000 . Active Candidates are those who have taken exams with in the last two years. 2003 data contains November 2003 estimates as final numbers were not available at the press time.



Course 1 Candidates



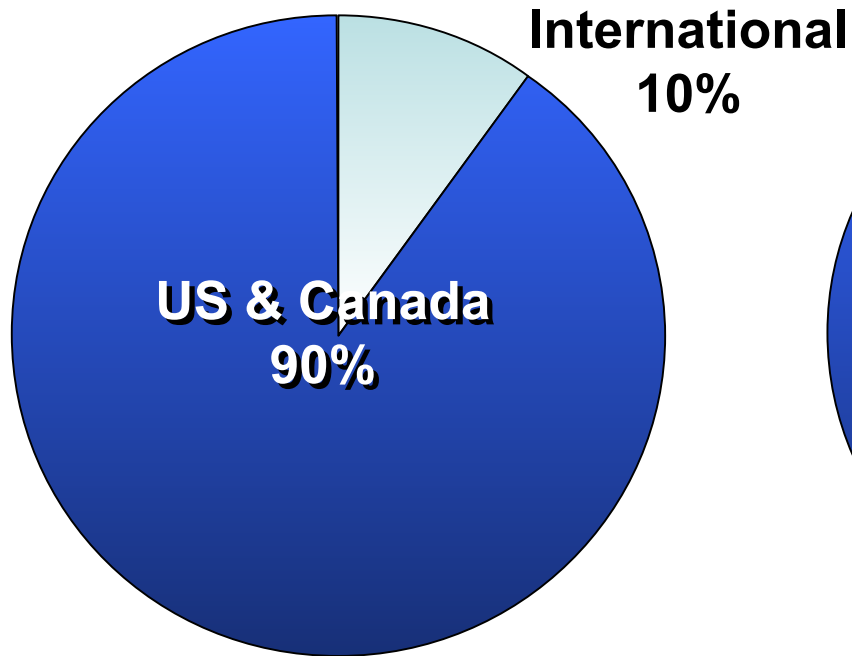
Source: SOA CSGI Department

Note: Course 1 is equivalent to only course 100 prior to year 2000



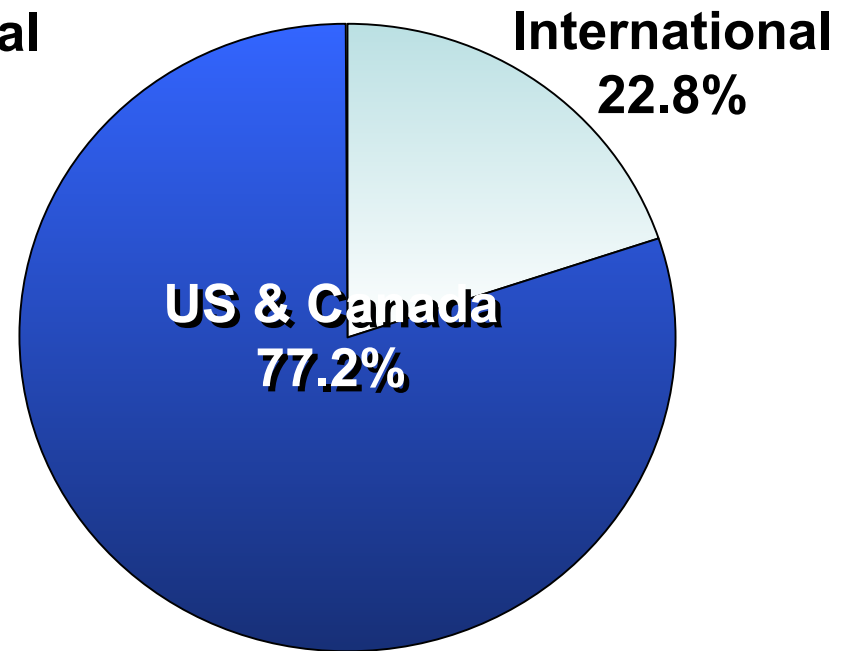
Course 1 Candidates

May 2000



Total = 2,674 Students

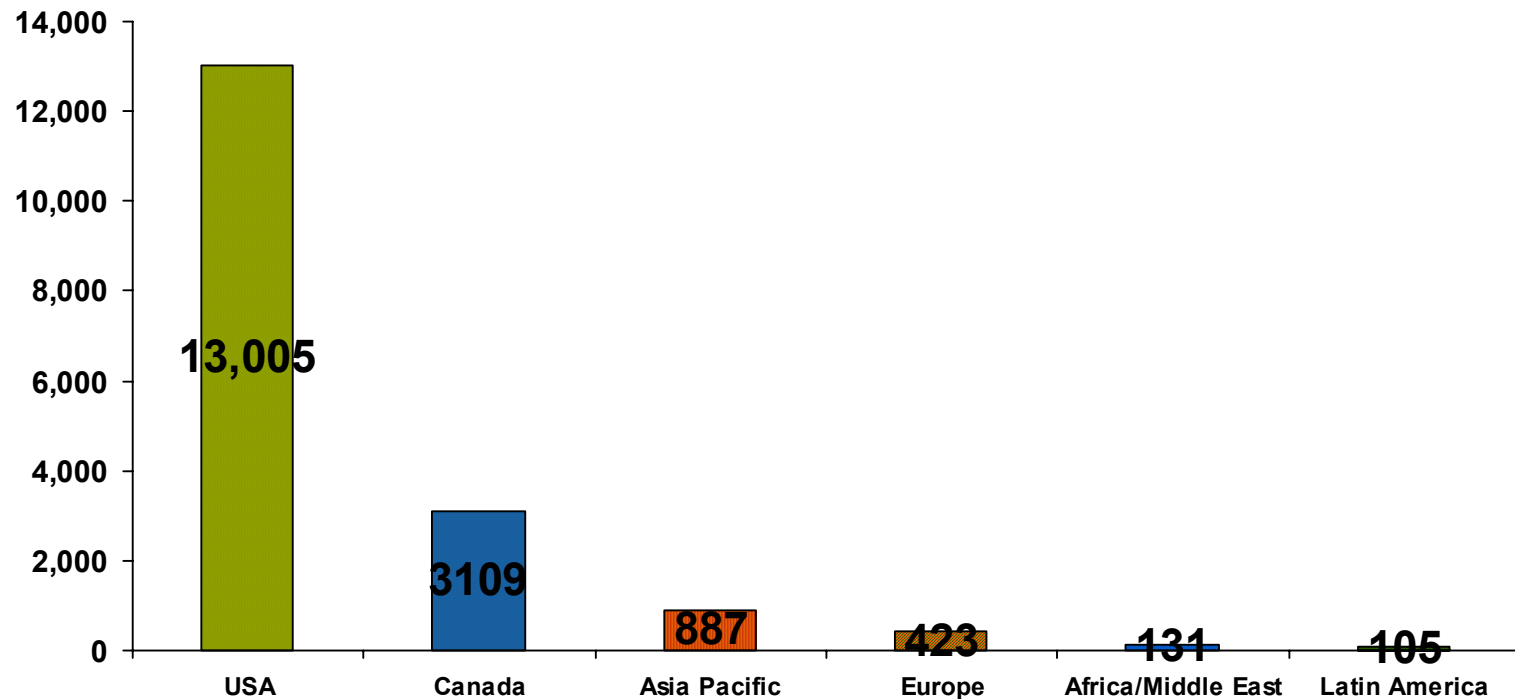
Nov 2003



Total = 5,647 Students



SOA Membership by Region



Source: SOA Membership Database



SOA Key Projects

Education Redesign

■ Process

- Summer 2002 Report to the Membership
- Working and Advisory Group Discussions (September—June 2003) Involved over 100 member volunteers from all disciplines, employer types & practice areas
- BOG Discussion and Approval (June 2003)
- Summer 2003 Report to the Membership
- Member and Candidate Responses to Summer 2003 Report Education objectives



Education Redesign – Why Change So Soon?

- Several flaws in 2000 system identified by BOG.
- SOA market and member research indicated changes needed, particularly regarding relevance.
- Changes are not as big as may be assumed.



Key Changes

- Preliminary exams more efficient, more relevant. Emphasis on core actuarial topics and on new reference material
- Course 5 and parts of Courses 6 and 7 replaced by more efficient and relevant ASA Course and FSA modules
- Nation and practice specific material reintroduced to FSA Courses
- Overview provided on next slide but visit the Education and Examinations page of www.soa.org for full details or contact eq2005@soa.org with your questions.



Education Redesign At a Glance

- **Preliminary Education (PE)**
 - Prerequisites—5 topics
 - Validation by Educational Experience—3 courses
 - Examination—4 exams
- **Fundamentals of Actuarial Practice**
 - Interactive Modules—8 modules
 - Exercises—1-6 per module
 - Examinations—2 exams
 - APC to continue
- **FSA Education**
 - Interactive Modules—4 or more
 - Examinations—2 per each of 5 practice areas
 - Capstone seminar
 - FAC



Recent Board Actions—E&E

- Allowed for flexibility in the route to ASA
- Approved plan to expand opportunities for Fellows of other organizations to become FSAs
- Risk Management Section created
- Created Enterprise Risk Management Track for Course 8; to be offered as one of two options within the Course 8 Finance exam starting in November 2004.



Recent Board Actions—Other

- Publications analysis completed
- Governance audit recommendations approved
- Strategic plan updated based on results of member and market research
- Outcome measures discussed
- Taxation Section approved



Ongoing Board Activity

- Discussions on international strategy
- Implementation of governance audit recommendations
- Evolution of strategic plan, including measurements of success
- Identification and discussion of mega issues (i.e. barriers to success for the SOA and the professions)



Emerging Issues for the Entire Profession

- Professional Liability
- Crisis of Confidence (financial professionals)
- Volatile Environment/Markets
- “Business Savvy” of the Profession
 - Communication
 - Attitude toward change
 - Relevance



Emerging Issues—Profession wide

Professional Liability

- Rise in malpractice claims against actuaries and the very litigious environment has the potential to create real problems for actuarial professionals.
- Joint U.S. profession-wide TF is addressing this issue.



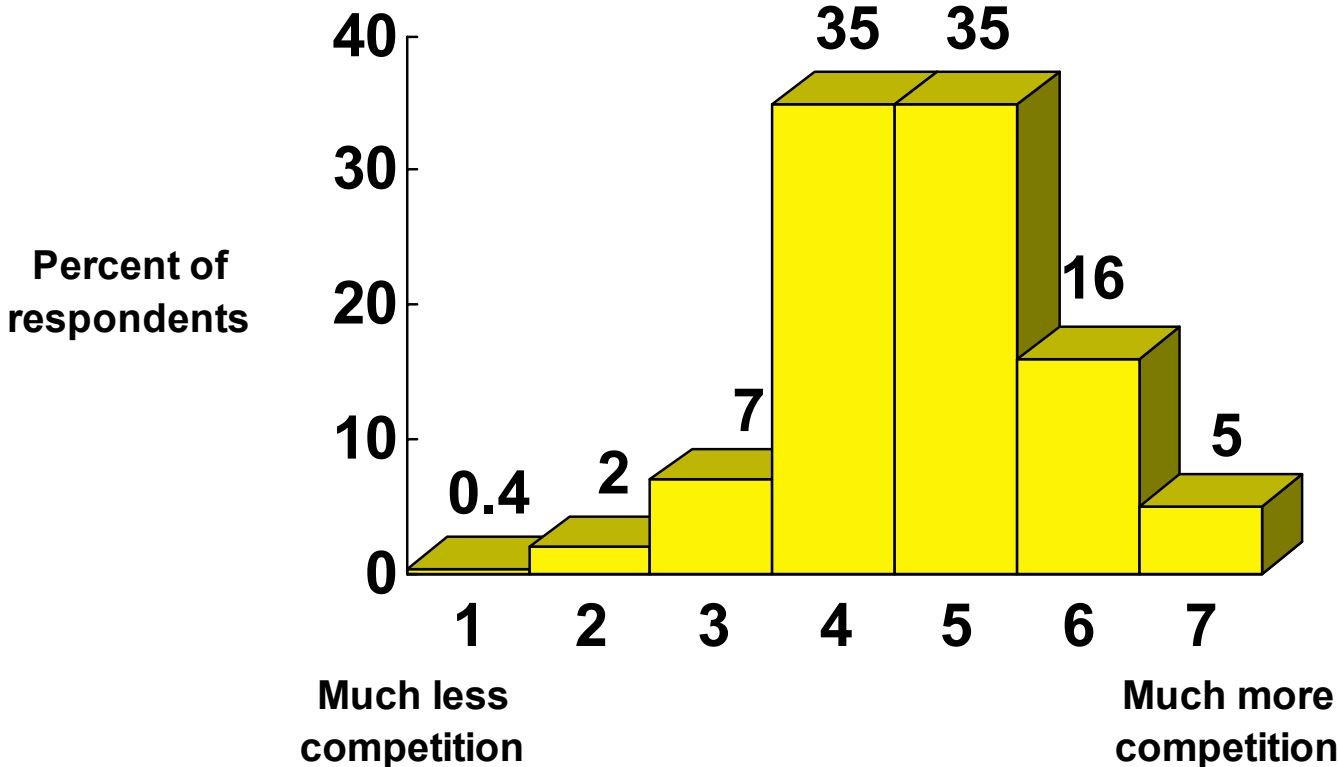
Emerging Issues – Profession wide

Crisis of Confidence (in financial professionals)

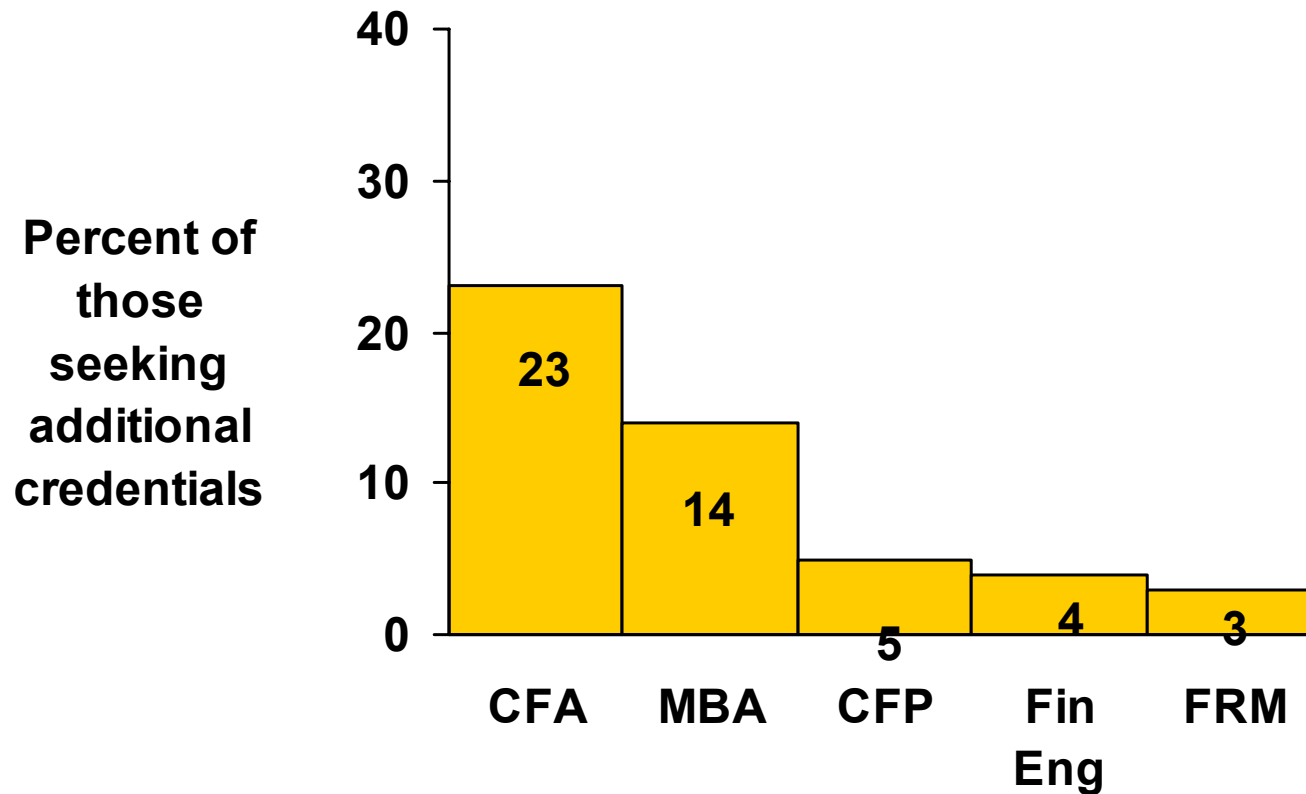
- Insurance company share price declines
- Pensions underfunding due to share price declines
- Peer review and independence of the actuary providing opinions is a major topic everywhere.
- Are other professions better equipped?



More or Less Competition from Related Professions?



Credentials Members Pursue Today



Emerging Issues – Profession wide

Actuaries in Today's Volatile Environment

- Understanding the impact of the risk of:
 - Terrorism
 - Stock Market Declines
 - Low Interest Rates
 - SARS-like outbreaksetc.

- Are actuaries equipped to analyze and communicate the impact of these risks?



Skills Findings: Current Performance of Actuaries

Employers' rating of Actuaries Skills	
Highest Performance Rating	<ul style="list-style-type: none">▪ Ethical▪ Quantitative (Modeling)▪ Solving Complex Problems▪ Financial Assessment and Reporting
Lowest Performance Rating	<ul style="list-style-type: none">▪ Bold, Takes Informed Risks▪ Business Communications Skills▪ Proactive▪ Can Focus on Big Picture▪ Business Acumen



Emerging Issues – Profession wide

Communication

- Market has identified need for improved communication from actuaries
- Effectiveness—of our entire profession—is dependent on our addressing this issue
- We must, as a profession, communicate our knowledge clearly in a way that our customers (employers, govt., etc.) understand.



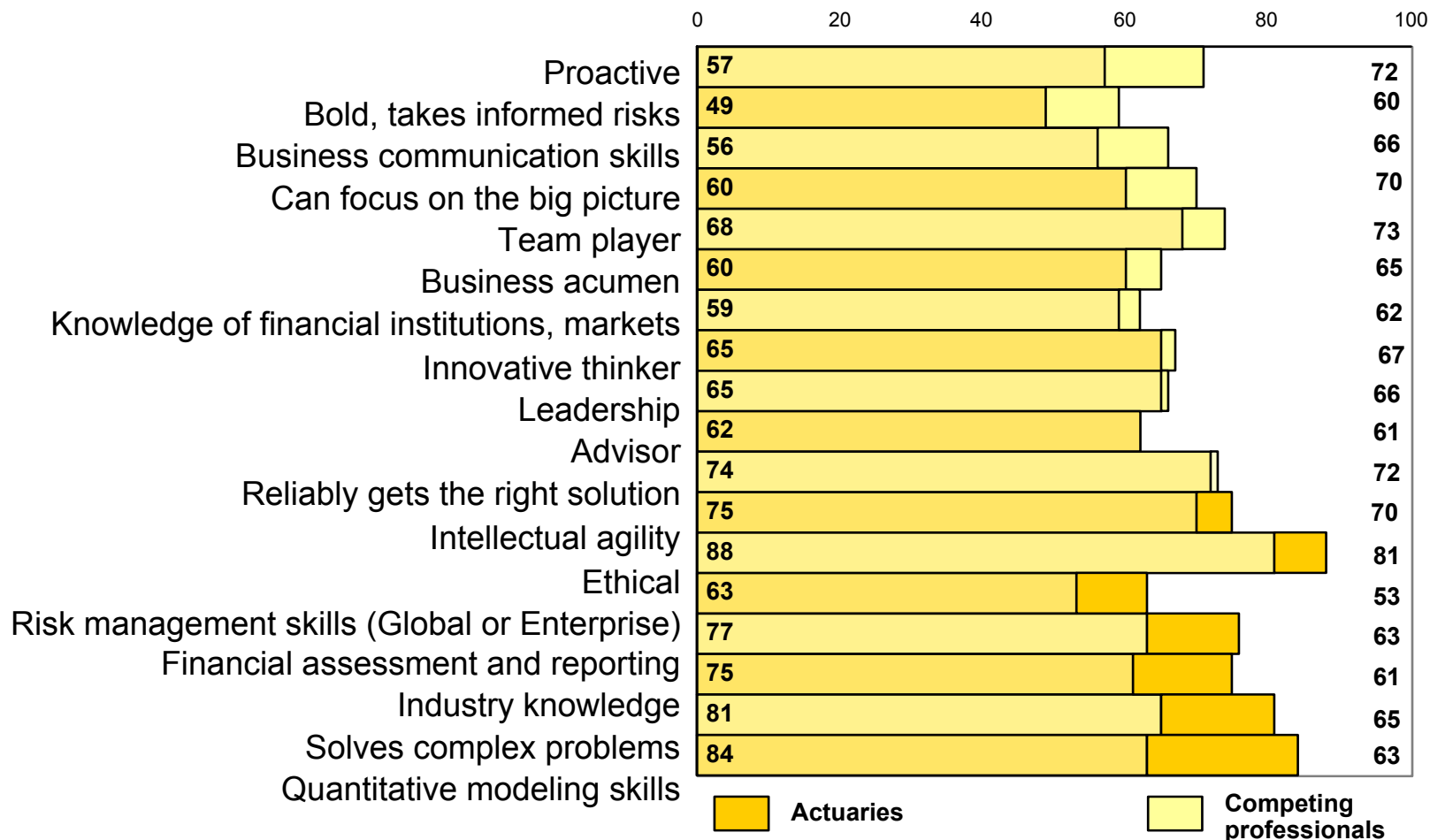
Emerging Issues – Profession wide

Attitude toward change

- Finding the right blend between change and the status quo. Some don't want changes because “*we do it best*” and others want to encourage change because “*what we are doing today can be improved.*”
- Apathy amongst actuaries who are personally comfortable.



Traditional Employer Ratings of Performance: Actuaries vs. Competing Professionals



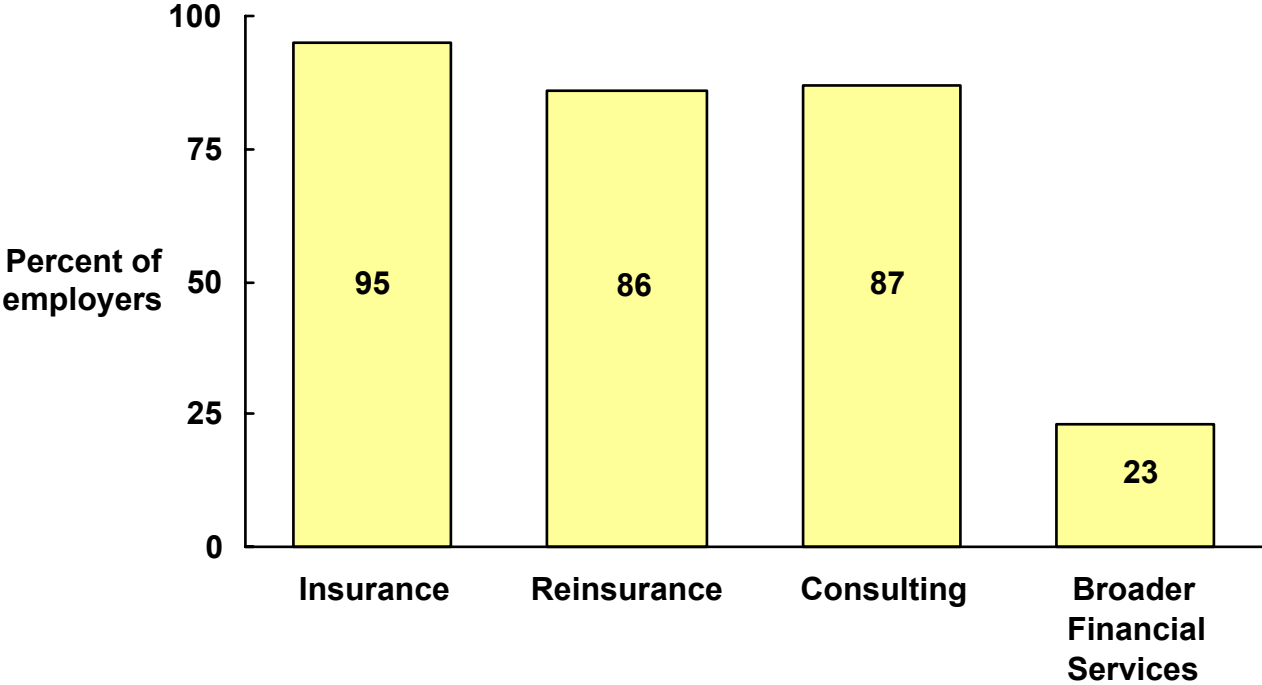
Emerging Issues—Profession wide

Relevance

- Our traditional areas of expertise are diminishing in importance.
- We have not expanded sufficiently into new areas and new applications.
- Unless we adapt rapidly and effectively, our relevance is gravely threatened.



Employers Who Consider an SOA Credential When Hiring



Key Decisions made by Board

- Do we enter Broader Financial Services? **YES**
- Should we expand in traditional markets? **YES**
- How should the current value of the actuarial skill set and the actuary be enhanced?
 - Image
 - Skills**BOTH**
- What, if any, other credential and/or education should SOA seek to offer? **To Be Explored**



Overall Message—Entire Profession

- Profession needs to be vigilant about both threats and opportunities.
- The volatile world needs the skills that we provide. And we have strengths to leverage.
- We must communicate well or we won't influence.
- We must adapt to remain relevant!



Issues in our Environments

- We operate as a profession in several different environments today:
- Pension Consulting
- Health Insurance and Consulting
- Life Insurance and Reinsurance
- Financial and Risk Management



Emerging Issues—Environmental

Pensions

- The future of the DB plan.
- Aging populations and their effect on pension plans and their sponsors.
- Continued uncertainty from regulators (US) about funding of DB plans.



Issues for the Actuarial Profession

—Pension Practice

- Financial economics impact on actuarial practice—growing debate
- Shrinking opportunities for pension actuaries in light of decline of DB plan



Emerging Issues—Environmental

Health

- Healthcare affordability
 - implications on related issues such as healthcare reform, the number of uninsured, product development innovations, etc.
- The new Medicare legislation
 - including coverage for prescription drugs for seniors, changes in provider payment rates, implications for medical savings accounts, etc.
- Healthcare variability—extent of and reasons for differences in costs, treatments, etc.



Issues for the Actuarial Profession —Health Practice

- Increasing actuarial input into the public knowledge base on health care issues
 - additionally promote actuarial involvement in public policy debates.
- In U.S., SOA and AAA are working jointly with other groups that have influence on Capitol Hill.
- In Canada, CIA is lobbying actively to get a government health actuary



Emerging Issues—Environmental

Life Insurance

- Attractiveness of some major life insurance product types.
- Threat to tax advantage of life/annuity products.
 - Potential elimination of capital gains tax on competing asset accumulation products.
- Variations in accounting, tax and regulatory requirements among jurisdictions.
 - Ensuing impediments to doing business internationally.
- Recovering from impact of low interest rates and equity market decline.



Issues for the Actuarial Profession – Life Practice

- Taking a leadership role in Risk Management.
 - So that low interest rates and market crashes don't have such a severe impact.
 - Life companies produce optimum returns while limiting risk to reasonable levels.
- Maintaining expertise in modeling and data that are relevant to insurance products.
- Continuing to be excellent stewards of the liability side of the balance sheet.



Issues for the Profession

Risk Management

- Growing separate profession (GARP & PRMIA).
- SOA and CAS are working to develop skills.
 - Joint Seminar in July 2003, again in April 2004.
 - Working on Exam Track for ERM, available fall 2004.
- SOA has a TF with 9 subgroups working on many topics—RMTF.
- SOA has a NEW Risk Management Section.
 - Open to all members and non-members.
 - Working on overall SOA strategy for RM.



Overall Message—Areas of Practice

- Pension—We must educate members on the evolution of DB funding and financial economics
- Health—The industry is in crisis and actuaries can help shape the solution
- Life—The role of the actuary needs to evolve and develop...thought leadership is needed.
- Risk Management—”The world is our oyster.”



Governance Audit

- Why? The SOA has not been responding as effectively as needed to issues of concern to the membership.
- Who? Conducted by an outside consulting firm who interviewed a cross-section of stakeholders by phone or in focus groups.
- What? Three overarching issues strategic concern emerged (see next slide).



Governance Audit (con't.)

- The Board of Governors is not focused strategically on responding appropriately to the changing environment facing the profession.
- There is inefficient use of both volunteer and staff resources in an overly-complex organization, and this situation is aggravated by a culture that rewards activity over outcome.
- The focus of the jobs and the amount of time required to undertake the senior volunteer positions in the SOA hierarchy are too onerous to attract leaders who are currently engaged in the industry.



2003 Organizational Results

- Presented preliminary results to the Board at the January 2004 meeting
- Financials included after audit is conducted
- SOA in an extremely strong position from a program standpoint and progressing well toward strategic initiatives
- Plan to publish final results in April issue of *The Actuary*



Additional Information

- SOA Website: www.soa.org
- Contact me at: skellison@soa.org
- SOA Headquarters: 847.706.3500

Thank you!

