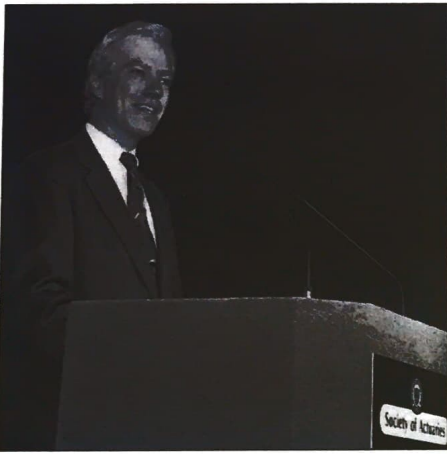


PRESIDENTIAL ADDRESS

Actuarial science Our foundation and our future



by R. Stephen Radcliffe
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Address at Annual Meeting
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As my year as president draws to a close, I would like to reflect on it and share some perspectives with you. It has been a terrific year, and I can't believe it went by so fast.

Serving as president of the Society of Actuaries is a rare privilege, and I sincerely thank all of you for this opportunity. It was a very busy year. Carrying out my responsibilities would have been literally impossible without the support of John O'Connor and his extremely capable staff. We accomplished more than I had hoped this year, but much remains to be done.

International highlights

Most significantly, this was a year of new initiatives for the Society of Actuaries. We witnessed expanding international horizons, involving both educational and professional issues. I had some geography lessons along the way and learned that events from around the globe are going to dramatically affect our thinking.

One highlight this year was successful negotiations with Canada and

Mexico under the NAFTA agreement, which concluded in October in Mexico City. The actuarial profession is one of the first to arrange for international practice among the three countries. The positive relations we have established with the Mexican actuarial profession will benefit each of us.

Actuaries can play a major role in Russia's and other Eastern European countries' conversion to a free market economy.

The highlight of my year was a trip to China, where the Society is doing critically important work. I traveled to Nankai University with Past President Harold Ingraham and Dr. Kailin Tuan, professor emeritus at Temple University. We celebrated the graduation of the second class of actuarial students. More than seven years ago, under the leadership of Harold and Dr. Tuan, we helped Nankai start an actuarial science program, and it has been tremendously successful. We also organized financial support, so Nankai students could afford our exam fees. Their pass ratio has been over 80%, almost twice the pass ratio for all students. We have nine new Associates from this program. Next year, we may have more than 20.

From Nankai University, I went on to Beijing to visit Peoples University and Peking University. Harold and Dr. Tuan went south to visit Hunan, Fudan, and Shanghai universities. These represent the top universities in China. A few have already started actuarial programs, and the others are intensely interested in doing so. The Society now

has new exam centers in Beijing, Tianjin, Changsha, and Shanghai, all in mainland China. More than 50 students will take exams in those centers this year. Our biggest foreign exam centers are in Hong Kong and Taipei, where more than 500 students are taking exams. Clearly, the Society is important to the development of the actuarial profession in China. We are highly respected and much appreciated in that part of the world.

We are also starting an actuarial program with Moscow State University in Russia. This is a joint venture with the British Institute of Actuaries, and it parallels our activity in China. The needs of Russia and other Eastern European countries are comparable to China's. These countries face the tremendous task of converting to a free market economy, and actuaries can play a major role in this conversion. It is important that the Society continue its support of these developing actuarial programs.

The Society of Actuaries is emerging as a global player, a significant and challenging role.

I also traveled to London last November to meet other leaders of the actuarial profession from around the world. A new section of the International Actuarial Association (IAA) will probably emerge from that meeting. This spring, at a follow-up meeting in Orlando, we approved a proposal to form the International Federation of Actuarial Associations (IFAA), which was presented to the IAA Council in September. The council asked that this proposal



The statue of Chou En-lai, former premier of China, outside Nankai University makes an impressive backdrop for visitors President Steve Radcliffe (left) and a visiting lecturer.



Radcliffe and other SOA members involved in the Nankai program visited faculty and students enrolled in the three-year course.

continue to be refined under an expanded steering group. SOA Board Member Paul McCrossan and Past President Walt Rugland are members of this group.

If I contributed one thing during my year, I hope it was to guide our profession toward strengthening its foundation by advancing our science.

The IFAA's purpose is to unite the actuarial profession globally, a position we must achieve if we are to have an impact on the issues of the day. The federation would seek common ground for an international approach to:

- A code of conduct
- A discipline process
- Practice standards
- Basic requirements for actuarial education

Forming this federation won't be easy. Uniting large organizations like the Society of Actuaries, with 16,000 members, with other organizations of fewer than 250 members will be challenging. Furthermore, actuaries are fiercely independent. Finding common ground on these four issues will be difficult. Because all actuarial practice is local, the federation also must accommodate the laws, customs, and practices of actuaries in all regions of the world.

The Society of Actuaries is emerging as a global player, and it is a significant and challenging role to play. One step toward implementing our international agenda is establishing a new ambassador program to connect us more effectively to our foreign members. Under this Board-approved program, Society members will serve as liaisons or ambassadors in a designated country. These ambassadors will then convey the needs and interests of members in that country to the SOA for consideration and action.

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Education and examination overseas

While it's important to recognize our members outside North America as customers, we cannot overlook two other major customer groups. The first is people taking exams. For this group, we have emerged as an international organization, especially for Associate level exams. Out of nearly 300 exam centers, more than 60 are in foreign countries.

Our second customer group consists of those who have passed exams and are now practicing professionals. For this group, we provide continuing education opportunities like this meeting, seminars and symposia, teleconferences, and other educational opportunities. Our publications also are primarily oriented toward the practicing professional.

We try to offer products that appeal to all practicing professionals, but in reality those products and services often address U.S. topics. It has been particularly difficult to serve the Canadian

segment of this customer group. Part of the reason stems from the success of the Canadian Institute of Actuaries (CIA). The CIA has consistently provided high-quality meetings and member support, thus leaving limited opportunities for the SOA to do so. Frankly, we have not tried to serve practicing actuaries in other countries, because we believe such support should be primarily handled in the country of practice. The Society of Actuaries' resources are better utilized internationally on basic education, examination, and research.

This international commitment to education, however, raises other issues. For example, because of income differential, particularly in the Third World and developing countries, we must consider some accommodation of our examination fees. Under the current structure, our exams are simply not affordable in many parts of the world. The Committee on International Relations is studying this problem and will recommend a policy to the Board.

A bigger issue from an international perspective is the need to re-examine the E&E structure. We need to find a way to separate the testing of fundamental actuarial principles from the testing of nation-specific material. Foreign students will not be interested in taking our exams that focus on U.S. and Canadian topics. Raising Associateship from 200 to 300 credits has complicated this issue, because the appeal of the ASA may now be limited for foreign students if the extra 100 credits contain material focused on the U.S. and Canadian systems.

If our profession is to thrive, we must translate our knowledge into a form other industries can understand. Only then will they realize what we have to offer.



A commitment made this year to help develop the actuarial profession in Russia is sealed by a handshake between SOA Immediate Past President Walt Rugland (center) and Professor Stas Ashmanov (right), president of Moscow State University's Financial and Actuarial Center. Professor Gennady Falin (left), vice president of the center, and other SOA representatives, Warren Luckner and Warren Adams, also participated in the discussions that led to two signed agreements in principle.

We also have strong competition from the British Institute of Actuaries in exporting examinations to other countries. The Institute recently restructured its exam series to test only the fundamental core subjects an actuary needs. The continuing education portion of its certification addresses nation-specific subjects, such as legislation, taxation, and accounting rules. This restructuring could ultimately make the Institute's examination process more attractive than ours internationally. We should look at our exams with this in mind.

We formed a task force to review our E&E structure from a fundamental perspective. Its charge is to define and articulate the distinctive competencies actuaries must have for the future. It also will review methods to develop and demonstrate those competencies.

Actuarial science, our foundation

The main theme of my talk is also the theme of this meeting: "Actuarial