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EXECUTIVE SUMMARY

In May 2005, the American Academy of Actuaries launched the Critical Review of the U.S. Actuarial Profession (CRUSAP). A presidential task force was established, and a chairman was appointed; the task force was later expanded to five, and finally to seven, actuaries, including the chairman. The CRUSAP Task Force was aided by a project manager, authorized by the Academy Board of Directors, and complemented by a 30-member Advisory Panel, composed of 18 actuaries and 12 non-actuaries. Intellectual input to the CRUSAP Task Force was provided by the 1,413 responses to the CRUSAP surveys for actuaries and non-actuaries, more than 80 interviews conducted with a broad range of individuals knowledgeable about the profession, and an extensive body of relevant literature, including the Morris Review of the actuarial profession in the United Kingdom.

Foundational to CRUSAP was assessing how well the actuarial profession is positioned to serve the needs of the public. This theme orients and frames the discussions in the review’s six sections: (1) actuarial needs of the public, (2) education and training, (3) ethics and professionalism, (4) oversight and regulation, (5) actuarial communications, and (6) structure of the profession.

Section I. Actuarial Needs of the Public

Introducing the review’s overarching theme, *Actuarial Needs of the Public*, Section I asks: What tasks are actuarial, what does the public really need from actuaries, and who should be included in the term “the public”? The areas of actuarial practice currently occupying most actuaries are generally found in insurance contexts, retirement programs, and health care — sectors in which actuaries focus on pricing, reserving, and forecasting. Users of actuarial services responding to the CRUSAP survey generally recognized the critical role actuaries play within these traditional fields but largely viewed the scope of actuarial activity rather narrowly, defined by their specific actuarial needs. Some actuaries shared this perspective as well, viewing the parameters of actuarial practice as defined by the traditional areas of practice, while others saw the field as defined by a broader view of actuarial science (“the quantification, analysis, and management of future contingent risk and its financial consequences”) and, therefore, as potentially going well beyond these traditional areas.

The review sets forth arguments favoring the expansion of actuarial horizons to encompass additional areas in which actuarial expertise and experience can benefit the public. The business world is rapidly evolving, and it is critical for actuaries to broaden their knowledge base to meet newly emerging professional demands and to gain appropriate recognition. Actuaries have already expanded their activities into such areas as investment research and advising, retirement plan administration, and complex modeling involving future risk. Actuarial health care services now encompass measurement of health problem frequencies and severities, as well as relative efficacies

109 of treatment. The profession is increasingly focusing on enterprise risk management,
110 along with other emerging areas of actuarial practice.

111
112 Potential areas for expansion of the profession include retirement planning for
113 individuals, additional dimensions of health care analysis, further work in the financial
114 sector, as well as tort reform and terrorism risk analysis. There is also the potential for
115 actuarial services to be provided well beyond the traditional actuarial industries and
116 applications, primarily by means of the new actuarial discipline of enterprise risk
117 management. The review concludes that an expansionist view of the parameters of the
118 profession is essential. Failing this, the profession will find itself left behind, with other
119 professions stepping forward to meet actuarial needs as best they can.

120
121 The review considers whether expansion of the profession should be led by the
122 professional organizations or would better be left to individual actuaries. The review
123 concludes that synergy between the two is vital, even if individual actuaries are the first
124 to identify and enter new professional areas. Professional actuarial organizations have a
125 pivotal role to play in expanding the reach of the profession through providing tools,
126 education, and promotional support. Actuaries should be assertive in calling upon their
127 professional organizations to monitor emerging business trends and disseminate this
128 knowledge to the profession.

129
130 The review underscores the importance of the very highest levels of actuarial
131 professionalism to optimally serve the public. Well-honed communication skills are
132 crucial, but only 3 percent of the survey respondents said actuaries communicated “very
133 well.” The review concludes that the professional societies must make continuing
134 technical education available to their members and require them to update their actuarial
135 skills.

136
137 The review notes the potential for conflict between direct users of actuarial work
138 (employers or clients) and indirect users (plan members, insureds, and regulators) and
139 observes that the actuary must be mindful of such possible conflicts. The CRUSAP Task
140 Force believes that actuaries need to consider their responsibility to all the stakeholders,
141 direct and indirect, who rely on their work — a responsibility highlighted in the Code of
142 Professional Conduct (though this does not imply any legal duty in this regard).

143
144 The review explores the question of greater actuarial visibility and contribution to public
145 discussion of social programs and relevant policy issues. While actuarial input in
146 educating the public and advising policy-makers could further recognition of actuarial
147 expertise, it also carries the risk of attribution of bias to the profession and the need for a
148 sophisticated appreciation of the political landscape. The review supports greater
149 actuarial participation in public discussion on relevant social insurance issues and other
150 germane areas, and maintains this would benefit the public. It recommends that
151 individual actuaries be encouraged to gain sufficient knowledge to speak out on major
152 actuarial issues. While not all actuaries would want to engage in such activities, the
153 professional societies should provide the objective factual material necessary for those

154 actuaries so inclined to speak in diverse settings. This will facilitate enlightened public
155 discussion of public policy issues with actuarial elements.

156

157 Section II. Education and Training

158 The review affirms that actuarial professional education and the actuarial examination
159 system are the two cornerstones of the profession. Actuarial basic and continuing
160 education are occurring in a dynamic environment — evidenced by the evolution in
161 capital markets and risk financing, greater volatility in financial markets, increased
162 complexity in product design, and the movement to principles-based supervision. The
163 supply of actuaries in the United States is expanding; the demand for traditional actuarial
164 services is also expanding, but at a somewhat lower rate than the supply. In this dynamic
165 environment, the review argues, the actuarial profession needs to structure its preparation
166 of new actuaries to respond to the emerging challenges, not just traditional ones.

167

168 It is particularly important for actuaries to strengthen their understanding of financial
169 economics, an area in which professionals from diverse backgrounds are increasingly
170 active. Globalization provides both opportunities and challenges for actuaries — leading
171 to increased outsourcing of actuarial services as well as opening new international
172 markets for U.S. actuarial services.

173

174 The review considers the contrasting perspectives on the desired direction for U.S.
175 actuarial education — that actuaries should be educated to meet current market needs vs.
176 the call for educating actuaries for the demands of the future. Proponents of the former
177 approach felt that actuaries need to be prepared to meet traditional actuarial
178 responsibilities — developing rates, performing reserve functions, and providing
179 actuarial statements of opinion. In this view, the current actuarial examination system,
180 with its rigorous testing process, well prepares young actuaries to meet the current
181 demands placed on them. Proponents of the current examination system believe that the
182 present self-study path develops independence and strong self-education skills in aspiring
183 actuaries, enabling them to move into new areas with the persistence and motivation
184 necessary to acquire the needed knowledge.

185

186 While 65 percent of the CRUSAP survey respondents saw basic actuarial education as
187 either good (45 percent) or excellent (20 percent), critiques of the current system include
188 the following: excessive “travel time” to exam completion; need for greater emphasis on
189 practical considerations; too-frequent syllabus changes. Advocates of change in basic
190 actuarial education felt that the current examination system was geared more to the
191 training of actuaries than to their education. With a focus on problem-solving to address
192 narrowly defined issues, the exam system is seen as channeling people to a very
193 specialized skill set, rather than enabling them to develop a more generalized knowledge
194 base and diversity of skills.

195

196 The CRUSAP Task Force considered the role of the university in preparing young men
197 and women for actuarial careers. The review identifies a particular strength of the
198 university lying in its utilizing the expertise of educational professionals in contemporary
199 educational theory to design actuarial education, as well as in expanding the actuarial

200 core knowledge base to reflect broader educational content. Further, university-based
201 actuarial science classes expose students to theoretical issues at the core of actuarial
202 work. This preparation would enable students to address actuarial issues transcending
203 conventional boundaries. The review recognizes that attainment of actuarial competence
204 requires immersion in the specifics of actuarial practice. Some university-based actuarial
205 science programs do provide such opportunities for their students both in classroom work
206 and through internships. It should also be noted that the American Society of Pension
207 Professionals and Actuaries (ASPPA) works with a major university in designing its
208 education and examination procedures.

209
210 The review recommends that the actuarial profession identify and promote actuarial work
211 as a science and charges the actuarial organizations with the responsibility of
212 implementing this effort. The review recommends increasing the use of the university
213 system to educate and perhaps to examine prospective actuaries, if only through basic
214 education and examination. The review proposes including communication skills and
215 ethics training within university-based actuarial education and as part of the examination
216 process. It suggests retaining limited actuarial control over university-based actuarial
217 education, perhaps by means of a university accreditation process and through syllabus
218 and examination approval.

219
220 The review calls upon the boards of the actuarial learned bodies to define and defend the
221 value proposition of fellowship in their organizations — i.e., what characteristics, skills,
222 and core knowledge fellowship in the organization represents. These qualities should
223 reflect the public needs and responsibilities that actuaries of the future would be called
224 upon to fulfill. The identification of these needs would then lay the foundation for the
225 specific design of the educational system.

226
227 The review finds that the current structuring of the syllabus in preparation for the
228 actuarial examinations should be broadened to include expanded use of web-based
229 modules (already undertaken by the Society of Actuaries and the Casualty Actuarial
230 Society), seminars, academic papers or theses, and an on-line university. The current
231 examination process itself should also be redesigned to allow for appropriate testing of
232 such capabilities as model simulation skills.

233
234 Addressing the issue of continuing education, the review notes that 28 percent of the
235 respondents to the CRUSAP survey found the profession's continuing education
236 offerings to be either fair or poor — in contrast to the 14 percent of respondents who
237 found basic actuarial education to be fair or poor. Complaints against the current
238 continuing education process cited its voluntary approach (with some actuarial bodies
239 mandating continuing education requirements, and others not), minimal requirements,
240 inadequate delivery vehicles, and failure to emphasize new developments and ideas.

241
242 The review concludes that actuaries have significant educational needs that are not being
243 met and that to assure ongoing actuarial competency in a dynamic environment, actuaries
244 need to spend an adequate number of hours in professional development. Accordingly,
245 the review recommends that all members of the actuarial profession be required to meet

246 consistent continuing education requirements—with continued active membership in
247 professional actuarial organizations contingent on meeting triennial requirements. The
248 review encourages the use of alternative delivery systems for continuing education and
249 consideration of independent research conducted in the course of actuarial assignments as
250 a qualifying continuing education activity. Additionally, the review recommends
251 “making a home” somewhere within the actuarial profession for all persons doing
252 competent actuarial work. The designations for these individuals would vary according to
253 their level of competence and would be determined on the basis of either specialized
254 exams or other types of qualification.

255 Section III. Ethics and Professionalism

257 The actuarial profession in the United States substantially self-regulates its members’
258 ethical and practice standards in the development and delivery of work products and
259 actuarial opinions. The Code of Professional Conduct (Code), which includes provision
260 for Actuarial Standards of Practice (ASOPs), is the foundation of this effort. The Code,
261 which was adopted in its current uniform state by the five existing U.S.-based actuarial
262 organizations in January 2001, is the primary tool employed in measuring professional
263 responsibility and in helping the Actuarial Board for Counseling and Discipline (ABCD)
264 identify actuarial misconduct.

266 Through its analysis of the CRUSAP survey results, as well as the interviews conducted,
267 the review determines that the Code is highly regarded by U.S. actuaries and is an
268 example of successful collaboration among the country’s actuarial organizations. Survey
269 respondents do express some uncertainty about how the Code is actually applied in the
270 discipline context, and express a desire for public notification of explicit facts relating to
271 violations. Some actuaries fear that divulging specific details of actuarial malpractice
272 might provide guideposts to those wishing to operate within the narrowest margins of
273 professional responsibility. The review notes that actuaries, and others performing
274 actuarial functions, who are not members of any of the actuarial organizations fall outside
275 the requirements of the Code and the ABCD, and recognizes that an advantage of
276 including such individuals within the profession would be that they would thereby be
277 subject to the standards and discipline of the profession.

279 The review observes that ASOPs, currently 42 in number, are designed by the Actuarial
280 Standards Board (ASB) to provide specific guidance on generally accepted actuarial
281 practice. The CRUSAP Task Force addresses the divergent viewpoints on the most
282 appropriate future role for the ASOPs. Should the ASOPs serve as a consensus on
283 generally accepted practice or as a vehicle to raise the bar on acceptable practice? Could
284 the ASOPs serve both purposes simultaneously? Some actuaries think the ASOPs should
285 define “best practice” as contrasted to “generally accepted practice.” This “best practice”
286 approach, others note, would elevate one approach over all others and might dampen the
287 search for alternative approaches. Actuaries also differ in the degree of practical guidance
288 they seek from ASOPs on matters of professional ethics and judgment.

290 The review calls on the profession to accept the nature and value of principles-based
291 standards. The conflict between “generally accepted” and “best practice” should be

292 resolved through practice notes, issue briefs, and task forces, as needed. The profession is
293 challenged to raise the bar of generally accepted practice, while not adding inappropriate
294 liability for professionals doing competent actuarial work.

295
296 The review finds that it is critical for the profession to use the ASOPs, practice notes, and
297 other appropriate resources in a timely manner, in order to incorporate into actuarial
298 practice advances in actuarial science and related professions. Absence of such a rapid
299 response could well weaken the profession in an increasingly competitive marketplace.
300 The review concludes that the actuarial profession should seek the counsel of
301 representatives from other related professions when identifying and developing ASOPs.
302 The ASB, the review further states, should continue to seek outside commentary on the
303 current body of ASOPs and identify a body of subject-specific external advisory panels
304 whose comments would be required as part of the exposure process.

305
306 The review addresses the issue of conflicts of interest faced by practicing actuaries.
307 Actuaries are subject to pressures from their clients seeking to influence their findings,
308 and varied stakeholders often have divergent interests. The review concludes that the
309 actuarial profession should provide more guidance on conflict of interest with which
310 actuaries could counter pressures from their clients, and that it should strengthen actuarial
311 support of Precept 1 of the Code.

312
313 To foster understanding of the nature of actuarial work—with the uncertainty inherent in
314 its practice and its focus on risk—as well as to recognize actuarial professionalism and
315 ethics, the review calls for the actuarial profession to actively engage and partner with
316 other relevant professions, as well as to encourage greater public outreach.

317

318 Section IV. Oversight and Regulation

319 The system of oversight and regulation of actuaries in the United States consists of
320 multiple elements: (1) direct government oversight in the case of enrolled actuaries; (2)
321 indirect oversight by state insurance regulators through their regulation of insurance
322 companies, including review of insurance company reserves and rates; and (3) oversight
323 and discipline provided by the Actuarial Board for Counseling and Discipline and its five
324 participating organizations.

325

326 Enrolled actuaries are the only U.S. actuaries subject to direct government regulation,
327 through the Joint Board for the Enrollment of Actuaries (Joint Board) — the body
328 authorized to accredit EAs to perform services under the Employee Retirement Income
329 Security Act of 1974 (ERISA). The Joint Board, whose five members are appointed by
330 the Secretary of the Treasury and the Secretary of Labor, also conducts disciplinary
331 proceedings.

332

333 Through their reviews of the adequacy of insurer reserves and the rates and supporting
334 loss data in some insurance lines, state insurance regulators provide indirect oversight on
335 actuarial work for insurance companies. The National Association of Insurance
336 Commissioners, in its Actuarial Opinion and Memorandum Regulation, under certain
337 circumstances allows the state regulator to disqualify actuaries providing life insurer

338 reserve opinions from filing future opinions. Similar oversight applies to dividend
339 illustration actuaries. In most areas of actuarial work, however, regulators do not have
340 explicit authority to disqualify actuaries.

341
342 The review observes that regulators have expressed some frustration with their inability
343 to address poor-quality actuarial work, which they may, occasionally, encounter. State
344 regulators rarely use their regulatory authority to disqualify life actuaries from doing
345 reserve opinions. In the case of property/casualty actuaries, regulators rely on the
346 actuarial profession's self-disciplinary process to disqualify an actuary. Regulators are
347 also generally reluctant to submit complaints to the ABCD because of the potentially
348 negative impact on pending litigation or on other aspects of the regulatory process. The
349 review finds that regulators view the oversight and regulation of actuaries as increasingly
350 important in light of the movement to a more principles-based valuation system in the life
351 insurance industry.

352
353 The review concludes that the actuarial profession should expand its outreach to
354 familiarize regulators with the Code and the ASOPs. The review proposes exploring the
355 feasibility of the following legislative or regulatory changes: enable the Joint Board to
356 share confidential information with the ABCD; enable the ABCD to share confidential
357 information with state and federal regulators; and create stronger whistle-blower
358 protections for actuaries and non-actuaries who report violations of actuarial standards,
359 laws, or regulations by others. The review also suggests that consideration be given to
360 whether a federal licensing system would be desirable if Congress enacted optional
361 federal charter legislation.

362
363 The review devotes considerable attention to the role and function of the Actuarial Board
364 for Counseling and Discipline. The ABCD has authority to consider and investigate
365 complaints or other information suggesting possible violation of the Code of
366 Professional Conduct. It may also counsel actuaries concerning their activities, respond to
367 requests for guidance, or mediate to resolve issues. It does not, itself, impose discipline,
368 but rather makes recommendations for disciplinary action to its sponsoring organizations.
369 It has been relatively uncommon for the ABCD to recommend discipline, with most of its
370 cases resolved by means of counseling.

371
372 The review observes that disciplinary actions vary across the different ABCD sponsoring
373 organizations, each of which has its own distinct internal processes. This organizational
374 diversity has occasionally resulted in different disciplinary outcomes for the same
375 infraction. Determination of whether to make the disciplinary information public is left to
376 the membership organizations, with ABCD maintaining the confidentiality of its
377 investigations and deliberations.

378
379 While ABCD has done extensive outreach and education in recent years — publishing
380 case studies and other material — the review finds that awareness of the diverse functions
381 of ABCD appears to be a problem. There is a widespread perception that ABCD is not
382 receiving complaints on many situations involving Code violations. Both regulators and
383 actuaries report a reluctance to file complaints with the ABCD. The review notes that a

384 self-regulatory process cannot be effective if those involved in the process are unaware of
385 problems in the profession and underlines that it is particularly important that the
386 actuarial profession be proactive in identifying violations of the Code. To address this
387 concern, the review calls for considering the development of a system of automatic
388 triggers for review of an actuary's work, such as an insurer insolvency. It also calls for
389 increased follow-up when discipline or counseling has been imposed.

390

391 To strengthen the profession's self-regulatory processes, the review recommends that
392 professional regulation of actuaries should be substantially independent of the national
393 actuarial organizations. It proposes creating a new board that will discipline actuaries on
394 behalf of all the organizations. ABCD, the review suggests, should continue its current
395 role but be renamed to emphasize its counseling and investigation roles. Further, the
396 review recommends that professionals who are not actuaries be given a role in the
397 standards and discipline process through membership on an Actuarial Oversight Board
398 charged with overseeing the Actuarial Standards Board, the ABCD, and the new
399 disciplinary board. These boards would all be composed exclusively of actuaries, except
400 that the oversight and new disciplinary boards would have a significant proportion of
401 non-actuaries.

402

403 The review also calls for joint approval of the board budgets by the presidents and
404 presidents-elect of the sponsoring organizations, and increasing the transparency of the
405 per capita fees supporting the boards by itemizing these charges separately on the dues
406 notices of the participating organizations.

407

408 Section V. Actuarial Communications

409 In considering actuarial communications, the review focuses on several distinct but inter-
410 related areas: communications between actuaries and users of their services,
411 communication activities by the actuarial profession, and visibility of actuaries and the
412 actuarial profession to the general public.

413

414 In the CRUSAP surveys, about 75 percent of the actuarial respondents thought that users
415 of their services have a reasonable or better understanding of the nature of these services,
416 including the uncertainty of actuarial conclusions, while only 55 percent of non-actuaries
417 felt that actuaries do an acceptable or better job of communicating the nature of actuarial
418 work and its inherent limitations. A significant majority of actuaries and non-actuaries
419 interviewed by the Task Force saw a need to improve the communication skills of
420 actuaries in order to better deal with users of their services.

421

422 Communication challenges faced by the actuarial profession include the predisposition of
423 many actuaries to object-oriented rather than people-oriented communications; the
424 limited mathematical skills of many users of actuarial services; and the focus of busy
425 executives on the bottom line of actuarial responses rather than the supporting details and
426 caveats of actuarial work. Further, users of actuarial services often do not have a
427 thorough understanding of actuaries' education, training, professionalism, standards, and
428 discipline procedures. Many users of actuarial services do not realize the constraints
429 placed on actuaries by regulations, accounting requirements, and the potential for

430 litigation. They also often do not comprehend the magnitude of data, assumptions, and
431 effort that may go into producing a single value or range of values.

432
433 The review concludes that actuaries' oral and written communication skills are in need of
434 improvement. Greater communication facility would reduce misunderstandings of
435 actuarial work, lead to increased appreciation of actuarial services, and allow the actuary
436 to better serve the needs of the user. The review proposes that the profession require
437 training or a demonstrated proficiency in oral and written communication skills as a
438 prerequisite for credentialing actuaries. Such competencies could be acquired through
439 courses at academic institutions, actuarial exam syllabus materials, and participation in
440 programs offered by organizations dedicated to training public speakers. Such training
441 could also be made part of an expanded pre-fellowship and/or pre-associateship training
442 program.

443
444 The review calls on the profession to develop and encourage continuing education
445 training in communication skills through such frameworks as the Qualification Standards,
446 through which credit would be allowed for communication training. The review further
447 proposes that continuing education requirements designate a minimum number of hours,
448 periodically, for maintaining and enhancing communication skills.

449
450 Communication efforts by the profession need to better inform users about the form and
451 substance of the profession and, particularly, to educate regulators on actuarial
452 professionalism, standards, and discipline. To enhance user understanding of the actuarial
453 profession, the review proposes development of easy-to-understand brochures on such
454 topics as the uncertainty inherent in actuarial estimates and projections, varied
455 approaches to pension funding, and the responsibilities of the appointed actuary.
456 Designing and organizing instructional seminars for users of specific types of actuarial
457 services, such as insurance company directors and pension plan trustees, could also be an
458 effective means of enhancing understanding of particular aspects of actuarial work.

459
460 The review explores the range and reach of communications the actuarial professional
461 organizations direct at the nation's actuaries. Journals, newsletters, reports, monographs,
462 study guides, manuals, issue briefs, and brochures are but some of the materials produced
463 by the actuarial membership organizations, as well as The Actuarial Foundation, the
464 ASB, the ABCD, and local and regional actuarial clubs and forums. In addition to the
465 large volume of written materials produced and disseminated, many oral presentations are
466 made at meetings, hearings, and interviews. Electronic communications (for example,
467 websites, e-mails, audiocasts, webcasts, CDs, and DVDs) are also widely employed as
468 information-dissemination vehicles.

469
470 The review finds a significant duplication of effort and expense in the volume of actuarial
471 communications currently emanating from the various actuarial organizations, and points
472 out that actuaries typically receive more communications from the profession than they
473 can effectively use. CRUSAP research indicates that many actuaries and non-actuaries
474 are unaware of the profession's current communication activities. Indeed, some CRUSAP
475 survey respondents recommended embarking on communication initiatives that were

476 already underway by the profession. An unanticipated consequence of the profusion of
477 actuarial communications may well be the diminution of the actuarial profession's
478 effectiveness, as users of actuarial services perceive the profession as being unable to
479 speak with a single voice.

480
481 To better utilize the actuarial profession's limited resources, the review recommends that
482 the actuarial organizations develop an effective structure for coordinating communication
483 activities, monitoring the information needs of the public, and establishing priorities. To
484 this end, the review proposes that the profession contract with a communication research
485 firm to study the efficacy of communication activities of the U.S. actuarial organizations.
486 The study's objective would be development of a plan for the implementation of a
487 profession-wide integrated communication program.

488
489 The CRUSAP Task Force considered the question of the appropriateness of
490 communication outreach to the general public — people who do not directly use actuarial
491 services or employ actuaries. Some actuaries feel that the general public does not know
492 or care much about actuaries and that the profession's resources would be better used in
493 targeting direct users of actuarial services. The CRUSAP Task Force believes that the
494 actuarial profession has a responsibility to the general public and that increasing public
495 awareness of the profession would better enable it to respond to the public's needs. To
496 accomplish this, the profession should continue and expand its communication efforts in
497 print and through public presentations to explain actuarial aspects of current national
498 issues, such as Social Security, Medicare, and pension reform.

499
500 To enhance the profession's ability to simultaneously reach diverse audiences and expand
501 public awareness, the review recommends developing a website on behalf of the U.S.
502 actuarial profession. This nonpartisan outreach and communication vehicle would
503 educate and inform users of actuarial services, potential users of these services, and the
504 general public. It would cover a broad array of topics including areas of actuarial
505 expertise; an explanation of actuarial terminology; a description of actuarial
506 professionalism, standards, and discipline; and explanations of national issues having
507 actuarial aspects. The website would describe and link to the relevant areas of the
508 websites established by the actuarial organizations.

509

510 Section VI. Structure of the Profession

511 In attempting to assess the need for change in the actuarial profession to better serve the
512 public, the CRUSAP Task Force believes it both necessary and appropriate to examine
513 the organizational structure of the profession. The review notes the many changes in the
514 organization of the profession over the past century with the creation of actuarial
515 societies and associations, followed by mergers, dissolutions, and the establishment of
516 new entities. The Casualty Actuarial Society was established in 1914, originally to serve
517 the actuarial needs of the new insurance field of workers' compensation. The Society of
518 Actuaries, created in 1949, was itself the product of the merger of the Actuarial Society
519 of America (founded 1889) and the American Institute of Actuaries (founded 1909). In
520 1950, the Conference of Actuaries in Public Practice — now called the Conference of
521 Consulting Actuaries — was established. The American Academy of Actuaries was

522 created in 1965, and the American Society of Pension Actuaries was established in 1966
523 (and in 2004 renamed the American Society of Pension Professionals and Actuaries). The
524 process continues, with the formation in 2004 of the College of Pension Actuaries. After
525 the enactment of ERISA in 1974, enrolled actuaries became part of the actuarial
526 profession. While many enrolled actuaries joined the Academy, more than 200 do not
527 belong to any of the U.S. actuarial organizations.

528

529 The review describes a number of the efforts undertaken since 1975 to streamline the
530 actuarial profession. None of these efforts — initiated by such organizations as the
531 Council of Presidents, the Society of Actuaries, and the Conference of Consulting
532 Actuaries — was successful in effecting real reorganization, although some greater
533 degrees of cooperation and coordination were accomplished, or at least attempted.
534 Tensions of various sorts have been apparent among the diverse U.S. actuarial
535 organizations, while diverse cooperative efforts have developed among them, as well.

536

537 Citing responses to the CRUSAP survey soliciting the views of actuaries on the current
538 structure of the profession, the review notes that 34 percent of the respondents found the
539 current structure an appropriate one, and 54 percent found it inappropriate. Among non-
540 actuaries, 30 percent found the current structure appropriate, and 40 percent found it
541 inappropriate. Interviews conducted by the Task Force addressed the issue of the
542 profession's organizational structure, as well, and found that a majority of the
543 interviewees found the current structure to be inappropriate.

544

545 The reasons given for maintaining the current structure include the following: multiple
546 organizations are needed to serve the diverse needs of the profession, and consolidation
547 might result in specialized needs being ignored; the actuarial profession is too broad and
548 diverse to be consolidated effectively; the rise and continued existence of separate
549 organizations is a function of market forces; the existence of multiple organizations
550 provides competition among the organizations and improves services and effort; the
551 forces opposed to consolidation are too powerful; and the profession would be wasting
552 valuable time, resources, and effort if it were to attempt to consolidate.

553

554 The reasons given for consolidating the profession include the following: the actuarial
555 profession is not large enough to support several different organizations; the number of
556 organizations with overlapping areas of interest dilutes the pool of volunteers for a wide
557 range of professional initiatives; the current organizational structure inhibits effective
558 discipline of members of the actuarial profession; the current structure results in
559 excessive time and effort spent by staff and volunteers in competition and coordination;
560 the existence of multiple organizations represents a significant barrier to globalization of
561 the profession and to presentation of the profession as a science; and the actuarial
562 profession is under assault and needs to strengthen itself.

563

564 In evaluating the appropriate organizational structure for the U.S. actuarial profession, the
565 review concludes that the basic functions of the professional actuarial organizations
566 should encompass the following activities:

567

- 568 • Establishing qualification standards for actuaries
- 569 • Establishing appropriate member standards of conduct
- 570 • Establishing standards of practice for actuarial work
- 571 • Identifying public actuarial needs
- 572 • Administering discipline
- 573 • Educating new actuaries
- 574 • Overseeing and providing continuing education of established actuaries
- 575 • Providing opportunities for professional colloquy
- 576 • Representing the profession before governments, international bodies, and
- 577 other entities
- 578 • Promoting and coordinating research
- 579 • Training actuaries in conventional and new applications of actuarial science
- 580

581 The review notes that the actuarial profession has already taken some steps to reduce the
 582 level of inefficiency generated by the existence of multiple organizations. The Working
 583 Agreement for the Actuarial Profession, signed in 1990 by the five U.S.-based actuarial
 584 organizations and periodically revised, has been an initiative in this direction. However,
 585 the review finds that the Working Agreement does not provide the means necessary to
 586 ensure efficient use of the profession’s financial and human resources and notes that the
 587 Agreement does not include any enforcement provisions.

588
 589 The review observes that virtually all the previous attempts to consolidate the
 590 organizational structure of the actuarial profession have come from the leadership level.
 591 This may be the case because the profession’s leaders were the most acutely aware of the
 592 inefficiencies involved in attempting to coordinate activities among the multiple actuarial
 593 organizations. The review further notes that there has not been a grass-roots effort to
 594 consolidate the profession. The primary outward evidence to members of the
 595 inefficiencies of the current structure may well consist of the multiple dues and meeting
 596 costs that must be paid to several different organizations. This economic cost, however, is
 597 often not borne by the members themselves, since it is often paid by employers of
 598 actuaries. Further, the multiple organizations provide actuaries a number of opportunities
 599 to meet and discuss common interests with their professional peers.

600
 601 After considerable deliberation, the CRUSAP Task Force concludes that it is in the best
 602 interests of the public to consider changes in the structure of the actuarial profession. The
 603 review finds that the current organizational structure of the profession results in a
 604 significant distraction to the profession’s leadership at a time when it is facing
 605 unprecedented challenges in meeting the goal of best serving the public. The current
 606 structure, the CRUSAP Task Force believes, is also an impediment to an effective voice
 607 for the profession in the internationalization of actuarial practice and in maintaining
 608 effective discipline within the profession. The review, therefore, recommends that the
 609 leadership of the actuarial profession hold a convention in 2007 with the purpose of
 610 reviewing the organization and functioning of the profession, and to review the other
 611 recommendations in this report.

612

613 **Recommendations**

614 The key recommendation of the report is that a 2007 convention should be held to review
615 the structure and functioning of the actuarial profession. The convention should also
616 consider the following dozen recommendations, which are addressed in the following
617 sections and set forth in detail in the Recommendations Section of the report:

- 618
- 619 • Adopt “meeting the actuarial needs of the public” as the motto and purpose of
620 the actuarial profession.
- 621
- 622 • Define and defend the field of actuarial science as “the quantification, analysis,
623 and management of future contingent risk and its financial consequences.”
- 624
- 625 • Define and defend the value proposition for Fellowship by the board of directors
626 of each educational organization.
- 627
- 628 • Increase the use of alternative delivery systems to educate and examine
629 prospective actuaries.
- 630
- 631 • Require active members of the actuarial profession to meet consistent
632 continuing education requirements.
- 633
- 634 • Investigate development of a website specifically directed at the users of
635 actuarial services and the general public.
- 636
- 637 • Investigate retaining a firm specializing in professional organization
638 communications to perform a study of the current communication activities of
639 the U.S. actuarial organizations.
- 640
- 641 • In order to meet all the anticipated actuarial needs of the public, make a home
642 somewhere within the actuarial profession for persons doing competent
643 actuarial work who are not currently members of the U.S. actuarial profession.
- 644
- 645 • Explore the feasibility of enacting legislation to protect whistle-blowers,
646 including regulators, and to permit sharing of discipline information, with
647 safeguards.
- 648
- 649 • Encourage individual actuaries to gain sufficient knowledge to speak out on
650 major actuarial issues.
- 651
- 652 • Establish professional regulation of actuaries that is substantially independent of
653 the national actuarial organizations.
- 654
- 655 • Provide for participation in the standards and discipline process by professionals
656 who are not actuaries.
- 657