

RECOMMENDATIONS

PREAMBLE

The overriding goal of this Critical Review of the U.S. Actuarial Profession has been to identify the actuarial needs of the public, determine whether those needs are being met, and propose action to meet any unmet, or undermet, actuarial needs.

Meeting the foregoing public-spirited goal has been a considerable challenge. While the Task Force has generally been able to focus on public actuarial needs, it has also needed to be mindful of other considerations. For example, in order for actuarial needs to be met, the profession must be attractive to current and prospective actuaries. The primary challenge has been, however, within the public focus itself. Merely defining “the public” took a good deal of reflection and discussion, culminating with the conclusion that the term includes all stakeholders in actuarial services, including not just policyholders and clients and regulators but also people who may be unaware of services provided on their behalf, such as beneficiaries and taxpayers under social insurance programs. However, this view on the part of the Task Force does not imply any legal duty to any of the stakeholders beyond those already existing in laws, regulations, or judicial decisions.

An even greater challenge has been the concept of “actuarial needs.” Thoroughly grasping this concept required revisiting, yet again, the definition of “actuary.” A number of questions then arose. What does the public need from the actuary? How should the actuary be educated and trained to meet the actuarial needs of the public? How can the actuary and the public communicate with one another? What ethical and professional standards should apply to the actuary? What degree of oversight and regulation of the actuary is in the public interest, and by whom? Should the structure or operations of the U.S. actuarial profession be changed? Pondering these questions, in the light of the wealth of input that became available to the Task Force, led to discussions and findings and conclusions, all of which are presented in other sections of this report. This all led, in turn, to the Task Force developing recommendations for the profession to ponder and, desirably, to act upon. These recommendations are presented below.

MEETING THE ACTUARIAL NEEDS OF THE PUBLIC

1. Define actuarial science as “the quantification, analysis, and management of future contingent risk and its financial consequences.” Promote actuarial work as a science, which requires adherence to the scientific method while at the same time recognizing and accepting inherent uncertainty and the role of judgment. Fully occupy the field of actuarial science as defined, going well beyond traditional actuarial services for insurance and benefit programs. Promote enterprise risk analysis as an example of quintessential actuarial work and the core of enterprise risk management. Promote the foregoing by means of basic and continuing education and government and public relations efforts.

2. In order to meet all the anticipated needs of the public, make a home somewhere within the actuarial profession for all persons doing competent actuarial work. Establish a general actuarial credential, such as Associate or Actuary, for applicants who pass a series of examinations demonstrating basic understanding of the theory and practice of the various applications of actuarial science. Establish an advanced actuarial credential, such as Fellow, for actuaries who pass a series of examinations demonstrating thorough understanding of an actuarial specialty field. Look to the experience of several of the actuarial organizations with affiliate members, sections, and alternative credentials to find a way to welcome into the broader profession all persons doing competent actuarial work, even if limited or specialized. Require all members of the expanded profession to follow the Code of Professional Conduct and thereby to be subject to the applicable qualification standards and standards of practice.

3. Encourage individual actuaries to gain sufficient knowledge to speak out on actuarial elements of major public issues. One such issue is the long-term financing of the national social insurance programs. Others include pension and tort reform, enterprise risk management, and cost/benefit analysis of legislative proposals. Diversity of opinion need not be discouraged, so long as the opining actuary complies with actuarial science and applicable actuarial standards. Groups of actuaries should be free to express their collective opinions, subject to the stated requirement, but the actuarial professional organizations should restrict themselves to unbiased objective statements concerning actuarial matters.

EDUCATING AND TRAINING ACTUARIES

4. Increase the use of alternative delivery systems to educate and examine prospective actuaries. Build on programs currently underway by the actuarial organizations toward greater use of special interest seminars, and place significantly greater emphasis on design and use of Internet-based actuarial study programs and testing. Introduce business, communication skills, and ethics training within the educational system and as a part of the examination process. Provide alternative routes to membership to enhance professional and academic diversity. Strengthen cooperation, coordination, and integration between actuarial organizations and university-based

actuarial science programs. To further advance research activities, provide examination credit for independent research leading to a juried and published paper. Retain appropriate actuarial control over actuarial education and examination, perhaps by means of an accreditation process for universities and examination approval by a committee of actuaries established for the purpose.

5. Require active members of the actuarial profession to meet consistent continuing education requirements. Make continued active membership in all actuarial organizations contingent upon meeting triennial education requirements. Require a sufficient amount of continuing education, such as 50 hours annually, reflecting the need to remain current in a dynamic professional environment. To support this requirement, implement alternative delivery systems by developing special interest seminars and creating an extensive library of Internet-based education modules allowing just-in-time delivery of materials. Require triennial study of the Code of Professional Conduct, qualification standards, and standards of practice.

6. Define the actuarial value proposition by the board of directors of each actuarial professional organization. Look externally rather than internally. Periodically perform market surveys to evaluate trends in actuarial science, the public needs and the values placed on those needs by the public. With this information, identify characteristics, define actuarial skills, and specify core knowledge that membership should reflect in the future. This value proposition should then lead to specific redesigns of the educational system, including continuing education. Corresponding value propositions for various levels of membership in the actuarial profession should also be reflected in the design of the educational system.

ETHICS AND PROFESSIONALISM

7. Promote profession-wide discussion of actuarial ethics as set forth in Precept 1 of the Code of Professional Conduct. Explore the meaning of “integrity,” “competence,” and “conflict of interest” in terms of the actuary meeting the needs of the public. Discuss, as well, actuaries’ responsibilities when services might be misused to violate the law or when a law is in conflict with actuarial standards.

8. Sponsor research to enhance the ability of the profession to meet the actuarial needs of the public. This research should investigate the best ways to measure and convey uncertainty in actuarial projections, to improve the delivery and understanding of actuarial services, and to enhance the profession’s ability to deliver new and expanded actuarial services. Similar research is done in other sciences and by actuarial organizations in other countries. Encourage actuaries to monitor the outcomes over time of their projections. Adopt as a goal for actuaries to convey uncertainty without undermining justifiable confidence in actuarial estimates.

9. Continue to promote the development and establishment of Actuarial Standards of Practice appropriate for the emerging principles-based regulatory environment. Examine the ways this is done by other professions, balancing the need for flexibility

with the need to provide stakeholders with sufficient confidence. Continue significant support for ongoing dialogue with regulators.

OVERSIGHT AND REGULATION

10. Enhance the ability of the ABCD to identify possible violations of the Code of Professional Conduct. Consider developing a system of automatic triggers for reviewing an actuary's work. Establish a procedure for follow-up where discipline or counseling is imposed. Explore the feasibility of legislative changes to enhance ABCD access to information, including legislation to protect whistle-blowers and to permit information-sharing with federal and state regulators. Consider empowering the ABCD to impose private reprimands. Formalize a process for the ABCD to alert the membership organizations and standard-setting bodies when it sees a pattern of practice that is a concern to the ABCD.

11. Establish a joint disciplinary process for the profession, independent of the individual actuarial organizations. Create a new joint disciplinary body or ad hoc joint committees, to which the ABCD makes disciplinary recommendations. This body should be charged with making disciplinary decisions on behalf of all actuarial organizations, with a right of appeal to the membership organization for any discipline involving suspension or expulsion. Continue the investigation, counseling, guidance, and discipline recommendation roles of the ABCD.

12. Benchmark disciplinary processes for U.S. actuaries against those of other U.S. professions and of actuaries in other countries. Given the findings, identify ways to increase transparency in our disciplinary process, and consider the merits of adding non-actuaries to the ABCD and/or the joint disciplinary body.

13. Provide for participation in the standards and discipline process by professionals who are not actuaries. Appoint an oversight body composed primarily of actuaries but with representation by at least two non-actuarial professionals selected for their particular expertise and understanding of the actuarial profession, with terms of service designed to provide continuity and historical memory.

The process for identifying appropriate nominations could include establishing organizational links with other professional organizations. The responsibilities of the actuarial oversight body would be to advise and oversee the professional regulation boards involved in standard-setting and discipline. These responsibilities would include appointing the members, establishing budgets and activities, suggesting professional issues needing resolution, and periodically reviewing the activities of the standard-setting and disciplinary bodies. Consider whether the sphere of review of the actuarial oversight board should extend to the Code of Conduct and/or qualification standards. The setting of practice standards should continue to be done exclusively by actuaries.

ACTUARIAL COMMUNICATIONS

14. Require training and demonstrated proficiency in communications skills as part of the basic education and qualification of actuaries. Such training and proficiency should include both written and oral skills as they relate to basic communications and to the technical communications for which the actuary bears responsibility. Basic communication skills could be taught by means of specified academic courses. The implementation of the requirements for the technical communication skills would require investigation and planning by the profession. As a natural corollary, continuing education training in communication skills should be developed and encouraged, preferably mandating some minimum number of hours devoted to periodically maintaining and enhancing communications skills.

15. Develop a website specifically directed at the users of actuarial services and the general public. The website should be structured as a user-friendly information resource by and about the U.S. actuarial profession as an entity, without focusing on the individual organizations. Its hallmark should be the provision of information about actuaries, actuarial work products, and the actuarial profession that might be of interest or benefit to the various publics, including direct users of actuarial services. The information should be presented in simple, easy-to-understand language. To be effective, the website should be widely publicized.

16. Retain a firm specializing in professional organization communications to perform a study of the current communication activities of the U.S.-based actuarial professional organizations. Build on existing programs already underway by the actuarial professional organizations. The purpose of the study should be to review the efficacy of individual and combined communication efforts and to compare the actuarial profession's communication vehicles, methods, and effectiveness with those of other professions. As a part of the study, the firm should develop a suggested plan for the implementation of an integrated communication program for the profession to identify, prioritize, and meet the needs of its membership and its various publics. Specific among these needs for the users of actuarial services would be the creation of an appropriate understanding of actuarial work products, the value of those work products, and the uncertainty that attaches to them. The goal should also be to achieve an appreciation of actuarial skills and professionalism, including the profession's standards and discipline procedures. The plan should also focus on how best to develop and convey the image of the U.S. actuarial profession, building on existing programs.

STRUCTURE AND OPERATION OF THE PROFESSION

17. Establish a group (task force, committee, team) specifically charged with reviewing and implementing, where feasible, the recommendations in this report. Maintain active communication (in-person, telephonic, electronic) for the purpose of ensuring progress toward the stated goal. Charge the group with preparing a status report, for distribution to the profession late in 2007, including a plan for continued or

amended activities in 2008, directed at accomplishing any unrealized elements of the goal.

18. Establish a broad-based independent group (task force, committee, convention) charged with reviewing the actions and advising the group proposed in the preceding recommendation. A necessary condition to be a member should be to agree that primary consideration will be given to the actuarial needs of the public, secondary consideration to the needs of the actuarial profession as a whole, and tertiary consideration to the needs of existing organizations. Members of the group should be selected with that necessary condition in mind, and should include at least one person who is not an actuary. This group should issue a report to the profession early in 2008 and should include in that report its recommendations for the future.

19. Establish consolidation of the U.S. actuarial profession as a goal of the profession. Discuss an appropriate and feasible timetable for realization of that goal. Develop short-term goals and plans to improve the functioning of the profession and of the actuarial organizations, consistent with the longer-term goal. The purpose of any consolidation should be to enhance the ability of the profession to meet the actuarial needs of the public.