

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, 81 interviews with a broad range of individuals knowledgeable about the profession, a focus group discussion held with actuarial students, 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 actuarial 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

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

Potential areas for expansion of the profession include retirement planning for individuals, additional dimensions of health care analysis, and further work in the financial sector, as well as tort reform and terrorism risk analysis. There is also the potential for actuarial services to be provided well beyond the traditional actuarial industries and applications, primarily by means of the new actuarial discipline of enterprise risk management. The review concludes that an expansionist view of the perimeter of the profession is essential. Failing this, the profession will find itself left behind, with other professions stepping forward to meet actuarial needs as best they can. Additionally, the review recommends “making a home” somewhere within the actuarial profession for all persons doing competent actuarial work. The designations for these individuals would vary according to their level of competence and would be determined on the basis of either specialized exams or other types of qualification.

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

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

The review notes the potential for conflict between direct users of actuarial work (employers or clients) and other stakeholders (plan members, insureds, and regulators), and observes that the actuary must be mindful of such possible conflicts. The CRUSAP Task Force believes that, while there is no legal duty in this regard, actuaries need to consider the impact of their work on all the stakeholders affected by their work — a responsibility implied by the Code of Professional Conduct.

The review explores the question of greater actuarial visibility and contribution to public discussion of social programs and relevant policy issues. While actuarial input in educating the public and advising policy-makers could further recognition of actuarial expertise, it also carries the risk of attribution of bias to the profession and the need for a sophisticated appreciation of the political landscape. The review supports greater actuarial participation in public discussion on relevant social insurance issues and other germane areas, and maintains this would benefit the public. It recommends that

individual actuaries be encouraged to gain sufficient knowledge to speak out on major actuarial issues. While not all actuaries would want to engage in such activities, the professional organizations should provide the objective factual material necessary for those actuaries so inclined to speak in diverse settings. This will facilitate enlightened public discussion of public policy issues with actuarial elements.

Section II. Education and Training

The review affirms that actuarial professional education and the actuarial examination system are two cornerstones of the profession. Actuarial basic education and continuing education are occurring in a dynamic environment — evidenced by the evolution of risk financing within capital markets, greater accounting emphasis on short-term market volatility, increased complexity in product design, and the global movement to principles-based supervision. In this dynamic environment, the review argues, the actuarial profession needs to structure its preparation of new actuaries to respond to emerging challenges, not just traditional ones.

It is particularly important for actuaries to strengthen their understanding of financial economics, an area in which professionals from diverse backgrounds are increasingly active. The actuarial profession must also embrace international strategies. Globalization of financial services provides both challenges and opportunities for actuaries — leading to increased outsourcing of actuarial services as well as the opening of new international markets for U.S. actuarial services.

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

Sixty-five percent of respondents to the CRUSAP survey saw basic actuarial education as either good (45 percent) or excellent (20 percent). These proponents, however, still critiqued the current system as requiring inordinate “travel time” to exam completion; needing even greater emphasis on practical considerations; and having too-frequent syllabus changes. Advocates of change in basic actuarial education felt that the current examination system is geared more to the technical training of actuaries than to their education. With a focus on problem-solving to address narrowly defined issues, the exam system is seen as channeling people to a very specialized skill set, rather than enabling them to develop a more generalized knowledge base and diversity of skills. Other critiques of the current system include its failure to develop adequate business acumen or communication skills.

The review recommends that the actuarial profession identify and promote actuarial work as a science and charges the actuarial organizations with the responsibility of implementing this effort. To accomplish this objective, all actuarial organizations must become educational institutions. The review recommends rapidly developing alternative delivery systems and increasing the use of the university system to educate and perhaps to examine prospective actuaries, if only through basic education and examination. The review proposes including communication skills, business strategy, and ethics training within the content of actuarial education.

To accomplish its education goals, the review calls upon the boards of the actuarial organizations to define and promote the value proposition of membership in their organizations — i.e., what characteristics, skills and core knowledge membership in the organization represents. These qualities should reflect the public needs and responsibilities that actuaries of the future would be called upon to fulfill. The identification of these needs would then lay the foundation for the specific design of the educational system.

The CRUSAP Task Force considered the role of alternative delivery systems in preparing people for actuarial careers. The educational needs of students and professionals include timeliness of offerings, effectiveness of content, and effectiveness of delivery. The actuarial organizations must begin to understand that they are educational institutions in addition to their professional organization status. Actuarial organizations are beginning to move in this direction. Historically, actuarial education has consisted of a series of periodic written examinations, and several annual seminars and symposiums. These approaches have been successful, but now the growth of the Internet requires a rethinking of the educational strategy. Actuarial organizations need to continue the development of Web content. Online preparation classes for actuarial examinations, webcasts of important meetings or special topics in effective communication, business strategy, and ethics are but a few of the options that will be available. The idea should be to create an entire library of web-based educational modules. Such a library would allow education to be available when the member requires the input (just-in-time application), not on an externally predetermined delivery cycle.

One of the strengths of the actuarial organizations is the commitment of actuaries to design content for future generations. However, the method of testing for content should not be left solely to actuaries. With a view toward becoming more highly focused educational organizations, actuarial organizations must consider and implement newer educational techniques. This means partnering with professional educators. Examination designs incorporating contemporary educational theory should improve testing format, reduce examination costs, enhance educational offerings under a web-based system, and even decrease the travel time, while strengthening the students' understanding and knowledge.

Another component of an alternative delivery system for actuarial education, identified by the Task Force, lies in expanded partnership with universities. Our review cites as particular strengths of the university its capacity to utilize the expertise of professionals

in contemporary educational theory to design actuarial education, as well as expanding the actuarial core knowledge base to reflect broader educational content. Further, university-based actuarial science classes should expose students to theoretical issues at the core of actuarial work. This preparation would enable students to address actuarial issues transcending conventional boundaries. The review recognizes that attainment of actuarial competence requires immersion in the specifics of actuarial practice. Some university-based actuarial science programs do provide such opportunities for their students both in classroom work and through internships. It should also be noted that several of the organizations work with university faculty in designing their education and examination procedures. The review suggests retaining appropriate actuarial control over university-based actuarial education, perhaps by means of a university accreditation process and through syllabus and examination approval.

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

The review concludes that actuaries have significant and expanding educational needs. To assure ongoing actuarial competency in a dynamic environment, actuaries need to spend an adequate number of hours in professional development. Accordingly, the review recommends that all members of the actuarial profession be required to meet consistent continuing education requirements — with continued active membership in professional actuarial organizations contingent on meeting triennial requirements. The review encourages using alternative delivery systems for continuing education and consideration of independent research conducted in the course of actuarial assignments as a qualifying continuing education activity.

Section III. Ethics and Professionalism

The actuarial profession in the United States substantially self-regulates its members' ethical and practice standards in the development and delivery of work products and actuarial opinions. The Code of Professional Conduct (Code) is the foundation of this effort. The Code, which was adopted in its current uniform state by the five existing U.S.-based actuarial organizations in January 2001, is the primary tool for measuring professional responsibility and in helping the Actuarial Board for Counseling and Discipline (ABCD) identify actuarial misconduct.

Through its analysis of the CRUSAP survey results, as well as the interviews conducted, the review determines that the Code is highly regarded by U.S. actuaries and is an example of successful collaboration among the country's actuarial organizations. Survey respondents indicated some uncertainty about how the Code is actually applied in the discipline context, and expressed a desire for public notification of explicit facts relating

to violations. Some actuaries fear that divulging specific details of actuarial malpractice might provide guideposts to those wishing to operate within the narrowest margins of professional responsibility.

The Task Force believes that the benefits of clarifying appropriate behavior through more detailed disclosure of Code infractions appear to outweigh the potential loss of confidentiality in the process. The review notes that actuaries, and others performing actuarial functions, who are not members of any of the actuarial organizations fall outside the requirements of the Code and the authority of the ABCD, and recognizes that an advantage of including such individuals within the profession would be that they would thereby be subject to the standards and discipline of the profession. To address this issue, the Task Force calls for continued effort to request the Joint Board of Enrolled Actuaries to adopt a Code of Conduct, similar to the current Code.

The review observes that Actuarial Standards of Practice (ASOPs), currently 42 in number, are designed by the Actuarial Standards Board (ASB) to provide specific guidance on generally accepted actuarial practice. Actuaries also differ in the degree of practical guidance they seek from ASOPs on matters of professional ethics and judgment. The Task Force further notes the need for a well-defined public process to petition the ASB for consideration of relevant changes in existing standards or creation of new standards.

The review calls on the profession to accept the nature and value of principles-based standards. The conflict between “generally accepted” and “best practice” should be resolved through practice notes, issue briefs, and task forces, as needed. The profession is challenged to raise the bar of generally accepted practice, while not imposing inappropriate liability on professionals doing competent actuarial work.

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

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

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

Section IV. Oversight and Regulation

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

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

Through their reviews of the adequacy of insurer reserves and the rates and supporting loss data in some insurance lines, state insurance regulators provide indirect oversight of actuarial work for insurance companies. The National Association of Insurance Commissioners, in its Actuarial Opinion and Memorandum Regulation, under certain circumstances allows the state regulator to disqualify actuaries providing life insurer reserve opinions from filing future opinions. Similar oversight applies to dividend illustration actuaries. In most areas of actuarial work, however, regulators do not have explicit authority to disqualify actuaries.

The review observes that regulators have expressed some frustration with their inability to address poor-quality actuarial work, which they may, occasionally, encounter. State regulators rarely use their regulatory authority to disqualify life actuaries from doing reserve opinions. In the case of property/casualty actuaries, regulators rely on the actuarial profession's self-disciplinary process to disqualify an actuary. Regulators are also generally reluctant to submit complaints to the Actuarial Board for Counseling and Discipline because of the potentially negative impact on pending litigation or on other aspects of the regulatory process, or possibly because it might involve them in litigation. The review finds that some regulators have viewed the profession's disciplinary processes as increasingly important in light of the movement to a principles-based valuation system, where actuarial judgment is more important and explicit rules are less common. The mandatory external review process proposed for principles-based valuation reflects the effort to develop additional mechanisms for oversight of the valuation actuary in a principles-based system.

While the ABCD has done extensive outreach and education in recent years – publishing case studies and other material – the review finds that awareness of the diverse functions

of the ABCD appears to be a problem. There is a widespread perception that the ABCD is not receiving complaints on many situations involving Code violations. Both regulators and actuaries report a reluctance to file complaints with the ABCD. The review notes that a self-regulatory process cannot be effective if those involved in the process are unaware of problems in the profession and underlines that it is particularly important that the actuarial profession be proactive in identifying violations of the Code. To address this concern, the review calls for considering the development of a system of automatic triggers for review of an actuary's work, such as an insurer insolvency. It also calls for increased follow-up when discipline or counseling has been imposed. The review recommends the creation of a more formal 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.

The review concludes that the actuarial profession should expand its outreach to familiarize regulators with the Code and the operation of the ABCD. The review proposes exploring the feasibility of the following legislative or regulatory changes: enable the Joint Board to share confidential information with the ABCD; enable the ABCD to share confidential information with state and federal regulators; and create stronger whistle-blower protections for actuaries and non-actuaries who report violations of actuarial standards, laws, or regulations by others.

The review devotes considerable attention to the role and function of the Actuarial Board for Counseling and Discipline. The ABCD has authority to consider and investigate complaints or other information suggesting possible violation of the Code of Professional Conduct. It may also counsel actuaries concerning their activities, respond to requests for guidance, or mediate to resolve issues. It does not, itself, impose discipline but rather makes recommendations for disciplinary action to its sponsoring organizations. It has been relatively uncommon for the ABCD to recommend discipline, with most of its cases resolved by means of counseling. The review suggests the actuarial profession consider empowering the ABCD to impose private reprimands. An actuary's acceptance of an ABCD private reprimand would conclude the ABCD inquiry, with the reprimand issued and the member's organization notified of the action. Were the actuary to reject an ABCD-imposed reprimand, the inquiry would be referred to the appropriate disciplinary body.

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

To strengthen the profession's self-regulatory processes, the review recommends that professional regulation of actuaries should be substantially independent of the national actuarial organizations. It proposes creating a new joint body that will discipline actuaries on behalf of the profession, with the right of appeal to the membership organization when

the discipline involves suspension or expulsion. An alternative model would create joint disciplinary committees for each case, rather than a standing committee.

The review also recommends that the U.S. actuarial profession benchmark its disciplinary processes against those of other U.S. professions and of the actuarial profession in other countries, with a particular eye toward (1) increasing the transparency of the process and (2) weighing the merits of including non-actuaries in the membership of the ABCD and/or joint disciplinary body. The review observes that some countries have increased the involvement of non-actuaries in their disciplinary processes in recent years.

Finally, the review recommends that professionals who are not actuaries be given a role in overseeing both the standard-setting and discipline processes through membership on an actuarial oversight body. This panel would be charged with overseeing the Actuarial Standards Board, the ABCD, and the proposed new disciplinary body, and would include at least two non-actuarial professionals, selected for their particular expertise and understanding of the actuarial profession. The non-actuaries might be selected through organizational links established with other professional organizations. In overseeing the professional regulation boards involved in standard setting and discipline, the actuarial oversight body would appoint members, review budgets and activities, and make recommendations on issues needing resolution.

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

Section V. Actuarial Communications

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

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

Communications challenges faced by the actuarial profession include the predisposition of many actuaries to favor object-oriented rather than people-oriented communications; the limited mathematical skills of many users of actuarial services; and the focus of busy executives on the bottom line of actuarial responses rather than the supporting details and caveats of actuarial work. Further, users of actuarial services often do not have a thorough understanding of actuaries' education, training, professionalism, standards, and

discipline procedures. Many users of actuarial services do not realize the constraints placed on actuaries by regulations, accounting requirements, and the potential for litigation. They also often do not comprehend the magnitude of data, assumptions, and effort that may go into producing a single value or range of values.

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

The review calls on the profession to develop and encourage continuing education training in communication skills using such frameworks as the qualification standards, through which credit would be allowed for communication training. The review further proposes that continuing education requirements designate a minimum number of hours, periodically, for maintaining and enhancing communication skills.

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

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

The review finds a significant duplication of effort and expense in the volume of actuarial communications currently emanating from the various actuarial organizations, and points out that actuaries typically receive more communications from the profession than they can effectively use. At the same time, CRUSAP research indicates that many actuaries

and non-actuaries are unaware of the profession's current communications activities. Indeed, some CRUSAP survey respondents recommended embarking on communication initiatives that were already underway by the profession. An unanticipated consequence of the profusion of actuarial communications may well be the diminution of the actuarial profession's effectiveness, as users of actuarial services perceive the profession as being unable to speak with a single voice.

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

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

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

Section VI. Structure of the Profession

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

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

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

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

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

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

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

- Establishing qualification standards for actuaries;
- Establishing appropriate member standards of conduct;
- Establishing standards of practice for actuarial work;
- Identifying public actuarial needs;
- Administering discipline;
- Educating new actuaries;
- Overseeing and providing continuing education of established actuaries;
- Providing opportunities for professional colloquy;
- Representing the profession before governments, international bodies, and other entities;
- Promoting and coordinating research;
- Training actuaries in conventional and new applications of actuarial science.

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

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

After considerable deliberation, the CRUSAP Task Force concludes that it is in the best interests of the public for the actuarial profession to consider changes in its structure. The review finds that the current organization of the profession significantly distracts the profession's leadership at a time when it is facing unprecedented challenges in meeting the goal of best serving the public. The current structure, the CRUSAP Task Force believes, is also an impediment to an effective voice for the profession in the internationalization of actuarial practice and to the maintenance of effective discipline within the profession. The review, therefore, recommends that the leadership of the actuarial profession establish the consolidation of the actuarial profession as a long-term goal.

Recommendations

Pursuant to its objective 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, the CRUSAP Task Force has put forward 19 recommendations for deliberation and response by the U.S. actuarial profession. The recommendations, summarized below, are addressed in the following sections and set forth in detail in the Recommendations section of the report:

- Define actuarial science as “the quantification, analysis, and management of future contingent risk and its financial consequences.”
- 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.
- Encourage individual actuaries to gain sufficient knowledge to speak out on actuarial elements of major public issues.
- Increase the use of alternative delivery systems to educate and examine prospective actuaries.
- Require active members of the actuarial profession to meet consistent continuing education requirements.
- Define the actuarial value proposition by the board of directors of each actuarial professional organization.
- Promote profession-wide discussion of actuarial ethics as set forth in Precept 1 of the Code of Professional Conduct.
- Sponsor research to enhance the ability of the profession to meet the actuarial needs of the public.
- Continue to promote the development and establishment of Actuarial Standards of Practice appropriate for the emerging principles-based regulatory environment.
- Enhance the ability of the ABCD to identify possible violations of the Code of Professional Conduct.
- Establish a joint disciplinary process for the profession, independent of the individual actuarial organizations.
- Benchmark disciplinary processes for U.S. actuaries against those of other U.S. professions and of actuaries in other countries.

- Provide for participation in the standards and discipline process by professionals who are not actuaries.
- Require training and demonstrated proficiency in communications skills as part of the basic education and qualification of actuaries.
- Develop a website specifically directed at the users of actuarial services and the general public.
- Retain a firm specializing in professional organization communications to perform a study of the current communications activities of the U.S.-based actuarial professional organizations.
- Establish a group (task force, committee, team) specifically charged with reviewing and implementing, where feasible, the recommendations in this report.
- Establish a broad-based independent group (task force, committee, convention) charged with reviewing the actions and advising the group proposed in the preceding recommendation.
- Establish consolidation of the U.S. actuarial profession as a goal of the profession.