

*The world is changing, for actuaries as much as for everyone else—
but particularly for actuaries. The world of finance and insurance no longer
looks like the world in which actuaries have thrived and prospered
for more than a century: rewritten rules, new products, different players,
shifting landscape, imposing challenges.*

Under the Micro

The Lessons and

For the past year, seven U.S. actuaries, with the help of the American Academy of Actuaries and a wide array of advisers and consultants, put their profession under the microscope. The members of the Critical Review of the U.S. Actuarial Profession (CRUSAP) Task Force interviewed both actuaries and the users of actuarial services. They consulted members of other professions. They pored over more than 1,400 responses to an exhaustive survey. They dissected the profession's history in the United States, analyzed the issues it faces today, and speculated on what's in store tomorrow. They discussed and argued, read and researched, drafted and redrafted. And now, on time and under budget, they've released a report that summarizes their findings and sets forth their recommendations.

The full report can be read on the group's website, www.crusap.net, and it pretty much speaks for itself. But *Contingencies* asked the seven members of the task force (Chairperson Fred Kilbourne, Bob Collett, Ken Kent, Guy King, Jim Rech, Jack Turnquist, and Terri Vaughan) to step outside that role for a moment and take a look at what they'd been through and what they'd accomplished.

We posed two basic questions. First, what did the CRUSAP experience mean to you personally or professionally? (Did you learn anything from the experience you didn't know before?) Second, if the CRUSAP report is not destined to just take up shelf space, what, in your opinion, should be the next step or steps in moving the CRUSAP recommendations forward? Here is how they responded.

Fred Kilbourne

CRUSAP, for me, was the opportunity to preach to my fellow actuaries the lessons I've learned during nearly a half-century in

the profession. Foremost among these lessons is that the primary purpose of the actuarial profession is to meet the actuarial needs of the public. I believe that if these needs continue to be underserved, it will be fatal to the country.

This bleak prognosis results from the excess of promises over provision, in our public social insurance programs and our private retirement plans and beyond. Unless this situation is soon addressed and reconciled, it will tear us apart as surely as any terrorists' bombs. Actuarial science, as defined in the CRUSAP report, is an essential ingredient of a solution to the problem, as is greater public understanding of the actuarial nature of the problem, which is also addressed in the report.

Happily, the new field of enterprise risk management provides a vehicle whereby actuaries can help resolve the foregoing problem, among others. Driving or even riding in this ERM vehicle will require that the actuarial profession focus on actuarial science in its basic education curriculum, make room within the profession for all qualified persons, and take other steps to enhance public trust in the profession.

I learned another lesson over the course of the CRUSAP project: namely, that even the most splendid of my insights and opinions can occasionally be improved by requirements imposed by the other members of the CRUSAP Task Force and by our attention to suggestions from respondents to our draft reports. This lesson is also reflected in the final report.

My hope for the CRUSAP report is that its recommendations and supporting ideas will be incorporated into the strategic plans of the actuarial organizations, and that the profession will grow and prosper as it gradually but soon meets *all* of the actuarial needs of the public. And that the country will thereby survive.

PROFESSION REFLECT ON THEIR YEAR OF PROFESSIONAL INTROSPECTION.

scope Hopes of

C R U S A P
CRITICAL REVIEW OF THE U.S. ACTUARIAL PROFESSION

Bob Collett

The CRUSAP project thus far has been a positive experience for me. It confirmed that there are very many actuaries out there who care deeply about their profession and who believe strongly that there are significant contributions the profession can make to society. We received so much insightful, constructive input along the way. I also was impressed by the wisdom of the members of the task force and their willingness to donate much time to the process. I learned at the same time that our several constituencies hold many different opinions, and these differing opinions are not easily reconciled.

The next step is obvious. The leaders of the profession need to follow through and call the convention recommended by the task force. If we do this step, then some good things are likely to happen. No convention will surely mean that the report will gather dust on a shelf in a back room.

Ken Kent

It was an interesting process and a lot of hard work. Working with the task force members was rewarding because they're bright, hardworking, diligent folks. I'm glad and honored that I had an opportunity to be part of it. I hope the organizations will look even further than the recommendations and address and discuss some of the other issues that are identified throughout the report. After all, they're very much a reflection of the survey responses and interviews conducted and referenced in the drafting of the report.

But what I consider the most important value of this report is its support of a continued effort among the organizations about

the relevance and importance of the actuarial profession in meeting society's understanding and management of financial risks. It's in that context that I place the CRUSAP report.

The next step is for the profession to address some of the recommendations that already have a high degree of consensus. Some are obvious and offer the profession the opportunity to define a unified direction. Some recommendations will help the profession to either better appreciate the diversity among the organizations or realize how to make the actuarial organizations speak with one voice.

Others are not so obvious. The area of college- or university-based education vs. exam-based education, for example, elicits



The CRUSAP Task Force, left to right: Ken Kent, Guy King, Terri Vaughan, Fred Kilbourne, Jack Turnquist, Bob Collett, Jim Rech

varying views and opinions. Another example is whether actuarial standards of practice should reflect generally accepted or best practice. These are areas in which the diversity of opinion, among the members of the task force and survey respondents, was great. They represent areas in which the profession is going to have to dig in and decide a direction.

Guy King

I learned two important lessons from my participation in the CRUSAP Task Force. First, I learned of the distinguished history of the actuarial profession in the United States. In order to understand how and why the organizational structure of the profession had changed over the years, I had to review the literature documenting both the long-term and the more current history of U.S. actuaries. I also had to talk with many of our leaders who had been involved in recent efforts to restructure the profession. I learned that the actuaries who have led the U.S. profession over the years were, and are, not just competent technicians but men and women of great energy, vision, and integrity. The recent and current leaders I've talked to have impressed me with their concern for the future of the profession and its ability to serve the public.

Second, with regard to the organizational structure of the actuarial profession, I came onto the task force thinking that the current structure was just fine. After doing the research and the interviews, I came to the conclusion that, despite all the difficult politics and the time and effort involved in reorganization, the profession needs to be restructured in order to position it to meet the needs of the public in the 21st century. The profession has been restructured and consolidated many times in its history. More recent attempts (of which there have been quite a few) have been largely unsuccessful. Nevertheless, each of the recent attempts to consolidate have resulted in greater unity. I feel confident that, whatever the leaders of the profession decide to do in response to the CRUSAP report, good things will result from their efforts.

Jim Rech

As a result of my work with CRUSAP, the concept that one must think globally but act locally has never been more apparent. Global concerns and issues, such as the Morris Review, will have an impact on us in the Americas.

As the various stakeholders take a fresh look at the insurance industry under principles-based regulation, new issues are developing in risk management, corporate governance, and ethics. This will result in greater scrutiny of the actuarial profession and put the profession's very reputation at risk. To be able to meet the needs of the public, all of our actuarial organizations need to take a long, hard look at the education, professional practices, communication, and ethics commitment for actuaries.

CRUSAP is just the first step in this journey. The actuarial organizations must work more closely together. Our profession must develop clearer strategies, united across practice areas.

Leadership must be forward thinking. Goals and objectives for actuarial education must be developed to prepare future actuaries for new skills. In a competitive environment, new approaches to education are essential: university courses, seminars, online courses, etc., must form essential components of educational delivery. But we also want to develop more timely educational delivery systems in which education is placed with the actuary according to need, not under some rigid system where education is generic and often unusable.

We want greater diversification in thought. While the actuary should have a solid base in mathematics, we also want to emphasize game theory, economics, finance, marketing, behavioral management, and general business skills. Our organizations need to emphasize adaptability, not rigidity; diversification, not homogeneity; professional education, not training; and professional inquisitiveness, not arrogance.

Jack Turnquist

Although I've been an actuary for many years, I find that I'm continually learning new things about actuaries, the actuarial profession, and the public's perception and understanding of both. My CRUSAP experience provided a broadening and acceleration of this learning process.

A review of the responses contained in the 1,400-plus surveys from both actuaries and non-actuaries was an education in itself. While the diversity of views on a number of the issues was to be expected, the reasoning and support for these views proved invaluable. What was particularly impressive was the pervasive theme underlying these responses attesting to the professionalism, integrity, and competence of actuaries.

In the course of the project, I had the opportunity to interview a number of the leaders of the actuarial profession and prominent users of actuarial services. While I'd known and respected these individuals for years, I'd never sought their views on the actuarial profession and how it could best serve the actuarial needs of the public. Their views proved to be insightful and of great value to our project, and they added a new dimension to my perception of these individuals.

While most of my professional activities have been in the area of professionalism, the CRUSAP experience forced a deeper exploration and understanding of other important areas: the many challenges facing the profession, the differing actuarial needs of the various publics served, changes needed in the education and training of actuaries, and the efficacy and perception of the internal and external regulation of the profession. This learning experience resulted in my having an even greater understanding and appreciation of the actuarial profession.

It's now up to the leaders of our profession to give serious consideration to the analyses and conclusions in the CRUSAP report and to act promptly and in a unified manner on its recommendations if the profession is to continue to advance and meet the actuarial needs of the public.

Terri Vaughan


CRUSAP was a wonderful opportunity to brainstorm about the issues facing the profession with some very bright and thoughtful people, both actuaries and others. The task force discussions were always thought-provoking, so, while it has been a fair amount of work, it has also been a lot of fun.

As for what I learned about the issues facing the profession, I have a new respect for the challenges we face. The world in general is getting more quantitative, and there are other professionals skilled in various aspects of risk assessment. This increases the competition for our services and makes it particularly important that we keep up with developments in other areas, such as finance, financial economics, and statistics. In order to do that, actuaries need to have a strong foundation in the basic theory upon which these developments build. This has implications for the educational system, both basic and continuing education.


It also increases the importance of the structures that support professionalism—the Code of Conduct and the disciplinary processes. It is important that these be credible, because that's one way we distinguish ourselves from other professionals.

The CRUSAP draft report recommends that the multiple actuarial organizations hold a convention in 2007 to consider its various recommendations. This is clearly the important next step following completion of the report. There is a lot being done to respond to the challenges we face. Unfortunately, we don't always know what is happening in other groups. Coordination would be helpful, not only in terms of efficiencies and avoiding duplicate efforts, but also to promote a consistent message and vision when that makes sense.

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