

**Remarks of 2012 Academy President Dave Sandberg
American Academy of Actuaries Annual Meeting
October 24, 2011**

Good afternoon colleagues, family and Academy and CCA members. I am honored to stand before you today as the 47th president of the American Academy of Actuaries. I am also humbled, partly because my wife has astutely pointed out that this speech is doomed to fail. I come from Lake Wobegone and thus have nothing really funny to say to you today. But nonetheless, I am still appreciative of the willing support of my talented wife and cherished partner, Cindy, as well as the time generously donated by my employer Allianz Life as I undertake these challenging duties. As a profession we are well respected and valued in the public and the private sector. But, we can do more to realize our professional vision and mission. Thus, I hope that you, like me, did not become an actuary in order to become complacent!

In the US and abroad, we see a great concern over the uncertainty of the long-run sustainability of financial security systems, in the private and public sector. What is too often missing from the public debate is the communication of the knowledge and professionalism needed to design shared sacrifice that results in greater social good and better outcomes. We often hear of the invisible hand in terms of economic self-interest. But many fear that there is no guiding hand to ensure financial security. I ask, "How can we more effectively and efficiently address this significant gap?" The gap between what the public and our political leaders may fear or be unwilling to implement, and what actuaries, with our professional skills and experience, know is possible for the long-run sustainability of pooled risk?"

Today, I will be given a gavel. A good friend of mine told me recently that ERM has become the hammer that I apply to every nail (problem) I encounter. This is mostly true, but it's not because ERM is "the answer." It is, more significantly, a sound set of management questions and conversations to communicate and create a culture of risk management around a common vision or objective.

While most of us certainly are paid to provide the right answers, we are successful as a profession because—historically—we recommended the kinds of questions to be asked. Our future success depends on our continuing to question how, today, we can better prepare for tomorrow.

A few years ago, a group of actuaries at a meeting went to see Uncle Vanya, a Chekhov play. Elena, exclaims of someone (acting so very much like an actuary):

My dear, he is a man of genius. Do you know what that means? It means he is brave, profound, and of clear insight. He plants a tree and his mind travels a thousand years into the future, and he sees visions of the happiness of the human race. People like him are rare and should be loved.

It was obvious to some of us in the audience that this was a prophetic, 100 year old, shout out about actuaries from Chekhov:

Choosing powerful, effective, questions is like planting trees. It allows our gaze to travel into the future. Questions like these are rare and should be cherished.

In my own participation in private insurance and in public policy issues, I have concluded that there are four questions worthy of our gaze as actuaries.

1. How much is needed to fund a promise?
2. How can management of the promise be reported to all stakeholders?

—These first two questions often result in rules and calculations (and what we often get paid to do). The next two are more focused on processes and feedback to ensure both comprehension and the ability to manage and address future risk and change.

3. What promises can and should be sold?
4. How and by whom should society offer and regulate promises?

—These two questions are value-added opportunities for our profession; but, they require the learning, use, and application of the soft skills of discernment and inclusive dialogue.

The Academy has been a great avenue for my development of these soft skills. The Academy's engagement with public policy and professionalism issues has been our most effective professional forum to develop these soft skills.

Interestingly enough, at a recent meeting of the leadership of the eight actuarial organizations in the U.S., Canada, and Mexico, every one of the organizations identified the need for more "soft skills" within our profession to add to the value of our professional brand. These skills include the ability to frame both the problem (i.e. What is the question?—As well exemplified by Billy Beane in Moneyball) as well as to provide a solution, to talk clearly to non-actuaries, and to build a stronger community within our own profession.

Brad Smith, SOA President, recently critiqued our lack of soft skills as a profession. He then challenged and asked us, "How can we make our profession more effective and efficient in public, non-actuarial circles?" This is a worthy question. Asking it can and should lead to a more productive and visible role for the actuarial profession. Are we willing to question ourselves and to assess our own accountability to communicate more effectively so that politicians, the public, and corporations can better assess themselves through the actuarial risk control cycle process to manage the risks of the future?

During my term as President, my focus will be on strengthening our ability as a profession to ask effective questions and, as a result, be empowered to provide better answers.

These questions include:

1. What is the appropriate governance structure for the Academy (and the profession)? I have begun the first step to apply ERM to manage the risks and opportunities of our profession, with my focus being on the M. While ERM

traditionally has focused on the R (metrics and processes to manage financial risk), the ERM process itself is equally robust to manage an organization's mission and objectives. The Academy board will oversee this year how to apply the concepts of ERM to manage and assess the work of the practice councils and to the execution of its strategic plan. ERM is not just a practice for actuaries to recommend to their firms and clients. It should also be part of how we manage ourselves to improve transparency and accountability.

2. What value does the Academy provide to its members? Much of the value often occurs behind the scenes as experts speaking to regulatory experts, as occurred for Health Care Reform. But our traditional efforts to share this success with members have not succeeded. What if we empowered our members to speak more succinctly, both publicly and privately, to the essential elements needed for a pooled risk system—whether for private and public pensions, health care, insurance, or other guaranteed programs? We don't need to rely on just a dozen or so experts in these topic areas. I want the Academy to empower our members with concise statements and understanding of the core actuarial issues.
3. Are we prepared to address the future? The future holds two looming challenges: health care and retirement care. Our success in framing the right questions will flow from using our skills to build and maintain sustainable programs of pooled risk. I will be asking what questions can be posed of a pooled risk system so that we don't have to worry about the sustainability of these essential promises for future generations?

As President, I want a dialogue. To ensure we—all of us, not just organizational and/or corporate leadership—ask better questions. And to ensure we apply the best of our actuarial talent, unique skills and experience to thus provide better answers in service to the public interest. I welcome your feedback and input.

I look forward to working with each of you, and thank you for the opportunity to lead our profession as we explore these questions.

Thank you.