

EDITORIAL

I greatly appreciate the invitation to write a guest editorial for the *ASTIN BULLETIN*. To my knowledge, the Casualty Actuarial Society and *ASTIN* are the only two actuarial organizations in the world which are solely devoted to the study of property and casualty insurance. The goals of the Casualty Actuarial Society are to educate those interested in learning property and casualty actuarial science, to qualify individuals to practice as property and casualty actuaries, to encourage research and expand the actuarial science, and to maintain the professionalism of our members including disciplining those who fail to live up to professional standards. There is thus a commonality of interest between the Casualty Actuarial Society and *ASTIN*, which concentrates on providing a forum for exchange of ideas and research papers devoted to expanding the property/casualty actuarial science.

I found it interesting that in an issue of the *ASTIN BULLETIN* earlier this year, Jean Lemaire devoted his editorial to lamenting the lack of sufficient practical research papers being published in the *ASTIN BULLETIN*. In my last Presidential column for the *Actuarial Review*, the newsletter of the Casualty Actuarial Society, I, too, devoted the entire article to expressing some concern on the subject of actuarial research. In the case of the Casualty Actuarial Society, my concerns were over the shortage of published research papers and, in particular, the lack of sufficient theoretical research being conducted and/or published in North America. I suggested that actuaries are indeed conducting much research as part of their day-to-day employment activities but that their extensive responsibilities and the proprietary information contained in their in-house research greatly inhibited their taking the time to convert their research into publishable form. I suspect that this is a contributing problem to an insufficiency of published research papers throughout the world.

The vast majority of our approximately 1200 Casualty Actuarial Society members reside in either the United States or Canada. We do, however, have a small, illustrious and growing number who reside in other parts of the world. It is, therefore, not surprising that, due to the size of the insurance market and the greater availability and volume of data in North America that members of the Casualty Actuarial Society have tended to lean towards applied rather than theoretical research. On the other hand, actuaries in much of the rest of the world have had to deal with a relative dearth of premium and loss experience and have thus been forced to place a greater weight on theoretical approaches to solving their insurance problems. I would suggest, however, that the differences between actuarial conditions in different parts of the world are more apparent than real. Actuaries everywhere are faced with the need to predict the future occurrence and cost of insured events. No set of theoretical models or volume of data, no matter how large, will ever allow us to devise a foolproof method for predicting the future. What we, therefore, need are a series of ever-changing mathematical models and as much relevant historical data as possible to gain insight into the

likely future scenarios. At the same time, we must recognize that those scenarios are only estimates, and we must have a mechanism for advising the users of those estimates of the likelihood and accuracy they can expect from these estimates.

Actuaries in the United States and Canada have the advantage of a sizable market and a regulatory structure which requires the collection and dissemination of a large volume of detailed statistics in a carefully prescribed manner. Nevertheless, insurance conditions are changing so rapidly in North America, particularly in the liability lines of business, that such data is of only limited value and needs to be supplemented with a great deal of theoretical actuarial technique. In addition, in many other lines of business where volume is far smaller, and certainly in the excess and reinsurance area, sufficient or suitable data is rarely available and theoretical approaches must be relied upon. On the other side of the coin, I would suggest that, with suitable judgements and adjustments, existing data and/or practical techniques developed in the United States and Canada can be adapted to solve actuarial problems elsewhere. What is needed is a greater exchange of ideas and research, both practical and theoretical, by all property and casualty actuaries throughout the world. I would encourage all of the readers not only to become familiar with the published work of actuaries in other countries but to establish personal networks of contact within the relatively small worldwide property and casualty actuarial community to synthesize the best of what is already available in actuarial technique and to expand the frontiers of the actuarial science.

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