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DIGEST OF REPORTS ON TOPICS OF CURRENT INTEREST

18TH INTERNATIONAL CONGRESS OF ACTUARIES

MR. HENRY F. ROOD: Several years ago a Jewish rabbi from Fort Wayne discussed the then recently adjourned ecumenical conference of the Roman Catholic church. He described in considerable detail the purpose of the conference, what had been discussed, and the effect of the decisions on other religions of the world. He did this from a scholarly and objective viewpoint based entirely on his reading and studying of the reports made public. I was so much impressed with his talk that I suggested to our Rotary Club that it be repeated there. The suggestion of a report on the ecumenical conference was well received, but it was thought more appropriate to invite the local bishop, who had been a delegate, to present it. The bishop gave us a very interesting report of the people who attended, the dress worn, and the nature of the accommodations, but he said very little about the actual discussions. I suspect that someone who stayed home and read all of the 5-inch-thick *Proceedings* of the papers presented could give a more scholarly report than I will of the real meat of the Congress.

I will try to give you some idea of the event in the few minutes available to me without repeating too much of what was contained in the excellent article by Jack Moorhead, which appears in the current issue of *The Actuary*.

International Congresses of Actuaries are held every four years. The most recent ones have been in New York and Toronto, Brussels, London and Edinburgh, and (this year) Munich. An invitation to hold a Congress in a country is extended by the actuaries of that country and accepted by the Council of the Permanent Committee of the International Congress of Actuaries. About one-third of the cost is paid from registration fees, and the balance is paid by the local companies, in some cases, with help from the federal government.

Munich is an interesting city in Bavaria, located close to some beautiful lakes and not far from the Bavarian Alps. About half of the city was destroyed by bombing during the war, but it has been largely rebuilt, although one can still see empty spaces where buildings once stood. The only remaining damaged building which we noticed was a large museum with 30-foot trees growing out of an upper floor. Preparations were being made to demolish this last remaining eyesore. There are a large number of new buildings, including the National Theatre, an opera house patterned after the one that had been destroyed. The new building has all the grandeur of the old design but the elegance and convenience of a modern structure as well. The city was badly torn up, since subways are being built; it is hoped that they will be completed before the Olympic Games are held there in 1972.

The conference was organized by our German actuary hosts in the usual efficient manner associated with this race A great many hotels were used, some new and comfortable and others old and inconvenient. The rooms were allotted by a computer, and Andy Webster, who has always disliked computers, said that they got even with him. A good many of the Americans were in the modern Bayerischer Hof. Some of us, such as Ed Lew and I, who do not trust computers, made our own reservations at the Vierjahreszeiten, or Four Seasons. It was an exceedingly well-managed hotel with a fine dining room.

Because we were actuaries, the Germans furnished us with some interesting statistics. There were 2,200 in attendance, including accompanying persons from forty-six different countries. Ladies accompanied 77 per cent of the actuaries. This included 62 per cent of the 186 Germans, 85 per cent of the 231 Britons, 104 per cent of the 108 Americans, but only 3 per cent of the 31 Japanese. A footnote hastened to explain that the number of persons escorted included children as well as wives or girl friends. I make this observation because the literature referred to "their ladies" not "their wives."

Although the Germans planned the Congress meticulously, they were human, as was demonstrated by the absence of the name and address of the applicant on the complicated application forms which we submitted at an early date. Our secretary for the United States, Pearce Shepherd, received a vote of thanks for adding the names and addresses of American actuaries, but they had difficulty with some other applications, particularly one which was completed in ancient Greek, to which they replied in the same language with the help of the Greek Orthodox church in Munich.

Because of the limitations on space at the social functions, there were two classes of members. The full members were entitled to all privileges, while the part members were invited only to the business sessions.

At the meeting of the Council, held just prior to the Congress, the invitation from Norway to hold a Congress in 1972 was accepted. Other invitations had been offered from Japan, Australia, and Israel. The feeling was expressed that we should hold the next Congress in a non-American, non-European, nonwhite country; it appears, therefore, that Japan might be a logical candidate for 1976, but this decision will not be made for four years. Another interesting decision was to change the name of the "Permanent Committee of the International Congress of Actuaries" to the "International Actuarial Association." Also we were pleased that Wendell Milliman was elected to the Council and that Ed Lew was chosen as Secretary for the United States.

The opening session was held in the National Theatre. It was more informal than some of the past sessions, and we were spared speeches by the nine vice-presidents from other lands. After words of welcome from our German hosts, we were entertained with music by the Bavarian State Orchestra. Later, members of the Council were welcomed in the Town Hall by the Mayor of Munich and at an evening reception in the Residenz by the President of Bavaria. A few sturdy souls, including John Miller and Bob Myers, journeyed to Bonn for a greeting by the Chancellor of Germany the day after the Congress closed.

The business sessions were held in the Deutsches Museum. This building had marvelous facilities, the main meeting hall containing equipment to provide for the simultaneous translation in five languages of remarks being made from the platform. It was also possible to close the shutters on all windows automatically by pressing a master switch when slides were being shown. In addition, there were other smaller meeting rooms where discussion groups met; unfortunately, there were no facilities for translation in those rooms. I attended one on mortality on substandard lives which was conducted by a German and found that most of the participants were German. Similarly, the discussion on mortality of assured lives and annuitants conducted by Al Morton was largely in English.

This year the discussions seemed more argumentative than in former Congresses which I have attended. The underlying theme seemed to be the use of equities and index-linked contracts to protect monetary values, although there was a broad range of subjects, among which were motor insurance, pension plans, computer problems, as well as the usual items of mortality levels and actuarial techniques.

The discussion on inflation-bred topics extended into the hallways and social gatherings. Also, a number of the European companies were privately offering their services to the American and Canadian companies to service their group contracts for the European subsidiaries of American or Canadian clients.

Perhaps it will be of interest to describe a session which was jointly chaired by the Norwegian Arne Knudsen and me, with the assistance of Ed Lew and Jo Aabakken, also of Norway. This was a general meeting held in the main hall and conducted in five languages—English, French, German, Spanish, and Italian. The subject was "Experience Bases for Individual Assurances and Annuities with Particular Reference to Mortality, Disability, and Accident Rates." A number of papers had been submitted on this subject, including an excellent one by Al Morton and Bill Schmidt. We were told to come 15 minutes before the opening session for instructions, but Mr. Knudsen and I took the precaution of meeting each other in advance, at which time we decided that I would open the meeting and he would close it and that we would alternate in leading the discussion. When we arrived shortly before the session, we were invited to run the meeting any way we liked. We were then introduced to several German actuaries who would be on the platform with us and were told that any of the officers of the Permanent Committee might be there. This presented a challenge in identifying and introducing those who might happen to wander up onto the stage. I had attended the first day's general session and noticed a number of clumsy things, so I had prepared some words of admonition and advice to be used in my introduction. Before I had an opportunity to say them, however, one of our German hosts got up and made my speech for me. As soon as he finished, I put on my earphones, which had been tuned in for an English translation, and began to reassemble my thoughts. When I started to talk, a great booming voice seemed to interrupt me, so I stopped. The voice also stopped. When I started, it began again, and I realized that I was hearing myself, greatly magnified.

There were no authors on the platform, but one person presented an excellent summary of the papers on the subject. We were told that approximately seventy people had indicated that they would discuss the subject, so our secretaries had worked out an elaborate plan to allocate the time for the three-hour meeting. However, when we asked those who wished to speak to send up their names, only one name was submitted. At that point, we felt we were going to have a very short meeting, but fortunately another name came up while the first actuary was speaking, and this continued until the intermission. We then twisted a few arms so we would have some pinch hitters available, if needed. However, we kept getting more volunteers, and the program continued until a quarter to twelve.

The last 15 minutes were spent in a summary of the discussions by one of our German colleagues. He did a very creditable job in bringing together the ideas that had been expressed that morning by a variety of speakers from different lands.

The discussion of this particular subject was very good but was largely given by English-speaking people, including the Norwegians, who speak our language very well. Most of the Europeans tend to be rather technical and are inclined to read prepared discussions.

One of the most interesting parts of an International Congress is the opportunity to visit local places of interest. This included a performance of the Beethoven opera *Fidelio* in the National Theatre, a reception in the Schleisheim Castle, and tours of the Bavarian countryside, including Oberammergau and Berchtesgaden. The ladies had opportunities to visit some of the famous museums, churches, and other castles in or near Munich. The final reception was a gala affair held at the Bayerischer Hof, with the delegates in tails or tuxes and their ladies beautifully gowned. Unfortunately, three hundred more people came than were expected, and you can imagine the mad rush of these well-dressed ladies and gentlemen for the buffet table after waiting more than an hour while additional tables were set up even out into the lobby. There was no line, and I arrived at the chicken section of the table, jammed in on both sides and with four people pushing from behind. Consequently, my dinner consisted of chicken.

Several of the German insurance companies provided dinner parties, one being held in a beer garden with typical Bavarian entertainment, which was quite enjoyable.

Radio Free Europe is stationed in Munich, and the American military post there broadcasts in English. Consequently, those of us who had transistor radios could keep track of news at home, which included the sad tidings of the death of Robert Kennedy and the exciting news that Martin Luther King's accused assassin had been apprehended.

Those of us who had planned to go to Paris after the Congress were also interested in keeping in touch with the student disturbances and general strikes plaguing that country, which, incidentally, kept practically all of the French actuaries at home.

Congresses of this sort broaden our knowledge and give us a chance to learn more of the ideas being used in other countries, not only through formal papers and general discussions but also in private conversations.

REPORT OF THE COMMITTEE ON CONTINUING EDUCATION

MR. CHARLES L. TROWBRIDGE: President Miller, in his address delivered earlier in this meeting, gave the Society a brief look at the formation of the new Committee on Continuing Education. It was appointed this last summer in line with the recommendations of the Committee on the Future Course of the Society under the chairmanship of Walter Klem.

The fifteen members of this new committee are broadly representative of Society membership with respect to geography and professional affiliation, but in addition it includes representation from other Society committees interested in actuarial education. Specifically, we have representation from the Education and Examination Committee, the Advisory Committee on Education and Examinations, the Committee on Papers, the Committee on Review, the Public Relations Committee, the Fields of Activity Committee, and the Committee on Research. One-third of the Committee members have become Fellows of the Society since 1960 and are thereby able to represent the views of our younger members.

Since the Committee on Continuing Education is newly formed, it has had time only to exchange one round of correspondence and to hold a single organization meeting. For our purposes we have defined continuing education as actuarial education beyond the level of the F.S.A. designation. We feel that any programs we might undertake along these lines will be of a strictly voluntary nature, since no one is interested in adding to the rigor of our established examination process.

As we see it, the function of this new committee includes the following tasks:

1. To determine the needs of the actuarial profession in the area of continuing education.
2. To ascertain the extent to which these needs are already being met through activities of other Society committees.
3. To recommend to the Board of Governors specific additional steps that might be taken to further continuing education—and the appropriate committee to which each might be assigned.
4. To implement any action assigned to it by the Board as a result of item 3 above.

The needs that we have recognized so far are the following:

1. The need of the F.S.A. of some time ago to catch up with newer graduates in areas where the *Syllabus* has been changed.
2. The need of new F.S.A.'s for a path along which to direct their further self-education.
3. The need for further education in any of several specialty areas in which any actuary may need knowledge well beyond the level of the F.S.A. *Syllabus* (if it is included there at all).
4. The need of any actuary to keep up with newly developing knowledge.

We are now pursuing questions along the lines of what the Society is already doing toward continuing education, what special areas need the most attention, what educational techniques might be employed, and how other professions handle similar problems.

All in all, we have undertaken an ambitious project, and we need help from any source. We invite comments and suggestions from any Society member.

DEVELOPMENTS IN AUTOMOBILE INSURANCE

MR. ROY R. ANDERSON: On October 21, 1968, the American Insurance Association, one of the three major trade associations in the property and casualty business, proposed a revolutionary change in the auto insurance business. The first three paragraphs of the A.I.A.'s press release read as follows:

> A new kind of automobile insurance providing complete, direct and prompt compensation of accident victims—for up to 45 per cent less than the cost of the present system—was proposed here today by the American Insurance Association.
>
> Under the new system—to be called the Complete Personal Protection Automobile Insurance Plan—accident victims would have their economic losses and hospital and medical expenses paid by their own insurance companies without regard to fault.
>
> The new system, as it is adopted in states around the country, would replace what is known as bodily injury and property damage liability insurance.

The major key to this proposal lies in that last sentence. It means that the A.I.A. proposes that our present system of law be changed so that an individual would no longer be held financially responsible for the bodily injuries and the automobile property damages that he inflicts on others through his own negligence—so long as that negligence occurs in the operation of a motor vehicle. Instead, each driver would have to buy insurance to protect himself and his family, regardless of which driver was at fault in the accident. What would be in effect automobile accident medical expense and automobile accident loss-of-time coverages would be compulsory. The loss-of-time coverage would be 85 per cent of gross income, subject to a maximum benefit of $750 per month. Coverage for damage done to one's own automobile would be optional—and would be subject to a deductible—again, regardless of who was at fault.

In a brief few minutes, we cannot hope to consider all of the many ramifications this revolutionary proposal would have on our society. At the risk of some oversimplification, I will try to touch some of the high spots.

First, the present automobile liability insurance is not intended to be a system for compensation of losses incurred by a company's own policyholder in the event of an accident. Rather, it is designed to protect a policyholder for the liability he may incur as the result of injuries or damages that he inflicts on a third party due to his own negligence through the operation of his automobile. For the "third party" to receive compensation, he must establish three facts:

1. That the insurance company's own policyholder caused the accident and was "at fault."
2. That the third party himself was in no way responsible for the accident.
3. That the third party himself suffered damages as the result of the automobile accident. These would include not only damages to his own automobile, but would also include economic losses, such as medical expenses and loss of income. Under our tort liability system, the third party would also receive compensation for any pain, suffering, inconvenience, or disfigurement that he may have incurred.

The A.I.A. finds two major faults with this system—and I will quote directly from their press release of October 21:

> The [A.I.A.] plan is based generally on the committee's conclusion that the deficiencies of the present automobile insurance system are traceable to two specific problem areas. These are, first, the fault method of determining eligibility for reparations and, second, the provision for recovery for pain and suffering without providing an objective standard for measuring this non-economic form of loss.

In proposing to abolish the present "at fault" system, the A.I.A. would accomplish two things:

> 1. By saving the claim administrative expenses that are involved in establishing who was at fault, these savings could be used to compensate the guilty party for his losses.
>
> 2. Since neither the innocent nor the guilty would be identified under the A.I.A. system, any payments that would otherwise have been made under the present system to the innocent party for his pain and suffering could also be used to compensate the person who caused the accident for his losses.

This is the reason the A.I.A. plan is described by those who oppose it as being a system that would have the effect of rewarding the irresponsible and the guilty at the expense of the responsible and the innocent.

Let us return to the opening paragraph of the A.I.A. press release:

> A new kind of automobile insurance providing complete . . . compensation of accident victims . . . for up to *45 per cent less* than the cost of the present system.

The A.I.A. plan is not "complete," since the mandatory benefits for economic losses resulting from bodily injuries have inner limits—for example, the maximum income benefit of $750 per month. To obtain the kind of protection you enjoy today for loss done to you by negligent drivers, under the A.I.A. plan you would have to buy supplementary automobile accident coverages, and you still would not be able to be compensated for pain and suffering inflicted upon you or members of your family. Also, to protect yourself for damage to your own car caused by other drivers, under the A.I.A. plan you would have to elect to buy what would be similar to the collision coverage of today—a coverage which would include a deductible.

A possibly misleading feature of the press release is the reference to "up to 45 per cent savings." This 45 per cent figure is based on a claim study made by a committee of the A.I.A. of claim payments that had been made under today's bodily injury and property damage liability and medical payment coverages. To obtain the 45 per cent reduction, they determined the amount that had been paid for pain and suffering under the bodily injury liability coverages. But, since the compulsory coverages which the A.I.A. proposes would not include damages to one's own automobile, they also deducted the payments that had been made under the property damage liability coverage. If you wanted to include coverage for damage done to your own car, the arithmetic reduces the so-called savings from 45 to 19 per cent—as is set forth later in the body of the A.I.A. press release.

I have reviewed the claim study as published by the A.I.A. and find that they have made no allowance for the added costs for certain of the features that would be included in their mandatory plan—such as the costs of the assigned claims plan and the survivorship benefits they have proposed as mandatory coverages. But—much more importantly—they have made no allowance for the increase in accidents that would undoubtedly occur, since all financial restraints would be removed from the irresponsible drivers in our society; nor for the increase in claims that would occur in a system that would be virtually wide open to fraud; nor for increased claim payments as the result of increased malingering under loss-of-time coverages and further inflated medical bills. (Incidentally, the A.I.A. plan contemplates that these benefits would duplicate any other existing accident and health coverages.)

There are other interesting actuarial aspects of the A.I.A. proposal. They refer to average reductions in costs, but make no mention of the fact that there would be substantial changes in the cost structure of their proposed plan by class of risk. Let us take a graphic example—a truck driver running into a station wagon driven by a family man with his wife and children as passengers. Under today's liability system, premiums for a truck are high because of the substantial damage and severe injuries that they inflict when hitting a smaller passenger car. And, under today's system, premiums for adult pricing classifications are much lower.

But under the A.I.A. system the balance swings the other way. Each driver must now buy coverage to protect himself—regardless of fault. Premiums for the truck driver become low, reflecting the fact that he sits safely behind the wheel of a massive vehicle to which the property damage would be relatively slight. And, conversely, the premiums for the family man would now have to reflect his much greater exposure to loss.

There would be other major changes in the pricing structure. Single young drivers would become relatively better risks than they are today—and family men would have a higher exposure to loss. Drivers of large, heavy cars would be better risks than those driving lighter and less expensive cars. And, since fault would no longer be determined, the present system of merit rating would probably have to be abandoned, with the result that the rates for poor drivers would go down at the cost of those now receiving the lower rates for accident-free driving.

In effect, the end result of the A.I.A. proposal on the premium structure for auto insurance would be that the premiums for a safe driver of moderate means who drives a light and inexpensive car could be increased—to the benefit of the reckless driver, the affluent driver of a heavy car, and the owners of trucks and commercial vehicles. I believe these are factors that deserve careful study by casualty actuaries, especially those who might endorse the A.I.A. proposal.

There is another interesting academic point that has been raised in this A.I.A. proposal. In support of the abolition of the tort liability system, reference has been made to the effect that it would be analogous to the changes in law that produced our present Workmen's Compensation System. But the workmen's compensation laws changed the relationships between an employer and his employee. The A.I.A. proposal would change the relationships under law between individuals in our society, with the new theme being that each man must protect himself for the wrongs inflicted upon him by his careless neighbors. Also, the entire cost of the benefits provided by workmen's compensation have been borne by the employers. More important, the workmen's compensation laws had the beneficial effect of promoting efforts for increased safety. In marked contrast, the A.I.A. proposal would have just the opposite effect—that of undermining safety efforts by removing restraint on the part of the negligent and the irresponsible.

AMERICAN ACADEMY OF ACTUARIES

MR. JOHN H. MILLER: The Academy held its third annual meeting about three weeks ago, at which Wendell Milliman was installed in the presidency, having been elected the year before, and Walter Rugland was elected President-Elect to succeed him in 1969.

I will touch on a few of the highlights of the year. The Admissions Committee has been perhaps our hardest-working committee in the Academy, under the chairmanship first of Wendell Milliman and currently of Pearce Shepherd. They have reviewed hundreds of applications with extreme care and diligence, and the membership now stands at 2,427. The work of this committee, I believe, is largely completed, as we are phasing into an examination system. We certainly owe these chairmen and their committee members a real debt of gratitude. Their task has been done with due cognizance of the rights of both the practicing actuary and the public that we are endeavoring to protect.

On another front, Andrew Webster and his Committee on Accreditation have been hard at work, talking with many state insurance commissioners and with staff members of congressional committees concerned with pension legislation. It is expected that more will be done on the pension front next year when legislative attention is again turned in this direction. A real landmark was achieved this past year when the Blanks Committee of the NAIC adopted a recommendation that the life insurance blanks in the future would have to be signed by a qualified actuary, stipulating that a member of the American Academy is considered to be so qualified. This is perhaps the greatest step forward in connection with accreditation.

The Committee on Review and Evaluation, chaired by Walter Rugland, had in 1967 recommended some amendments to the Bylaws, more specifically spelling out the gradual change in future examination requirements, reaching an ultimate program for 1973 and future years. These amendments have been adopted and are now in effect. This committee also recommended that the Academy, in concert with the four sponsoring organizations and the Canadian Institute of Actuaries, form a Joint Committee on Review of Education and Examinations. All six organizations have concurred in this, and the committee is now in operation. President Miller's comments in his address this morning and the fact that the Society appointees are Sydney Jackson, Edwin Lancaster, and Bert Winter attest to the very high order of importance that the

Society leadership has placed on this joint endeavor, which marks the first time that actuaries from all specializations, including property-casualty, have gotten together to see what is common to actuarial education in the various fields.

The Committee on Education and Examinations under the chairmanship of Julius Vogel has prepared a special examination for use when the Admissions Committee calls for it, designed to test the quality of the experience of a person who applies for membership on the basis of his practical actuarial experience. This is serving well its intended function during this interim period until January 1, 1970, when all applicants will be required to have passed the course of examinations recognized by the Academy.

Another important development was the appointment by Secretary of Labor Wirtz of Joseph Musher to the Advisory Council on Employee Welfare and Pension Benefit Plans. Charles Siegfried and Howard Young are members of this council as insurance and labor representatives, respectively, but we have not yet had anyone appointed in his capacity as an actuary since Dorrance Bronson's term expired. This appointment is not only a recognition of Mr. Musher's high qualifications for the post but is also a recognition of the actuarial profession and of the Academy, since the nomination was made by the Academy with the concurrent agreement of the other interested actuarial organizations.