

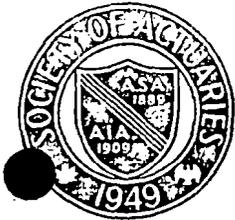


SOCIETY OF ACTUARIES

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JOINT SPONSORSHIP

by E. Sydney Jackson

As most actuaries in North America know, for a number of years Parts 1 and 2 of the Actuarial Exams have been jointly sponsored by the Society of Actuaries and the Casualty Actuarial Society.

For several years, a Joint Committee on Review of Education and Examination, composed of three representatives from each of the six recognized professional actuarial organizations in the United States and Canada — viz., the American Academy of Actuaries, the Canadian Institute of Actuaries, the Casualty Actuarial Society, the Conference of Actuaries in Public Practice, the Fraternal Actuarial Association, and the Society of Actuaries—have been reviewing policy matters relating to the Education and Examination of actuaries. As a result of the Joint Committees' deliberations and recommendations, the actuarial examinations in May 1973 will be jointly sponsored by all six actuarial organizations.

The purpose of this article is to explain what is meant by Joint Sponsorship and outline its rationale.

One form of Joint Sponsorship, which the Joint Committee initially considered, was an extension of the Joint Sponsorship already in existence. Specifically, it considered recommending that each actuarial organization would sponsor each exam which would count towards membership in it. On this basis, the American Academy would be a joint sponsor for the first seven Casualty exams and the first eight Society exams; the Canadian Institute and the Fraternal Association for all nine Casualty and all ten Society exams; the Conference for the first six Society exams, and the Casualty Actuarial Society and Society of Actuaries for the first two "common" exams.

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AUDITS OF PENSION FUNDS

The American Institute of Certified Public Accountants has just issued an Exposure Draft of an Audit Guide for Pension Funds. (This covers both insured and self-insured plans). Interested members can obtain a copy from

Edward M. Musho
Auditing Standards Division
American Institute of Certified
Public Accountants
666 Fifth Avenue
New York, N. Y. 10019

The American Academy of Actuaries is reviewing the Exposure Draft and will file comments with the Institute before the deadline of May 1. Any comments from the members should be sent to

Frederick P. Sloat
Coopers and Lybrand
1251 Avenue of the Americas
New York, N. Y. 10019

Copies of comments should also be sent to the President of the Academy, Morton D. Miller.

Social Security Notes

R. Harris and R. King, *Distribution of Medicare Benefit Disbursements By Type*, Actuarial Note No. 82, December 1972, Social Security Administration, Washington, D. C.

This Actuarial Note presents tables showing the estimated annual distribution of cash disbursements by type of benefit for both the Hospital Insurance and Supplementary Medical Insurance Programs.

Free copies available from Social Security Administration.

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OLD TESTAMENT WITNESS

by Michael J Cowell

"And should not I be sorry for the great city of Nineveh, with its hundred and twenty thousand who cannot tell their right hand from their left, and cattle without number?" Jonah 4:11 (New English Bible).

This was the cryptic title that E. J. Moorhead gave to his address to the regular quarterly meeting of the Actuaries' Club of Boston on March 2. (It should be pointed out, that in selecting this title, Jack committed himself to nothing as far as his text was concerned!)

Tempering his occasionally cynical remarks with that unique brand of Moorheadian wit, Jack once again carried the banner for meaningful net cost comparisons, pointing to the misrepresentations that are so frequently made to the public whenever the element of compound interest is involved. He expressed his concern that so few of us, in the one profession qualified to explain this subject, have taken a firm position on the use of price comparisons in sales literature.

On the subject of "splitability" of the life insurance premium into its "pure insurance" and "savings" elements, Mr. Moorhead suggested that actuaries are far too ready to adopt the industry platitudes of "inseparability" of these elements than to admit to the possible theoretical alternatives. He particularly deplored the type of sales literature that misrepresented term coverage by making misleading contrasts between term insurance and level premium permanent plans.

He also felt that the traditional argument against the application of probability to individual situations had been greatly misused to discourage the inclusion of this element in life insurance cost

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EDITORIAL

BUFFETED by the winds of change said to be howling around the insurance industry, the actuaries may well be taking refuge in techniques rather than building a shelter of basic principles. Adjusted earnings, adjusted costs, and the like are all matters of technique. Before we acquire adjusted principles we might well listen to the words of Henry H. Jackson talking to the Association of Life Insurance Presidents some thirty years ago. These words need no apology.

"First, the entire structure of life insurance is peculiarly valuable in a democracy. This delicate machinery might almost have been invented for exclusive use in a state where the way of life emphasizes freedom of thought, freedom of speech, and freedom of initiative for the individual. Unless the citizen feels that he is a responsible entity in and of himself, with a personal stake in the future of his community and his country, there would seem to be little enough reason for him to safeguard a little slice of immortality for the financial interests dependent on his life through joining in a thoroughly democratic co-operative venture—democratic in the truest sense, since each member benefits not through the rule-of-thumb scheme of "representation per capita," nor through the still cruder device which has been characterized as "representation by scenery," but actually by proportionate mathematical participation in benefits in accordance with his own definite and willing contribution. Public relations are always of the utmost importance, but surely in a public like that of the United States and Canada, where relatively few in the whole population are not directly or indirectly concerned with the benefits of life insurance, it is inconceivable that the mission and place of that institution, soundly established and managed with integrity, can be so misrepresented and so misunderstood that the present scheme of things, with its demonstrated efficiency through wars and epidemics and depressions, will be rashly upset or abandoned in pursuit of some untried will-o'-the-wisp, the merest effluvia of wishful thinking.

"Second, and to sum up the matter, this institution, in its essence democratic, based on patiently observed laws of nature, needs of the race and necessities of the individual meets better, I think, than any other invention of the last two centuries that requirement of all inventions which are to be ranked as great—the bestowal on those who use it of a true mastery of the fruits of time. And a special beauty of this invention and of all the brilliant subsidiary devices that go with it, so long and so successfully practiced on this continent, lies in the fact that all patent rights, all royalties and special inventors' perquisites whatever have been resolved in favor of the policy owner. The purchaser of life insurance today has at his disposal, within his own policy, benefits and safeguards representing all that the great mathematicians, all that the eminent actuaries, all that the skillful administrators of earlier years have inventively contributed to make the history of this highly co-operative and self-reliant and democratic enterprise a record which should fill you who are responsible for its present conduct with pride and with humility."

A.C.W.

Deaths

James A. Hamilton
 Morton Armstrong Laird
 Edward E. Scribner

Old Testament

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comparisons.

Relating his experience at Senator Hart's recent subcommittee hearings on the life insurance industry, Mr. Moorhead felt that the Senator had given the industry adequate warning in 1968 to improve its practices in the area of policy cost information or to have Congress take action instead. Mr. Moorhead expressed his dismay that a small minority of life insurance executives prevented adequate discussion of the ALC-LIAA Joint Committee Report in 1970 on life insurance cost comparisons.

He again called on the industry to explain to the consumer in clear terms the nature of the life insurance product and challenged us as actuaries to speak out whenever we encounter sales material and sales comparisons that are questionable or misleading. We must be careful not to employ yesterday's conditions in making today's comparisons.

On balance, he did not consider that the actuarial profession had done nearly as much as it could have in this area. Without making specific reference to the text of his title, Mr. Moorhead gave many of us the impression that if, like Nineveh, the life insurance industry did not soon learn its right hand from its left, then it would be sorry for the wrath which Congress and the consumer would bring down upon it. He did not specifically allude to the significance of the "cattle without number," unless that was an oblique reference to the statements that were being attributed to Messrs. Denenberg and Nader to the effect that our industry had been a sacred cow for some 70 years, over which period we had fed the American public a lot of bull.

Though not everyone might share Mr. Moorhead's degree of concern, we all welcomed his candor and, just as Jonah convinced Nineveh of its bad ways, Mr. Moorhead hopes to convince many of us that the industry still has a whale of a job to do to improve the presentation of our product to the public. □