



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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Joint Sponsorship

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file this form of Joint Sponsorship had much to recommend it, the Joint Committee recommended — and all six actuarial organizations accepted the recommendation — a broader concept of Joint Sponsorship. Commencing this spring, all examinations will be Jointly Sponsored by all six organizations, although some exams are not used for membership in some of the organizations.

The advantages of this overall Joint Sponsorship are:

(1) The fact that there would be “all the names on one piece of paper” recognizes a fundamental unity in the profession. Such unity would encourage a profession with similar standards and one more likely to meet the needs of all actuaries.

(2) It would support and add credibility to the efforts of the American Academy and the Canadian Institute to achieve national accreditation of actuaries.

(3) It should facilitate a valuable interchange of ideas in curricula. It might encourage the development of a syllabus that tested principles rather than practices. It might also reduce confusion by encouraging a common or similar terminology among actuaries.

One argument against this form of Joint Sponsorship was that it would be misleading, because the applications for examination and the examination result lists will show the list of all sponsoring organizations on the masthead. To help overcome this objection the application forms and examination lists will have a footnote stating: “These examinations are Jointly Sponsored by the actuarial organizations listed above. Information as to the specific requirements for membership in a particular organization can be obtained from the office of that organization.” The Year Books of the organizations (as they are reprinted) will cover in detail exactly what their own current requirements are.

It is recognized that Joint Sponsorship means different things to different organizations and with respect to different examinations. For example, Joint Sponsors on Parts 1 and 2 for the Casualty Actuarial Society is very much a working partnership with the Society of Actuaries, whereas for the later Parts it is

more of an endorsement. However, it is clear that actuarial exams will change in the future and Joint Sponsorship gives a broad framework within which these changes can evolve.

The six actuarial organizations do not intend that Joint Sponsorship be “an empty gesture” and to that end each organization has appointed liaison delegates to the Advisory Committee on Education and Examinations of the Society of Actuaries, and to the Education and Examination Committee of the Casualty Actuarial Society.

Liaison delegates do not need to have membership status in the Casualty Actuarial Society or the Society of Actuaries. Joint Sponsorship must inevitably reflect the needs and desires of each participating organization, so it is imperative that each Joint Sponsor be given the opportunity to be represented by whomever it wished in the setting of policy for the Jointly Sponsored examinations. Only in this way can it be adequately informed as to the background of the policy and bring before the policymakers its own views and needs.

The question has been raised whether participation of the Joint Sponsors in the examination process should extend beyond the *policymaking* area into the area of *implementation* of this policy—in other words, whether it was necessary at this time for official representatives of the Joint Sponsors to become involved in the work of actually setting and grading the examinations. The current view is that although such participation might be attractive to some of the Joint Sponsors and might become increasingly appropriate over the long run, it was of varying importance to the various organizations and probably not essential initially to any, and might most properly be considered by the expanded policymaking “Advisory Committee.” This view takes into account the already existing participation of many members of the Joint Sponsors in the examination process, albeit as members of one of the administering organizations.

It should be again stressed that the development of Joint Sponsorship is evolutionary in nature. Indeed it is quite possible that Joint Sponsorship will have a different connotation if the current proposal for restructuring the Fellowship examinations of the Society is adopted by the six organizations. □

Actuarial Meetings

April 9, Chicago Actuarial Club
 April 12, Baltimore Actuaries Club
 April 18, Seattle Actuarial Club
 April 18, Actuaries Club of Des Moines
 May 10, Baltimore Actuaries Club
 May 16, Seattle Actuarial Club
 May 16, St. Louis Actuaries Club
 May 16, Nebraska Actuaries Club
 May 21, Chicago Actuarial Club
 June 14, Baltimore Actuaries Club
 June 21 & 22, Actuaries Club of Southwest (Spring Meeting)

Health Insurance Indices

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of the supplemental loss ratio, this Schedule H ratio does not greatly differ from that based on incurred premiums. In the “total” column of Schedule H and the exhibit, however, the increase in active life reserves is taken in the denominator rather than the numerator, resulting usually in an overstatement of the adequacy of premiums. The data in the table below set out the claim indices determined on the various bases and compare them to that index determined on the basis of the Analysis.

Basis	Claim Index
Schedule H	57.41%
Exhibit	52.29
Analysis	57.39
(Ratio of Schedule H index for Analysis index)	1.00
(Ratio of Exhibit index to Analysis index)	.91

In this day of consumerism the insurance industry cannot ignore statutory prescriptions which require it to exhibit indices which overstate its costs of acquiring and administering its health insurance policies and understate the percentage of the premium dollar returned to or set aside for policyholders in the form of benefits. It is not enough to say that premiums received or written would be a basis more appropriate than earned premiums for determining these indices.

Editor's Note: Schedule H, and its ratio methods, are derived from casualty practice; perhaps some of our casualty actuarial readers might wish to comment on the author's analysis. □