



SOCIETY OF ACTUARIES

Article from:

The Actuary

November 1973 – Volume 7, No. 9

The Actuary

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*Published monthly (except July and August) by the SOCIETY OF ACTUARIES,
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MORE VERSATILE ACTUARIES

IF we reflect on the growth of our profession over the past half century and consider how it has been affected by the form and content of actuarial education, we might well ask whether our current educational objectives and methods will suffice to produce actuaries able to function effectively in the years to come. For we are now under conflicting pressures to provide a broader grounding in fundamentals on the one hand and more intensive specialization on the other, as well as greater exposure to other disciplines and at least a minimum of experience in one's own area of specialization. The increasing complexity of our environment and the interdependence of technical skills make it necessary for actuaries to keep up with the rapid expansion of knowledge not only in insurance, pensions and related fields but also in many other disciplines, such as the theory and practice of investing.

The institutional setting in which most actuaries work and the information they rely on are undergoing radical change so that past experience is becoming less and less trustworthy as a guide to new developments. But actuaries are expected to design and price a variety of new financial arrangements; they must address themselves to new situations involving contingencies ranging from disability to catastrophe risks and demonstrate expertise with computers and advanced statistical techniques in solving new problems.

Such diverse actuarial services are currently in demand by institutions other than insurance companies as well as by governmental agencies, but most importantly by a more sophisticated public. Furthermore, actuaries are frequently called upon to perform on multidisciplinary teams that include other professions.

The training of actuaries should be adapted both to new knowledge and new roles. The postulates of some of the disciplines we have drawn on—for instance, economics and finance—are being questioned. To identify the most reliable resources on which a forward looking actuarial education can be built, we must periodically reexamine the facts and hypotheses that are blended and transformed into actuarial science.

The scope of these reviews will differ from one area to another, as we develop programs to fit the needs of actuaries engaged in different tasks. This will require gauging the extent to which individuals can be trained for more than one role, and how much time may reasonably be devoted to such educational bypaths. A more promising approach towards greater versatility would appear to lie in having several learning periods throughout an actuary's working life.

Our profession attracts men and women who seek a broadly conceived career. They can be influenced farther in that direction by reward and feedback systems that promote versatility. One obvious path to versatility is in continuing education. Its effectiveness depends, of course, on ready access to new information and new ideas, but even more on the attitudes and practices of one's colleagues. Continuing education will not thrive where new information and new ideas are regarded as impractical or theoretical, or where the admonition cited below is not taken to heart.

*Cease not to learn until thou ceas't to live.
 Think that day lost, whenever thou draw'st no letter,
 Nor gain'st no lesson that new grace may give
 To make thyself more learned, wiser, better.*

E. A. Lew

TO BE CONTINUED

Editor's Note: This is another in the series of articles from the Committee on Continuing Education and Research. Comments will be welcomed by the Committee and by the Editor.

This review has been prepared by the Committee on Health Insurance.

Geographical Indices for Health Insurance

Members of the Society interested in health insurance will be well advised to obtain a copy of *Medicare: Health Insurance for the Aged, 1969: Geographic Indices of Reimbursement by State and County* recently published by the Office of Research and Statistics and by the Office of the Actuary, Social Security Administration, Washington, D.C. This document can be obtained from the Superintendent of Documents, U. S. Government Printing Office, Washington, D. C. 20402.

This document may well contain the best information available anywhere as to the variation in health insurance claim costs by geographical areas within the United States. It displays two indices for each state and for each county, one representative of claim costs per enrollee under Hospital Insurance (Part A of Medicare), the second under Supplementary Medical Insurance (Part B of Medicare), for calendar year 1969. These indices are standardized for age-sex distributions within the 65 and over population to which the Medicare program applies.

The geographical variation shown by the county indices is large. For HI the indices for the highest cost counties are as much as 5 times that for the lowest cost counties; for SMI the variation is even wider. The indices reflect differences in utilization as well as differences in price, and give no information on either of these phenomena separately.

For purposes of determining geographical factors for group health insurance rate structures, the indices published have the obvious drawback that they are based entirely on 65 and above data. This is not as serious as it might otherwise be, because the indices measure relative costs (one geographical area to another) rather than absolutes. Many actuaries will be willing to assume, at least until evidence to the contrary turns up, that areas with higher than average claim costs for the Medicare population would turn out to have similar character-

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Actuarial Meetings

- Nov. 21, Seattle Actuarial Club
 Nov. 28, Actuaries' Club of Des Moines
 Nov. 29-30, Actuaries' Club of the Southwest; Fort Worth, Tex.
 Dec. 11, Actuaries' Club of Hartford; Springfield, Mass.
 Dec. 13, Baltimore Actuaries Club
 Dec. 17, Chicago Actuarial Club
 Dec. 19, Seattle Actuarial Club
 Dec. 19, Actuaries' Club of Des Moines

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istics as to younger groups.

Otherwise the results should prove very useful to students of geographical differences. Some of the statistical strengths of these indices, particularly compared with other information available, are the following:

(1) In total there are more than 20 million life-years of exposure, for a comparatively recent time period.

(2) The two health insurance packages studied are uniform over all geographical areas, and not too atypical of hospital and physician packages in the private insurance area.

(3) The results should not be materially affected by varying degrees of insurance coverage, since essentially everybody over 65 is a Medicare enrollee, and neither program has particularly heavy cost-sharing.

(4) Both claims and exposure are classified by county of patient residence, rather than by the place where the service was rendered. This avoids the confounding which might otherwise result from persons crossing county lines to get medical attention.

(5) Although only one calendar year of experience has so far been published, results for 1970 can be expected soon. The county indices will be found to exhibit a good deal of time stability, at least over a one-year interval.

These indices throw considerable light on the facts of geographical variation of health insurance claims within the United States, but they are silent as to the causes of this variation. Those who believe that health claims are a function of climate, population density, average family income, number of physicians or hospital beds per thousand of population, or any other "explanatory variable" will find an opportunity to prove, or to disprove, their hypotheses. □

COMMITTEE ON PROFESSIONAL DEVELOPMENT

by Paul A. Campbell

This Committee of more than 20 members was created in 1970 as a Special Committee. Its charge: identify and explore opportunities for the Society to help its younger members gain professional and personal benefit from membership and contribute effectively to the actuarial profession and the Society.

The initial efforts of the Committee consisted of research into every phase of Society activities, supported by an excellent heritage of actuarial literature as well as discussions held in nearly every actuarial club. The result of these studies was a comprehensive set of observations about the professionalism of the Society and its relevance to younger actuaries.

Nearly 20 specific recommendations were made and their effect, either direct or indirect, can be seen in several aspects of today's Society: informative programs about the Society for its members, studies of the feasibility of an actuarial research foundation, liaison between the Society and local actuarial clubs, and increased attention to actuarial principles and a "living" code of ethics. Perhaps the most important outgrowth is the creation of a Standing Committee on Professional Development.

During the last year a successful transition to full committee status was accomplished. The scope of Committee activities was expanded to recognize its relevance to all Society members, and another function was added: examination of the adequacy and attractiveness of Society activities to the members.

Three areas of activity have therefore been created: (1) examination of Society activities; (2) professional development of Society members; (3) motivated channeling of skills to meet the needs of the Society and the profession.

In our "think tank" sessions we have recognized the elusiveness of the concept of "professionalism." It is impossible to define as a simple specific goal in itself. However, the Committee has identified what it feels are the components of professionalism and thus established a number of potential research programs. These include the following:

- Actuarial responsibilities today and tomorrow.
- Development of mature actuaries.
- Actuaries and public positions.
- Independence of actuaries.
- Future needs for actuaries.
- Professional development in other organizations.
- A handbook for Society members.

Undoubtedly the Committee will create additional research topics in the future. Among the above issues, however, priorities have been established and three projects are underway.

One subcommittee is conducting research into the development of the F.S.A. into a mature actuary. This project involves creation of an initial definition of professionalism, programs to involve younger actuaries in the Society organization, formats for discussions of current real-life problems and short-and-long term orientation programs for younger actuaries.

Another subcommittee is developing a catalog of actuarial functions in order to identify present actuarial skills and establish the scope of our profession. This study could create a source of information for public relations and recruiting programs and serve as a base for identifying future actuarial skills. It is possible that research in this area could even contribute to the "supply and demand" issues of the future.

The third subcommittee is developing a handbook for members of the Society which would supplement the Year Book by providing descriptions of committees in some detail, guides to taking an active part in committees and meetings, public relations information about actuaries, and information about preparation and conduct of meetings.

Under the Committee procedure a number of members will retire at the end of this year. We would be glad to hear from any persons interested in serving on the Committee on Professional Development. Interested members should get in touch with the Executive Director, with H. Douglas Lee, or with the author.

Each of the above projects is an exciting program, and the list of subjects to be explored in the search for professionalism is endless. □