



SOCIETY OF ACTUARIES

Article from:

# The Actuary

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### 1980 Canadian Requirements— Fellowship Exam.

by M. W. Chambers

To obtain examination credit toward Fellowship in the Canadian Institute of Actuaries, candidates must meet the following requirements set by the Council of the Canadian Institute:

- (a) Candidates completing Part 9 at the Spring 1980 session must pass the Canadian version of Part 9.
- (b) Candidates completing Part 7 at the Fall 1980 session must pass the Canadian version of either Part 7 Insurance or Part 7 Employee benefits.

### Solutions to March Actucrostics

by The Competition Editor

#3. *Author:* D. Gustafson. *Works:* On Being President (Academy Newsletter, March 1979). "It may be something of an oversimplification, but I think good friends are one of the most valuable attributes of life. On that scale, I am wealthy indeed. I won't be wealthy any other way. I spend money and cherish friends. I don't think I've got that backwards."

#4. *Author:* Halvorson. *Work:* Address Of The President (T.S.A. XXX, 7). "I have found the following words from Abraham Lincoln to be of help. Let me share them with you:

"The dogmas of the quiet past are inadequate for the stormy present.

"The occasion is piled high with difficulty, and we must rise with the occasion.

"As our case is new, so we must think anew, and act anew."

### Actuarial Lingo?

From a New York Times Magazine article on John Connally:

When asked . . . about three people who might work in his White House, Connally responded like an actuary. "Yes, Richard Keeton, a top Texas litigator, might come to the White House staff. He's made enough money to go into government." . . .

### WILL THERE BE ENOUGH ACTUARIES?

by John C. Maynard

*Ed. Note:* This is the third, and last, of the series of reflections by actuaries who were asked to take a fresh look today at problems that worried them 20 years ago. Mr. Maynard enlisted help from 32 eminent actuaries whom he describes here as "correspondents."

The future supply of actuaries was giving concern in 1959. A survey had shown that the immediate need for actuaries (Fellows and Associates) exceeded the then membership by 454; furthermore, to meet the estimated need in 1968, membership would have to grow at 10.6% p.a., whereas it had been growing at only 5%. It was feared that the numbers of college courses and teachers would be inadequate for such a task. Actuaries were wondering whether more joint activities between actuarial clubs and colleges had better be undertaken.

In fact, as the following figures show, membership growth was destined to accelerate during the two decades ahead.

		<u>Fellows</u>	<u>Associates</u>	<u>Total</u>
1958	Actual Numbers	978	765	1,743
	Shortage*	206	248	454
1968	Actual Numbers	1,763	1,512	3,275
	Shortage*	529	991	1,520
	Ann. Growth Rate Achieved from 1958	6.1%	7.1%	6.5%
1979	Actual Numbers	3,955	3,042	6,997
	Ann. Growth Rate Achieved from 1958	6.9%	6.8%	6.8%
	from 1968	7.6%	6.6%	7.1%

\*These shortages were those that emerged from a 1958 survey—see TSA XI, 146.

Several factors not clearly foreseen in 1959 have favoured our profession. The supply of actuarial students has been augmented by the high birth rates of the late 1940's, and by a decline in employment opportunities for mathematicians in competing fields of science, engineering, and industry. We have enjoyed years of prosperity and have seen growing technical capacity amid social and economic change. In its search for financial security, the public has underwritten growth in actuarial employment at attractive compensation levels. Attracting potential actuaries has been easier as our profession and its opportunities have become better known.

Growth has been shared among all the major categories of actuarial employment, as the following figures show.

	<u>Insurance</u>	<u>Consulting</u>	<u>Government</u>	<u>Academic</u>	<u>Other</u>	<u>Retired or Unknown</u>
1964	1,712	352	53	23	62	196
1979	3,894	2,192	183	83	88	557
Ann. Growth	5.6%	13.0%	8.6%	8.9%	2.4%	7.2%

Most of the contrasting causes of these disparate growth rates are too well known to require cataloguing, but worthy of special mention are such influences as the birth of GAAP (in a foiled attempt to reveal the mysteries of life company statements), new forms of coverage, increasingly complex analyses made possible by computers, extensions of government regulations such as ERISA in the United States, and the entry of more colleges into actuarial science programmes.

### Now (1980) What Needs Are Foreseen?

My helpful and well informed correspondents believe that the North American public will continue to seek financial security through government and private plans. These plans will grow ever more complex, requiring new designs and new controls that actuaries will develop. Actuarial training is expected to be increasingly useful also in non-traditional fields such as investments and new forms of financial consulting.

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## Will There Be Enough Actuaries?

(Continued from page 4)

Some of these observers, though, regard major thrusts such as ERISA as unlikely to be duplicated, resulting in a workload that can largely be taken care of by our new members of the past decade—hence a slower needed growth in numbers.

But all foresee that Society membership growth, whether fast or moderate, will happen, and there will be demands upon our profession in the decade of the 1980's. The demand essentially will be to engender wise practices in insurance and pensions in an era of unprecedented financial change likely to make some present practices and contracts ineffective. My correspondents laid stress on the following expected events:

- greater professional specialization seems to be coming;
- publications and communications must be maintained amid increasing difficulties in doing so;
- continuing education of actuaries will be prominent;
- our education and examination system will be hard pressed to deal with changes in actuarial practice and volume while maintaining adequate standards;
- basic research on valuation principles will require attention;
- one consequence of all this will be a need for more permanent staffs in our actuarial bodies. □

## LOOKING AHEAD AT SOCIETY'S OPERATING MARGINS

by L. B. Fewster, Treasurer

The Society, like other organizations these days, is challenged to control our expenses. As a non-profit body, we aim to have some years of operating gain, and some of loss. Our steadily broadening activities, especially in education and research, are important to the future of the Society and of our members individually. Direct costs of each activity should be met by those who benefit from it.

Our Administration & Finance Committee, aided by our staff, has done the budgetary analysis needed to chart services that will be furnished economically and will be adequately supported by the members who use them. Schedules of dues and fees have been reviewed for consistency with resulting benefits.

Members have received President Vogel's announcement of increased dues. There will be increases also in fees for meetings and seminars. Even at these higher rates, our members will, we believe, be getting excellent value for the dollar; one reason is that we all reap the benefit of much volunteer work.

The following figures, expressed in thousands of dollars, illustrate the expected effect of the changes being made. They assume inflation factors of 8% in 1980-81, 9% in 1981-82.

### OPERATING MARGINS (INCOME LESS EXPENSES)

	<i>Fiscal Year (August to July)</i>		
	1979-80	1980-81	1981-82
If dues and Fees Weren't Changed	Loss \$142M	Loss \$256M	Loss \$395M
Added Revenue From Changes	167	292	303
Expected Operating Margin	Gain 25M	Gain 36M	Loss 92M

## NEWS FROM LONDON

by E. J. Moorhead

The February FIASCO announces that the winning entry in their contest to complete the sentence, Old Actuaries Never Die, They Just . . . Get Broken Down By Age And Sex.

An article, Political Actuaries, speaks first of our own members of that breed,

Thomas P. Bowles and W. Paul McCrossan, reports four instances in the U.K., and asks how many other actuaries have taken their political responsibilities so seriously as to run for public office?

The advocacy by Geraldine Leigh for making actuarial examinations more difficult (reported in our January issue) yielded three responses, none of them neutral. □

## "INSURANCE LOAN: PROS AND CONS"

On Feb. 23 *The New York Times* printed an article with the above title. Its subject matter was limited to the arbitrating of policy loan proceeds by investing them in money market instruments whose yields are perhaps 8 percentage points above the policy loan interest rate.

Some of our readers may like to imagine themselves being asked for their views on this, as were three company people who are well known among us.

Miss Jeanne R. Corbett is quoted as saying, "If you don't look at the tax situation, you may find that, on the average, you have not gained a great deal." A similar warning evidently was voiced by two F.S.A.'s, Messrs. Walter N. Miller and Julius Vogel, but all these three readily conceded that in some cases worthwhile gains would be realized.

Mr. Miller was prompted to give an example "of how things might work out in the case of a \$20,000 policy written 10 years ago and now having a loan value of \$3,000." He was unhappy when the article quoted him as saying, "Most people with \$20,000 policies are probably in the 50% tax bracket so, after taxes, you might not net much more than \$120, or \$10 a month." His message was that most people who would pay particular attention to the article would probably be in a combined (federal plus state plus, in many cases, city) tax bracket of at least 50%.

Regrettably, the article endorses the notion that you're borrowing your own money when taking a policy loan. Also, some statistics on the increased lapse rates of policies subject to loan are given; it appears unsupportable that these apply to this type of transaction.

E.J.M.

### Federal Statistics

#### Directory of Data Files

A compilation of descriptive and ordering information on Census Bureau statistical programs and related data, including over 300 machine-readable files. Contains extensive explanations. Order it from: Subscribers Services Section, Census Bureau, Washington, DC 20023. Price \$11.00 includes quarterly updates for 3 years.