

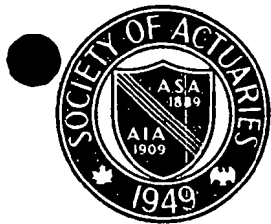


SOCIETY OF ACTUARIES

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# The Actuary

The Newsletter of the Society of Actuaries

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## FIRST HALMSTAD PRIZE TO PHELIM P. BOYLE

The first David Garrick Halmstad prize has been awarded to Dr. Phelim P. Boyle, F.I.A., F.C.I.A., for his 1978 paper in the Journal of the Institute of Actuaries, *Immunization Under Stochastic Models of the Term Structure*. The ceremony took place on April 14, 1980, at the Society meeting in Hartford. David Halmstad's widow Dorothy, made the presentation.

Dr. Boyle is Associate Professor, Division of Finance, Faculty of Commerce, University of British Columbia. He was born in Ireland and received his Ph.D. from Trinity College, Dublin. He was an actuary with the Irish Life Assurance Company, Dublin, and with Duncan C. Fraser & Company, Liverpool.

### History of This Award

The idea of a prize for actuarial research in David Halmstad's memory was conceived shortly after his untimely death in 1977. David's friends and colleagues responded so generously that the interest on the money collected is sufficient to provide an annual prize of a respectable amount. Administration is now in the hands of the Actuarial Education and Research Fund. The Award Committee consists of Courtland C. Smith, Matt B. Tucker, David J. Grady F.C.A.S., and John C. Wooddy (Chairman).

### Nominations Invited

To find the best paper on actuarial research published in 1979, the Society's Committee on Research will review eight major actuarial journals, and will make three or four suggestions to the Award Committee. But nominations of papers wherever published are more than welcome and should be sent to Courtland C. Smith at his address in the Year Book. □

## PART OF THE HMO STORY

by John K. Kittredge

Joseph L. Falkson, Ph.D.: *HMOs and the Politics of Health System Reform*, 231 pp., American Hospital Association and Robert J. Brady Company, Chicago, 1979. \$9.75, paperback, \$12.75, casebound.

The process by which our U.S. government establishes policies and implements them is varied and intricate. Many not close to the operation may suppose that Federal legislation and regulation emerge logically and systematically. A reading of Dr. Falkson's book will dispel such a notion.

*HMOs and the Politics of Health System Reform* is not so much a book about Health Maintenance Organizations as a recitation of their legislative and regulatory structuring. Through the formative years 1969-1978 it traces the emergence of the HMO concept and then the government's role in stimulating, or inhibiting, HMO growth. It gives a fascinating view of the actions of various players in formulating and implementing Federal policy. But readers wanting to learn about HMOs themselves will have to turn to other sources.

The author traces HMO political developments starting with the Nixon Administration's 1969-70 search for a suitable health policy. A meeting between HEW executives and Dr. Paul M. Ellwood (now President of InterStudy) in the latter's hotel room on Feb. 5, 1970 is described in detail. There the concept was sold to key HEW people, and the term "Health Maintenance Organization" was adopted. This led to HEW Secretary Finch's announcement of a policy of support for HMOs on March 25. There is then a full report of the background of President Nixon's Feb. 18, 1971 message to the Congress officially supporting HMOs. Even without specifically direct-

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## EXAMINATION RESTRUCTURING— WHY?

by James J. Murphy,  
Education Chairman

Large changes—some already announced, and all to be completed by 1981—are being made in our examination syllabus.

The new syllabus consists of ten exams, organized into three sub-divisions. Parts 1-5 cover Actuarial Mathematics; Parts 6 and 7, Introductory Actuarial Practice; Parts 8, 9 and 10, Advanced Actuarial Practice.

Transition arrangements, always a problem, will be less troublesome than usual. Those for Parts 3, 4 and 5 are straightforward; for Parts 6-10 a simple approach will give credit for entire exams, avoiding fractional credits or any limit in the transition period.

### Purposes

We had several goals in mind as we developed this new syllabus.

*Goal 1:* To select and organize our education material so that it becomes more directly relevant to the practice of actuarial science.

*Goal 2:* To improve and modernize the mathematical content of our exams.

*Goal 3:* To provide a flexible system that will meet the needs of existing and emerging actuarial specialties. A "common core" foundation is established in Parts 6 and 7; a flexible structure for advanced study is the basis for Parts 9 and 10.

*Goal 4:* To improve the organization and content of educational material in the employee benefits subjects.

*Goal 5:* To meet the urgent need for stronger actuarial education in the fields of economics and investments. One entire examination (Part 8) will be de-

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## The Wisconsin Imbrogio

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they have been doing for over 100 years.

This means that range tables are needed in the Buyer's Guide to give meaning to the index figures.

Originally the EPA rating for cars gave two figures. But consumers were confused by them. Now there is only one official EPA rating. Driving habits will result in better or worse performances, but as a comparative index it does an excellent job. We should learn from EPA that one figure is better than two, four, or six.

\* \* \* \*

By Ernest J. Moorhead, (D). When a buyer is confronted with either a favorable NPCI but an unfavorable SCI, or a favorable SCI but an unfavorable NPCI, what line of reasoning would he be wise to employ to reach a decision?

The plaintiffs support the idea that he should prefer the first of these if he intends to keep the policy until death—but should prefer the second if he plans eventually to surrender the policy.

But the vast majority of buyers begin with the expectation of keeping the policy until they die; what happens in practice is that, for one reason or another, they fail in about three cases out of four to do so. If somebody has evidence that the rate of voluntary termination is low among people who say they intend to keep paying premiums until death, let him produce it.

Agents in the main will pick the index that gives them the best chance of selling their policy. Buyers lack the experience that would enable them to decide which index ought most to sway them. And companies know very well that the road to profits is in designing policies whose surrender values are low and training agents to focus buyers' attention on the NPCI and to play down the importance of the SCI. □

### Actucrostics

Two more of these accompany this issue. Solutions will appear next month.

C.G.G.

## Examination Restructuring

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voted to these subjects alone.

*Goal 6:* To improve the treatment of nationally oriented material. In developing Canadian and U.S. readings, two concepts will be kept in mind: (1) to reap the educational advantages of pointing out the differences between the approaches in our two countries; (2) to separate the specific national details, particularly those of law and regulation.

*Goal 7:* To make the system more adaptable to the requirements of our various joint sponsors and administrators.

### Impact

Major revision in organization and content of the Society's education and examination structure has an unavoidable disturbing effect. But it can be quite exciting, even inspiring, as one sees in the enthusiasm and dedication of the many volunteers who work on these changes. We hope most will agree with us that the benefits much more than justify the trouble they entail. We believe we can promise that the new flexibility will cause future changes to become more evolutionary than revolutionary.

*Ed. Note: More particulars of these examination changes will be found in the Record, Vol. 5, No. 4 (Bal Harbour 1979), under the heading, "Current Professional Topics."* □

## ACTUARIES AND STATISTICIANS LISTEN TO EACH OTHER

by Robert J. Johansen

*Ed. Note: Mr. Johansen is Liaison Representative to the American Statistical Association and the Committee of Presidents of Statistical Societies. He developed the plan described in this article.*

Three well attended sessions on economic statistics at our annual meeting last October presented by the American Statistical Association begin an interchange between our professions that we hope will long continue. At the joint annual meeting of statistical societies next August, the Society of Actuaries will present two sessions, one on the build and blood pressure study, and the other on actuarial methodology. □

## To Friendly Algebraists

With this issue is an enquiry from Messrs. Walter B. Lowrie and Arnold A. Dicke of the Part 3 Committee which we commend to your attention and prompt reply. We hope to be permitted to tell readers how many responses came in.

## UNSHACKLING THE ACTUARIES

When Representative Bill Archer (R-Texas) and Prof. Wilbur J. Cohen, a long-time social insurance authority and member of the National Commission on Social Security, were interviewed for a *New York Times* article, "Social Security: Can Americans Afford It?", they made these comments about actuaries:

*Mr. Archer:* Well, a lot of our projections have been inaccurate. Many of the actuaries have been caused by political pressures to adopt projections that were not at all realistic. Even today they're still talking about the long-term at 4 percent inflation. We've got to do something to assure that the actuaries are given a free hand. . . .

*Mr. Cohen:* . . . Social Security ought to be made an independent corporation, with its own actuaries.

The article appeared on April 6. Our thanks to Ray M. Peterson for telling us about it. □

A number of papers I have heard at A.S.A. meetings are clearly of value to actuaries, and the same is true in reverse. But the sheer sizes of our bodies make full joint meetings out of the question; interchange of speakers on carefully chosen topics appears to be the right answer. The third step in this new cooperative arrangement will be a pair of concurrent sessions at our 1980 annual meeting—one on social indicators, the other on statistical methods and applications in follow-up studies.

### Ideas Invited

Society members with ideas for topics they would like statisticians to present at our future meetings, or who would like to appear on a 1981 or later program of the statistical associations, are invited to write to Robert J. Johansen at his Year Book address. □