

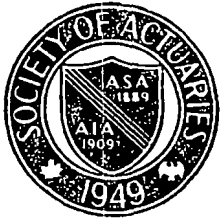


SOCIETY OF ACTUARIES

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ACTUARIAL EDUCATION AND RESEARCH FUND (AERF)

Ed. Note: This description is taken from Morton D. Muller's report at the October 1979 Society Annual Meeting.

The Actuarial Education and Research Fund was organized in 1976 to advance knowledge of actuarial science, and to respond to public needs for education and research in our fields. It is managed by 12 directors, two from each of its six sponsoring actuarial bodies. This Board is organized into three subcommittees, to consider projects, respectively, for life and health insurance, for property and casualty insurance, and for pension plans.

A leading achievement so far has been the Fund's role as contracting party on behalf of our profession in launching a major study of public employee pension plans with relation to the issue of universal coverage under Social Security. Also under way are (1) publication of writings of the late Hugh H. Wolfenden, and (2) preparation of a text on loss distributions that will have application to rating and to reinsurance. Several other projects are near the announcement stage.*

AERF has taken over administration of the David R. Halmstad Memorial Fund, income from which is to be used to award annual prizes for estimable actuarial papers.

Obtaining money for the Fund's activities is naturally a matter of continuing concern. Those persons and organizations who desire to further the interests of our profession, and those who have special reason to expect benefits from specific projects, are counted upon to supply unrestricted and specified contributions, respectively.

*One of these is the social insurance monograph described elsewhere in this issue. □

HISTORICAL FRAGMENT

"She was the first woman . . . to be honored with membership in any American or European actuarial society." So reads the obituary of Emma Warren Cushman in Vol. XXIV of our old *Transactions*.

But what were the circumstances that led to Miss Cushman's election in October 1895—when the Actuarial Society was but six years old, and when acceptance of women into male strongholds was by no means easy? We hope that, even 85 years later, some reader will be able to throw some light on this.

The record shows that this pioneer lady had, just a month before her election, been a member of the United States delegation to the First International Congress of Actuaries in Brussels. That autumn the Actuarial Society, meeting in Montreal, elected nine actuaries to Fellowship, among whom Miss Cushman was the only North American. Seven of the eight others were officers of the Institute, the Faculty or the Congress itself. The eighth was Tsuneta Yano, a distinguished Japanese actuary. Was her election in some way a consequence of her attendance at the Congress?

It appears that in Great Britain at that time the door to Fellowship for a woman was firmly closed; we do not know what was the case on the European mainland. It was not until 1919 in London—following action to the same effect a few months earlier by the Faculty in Edinburgh—that the Institute unanimously adopted a resolution as follows:

That women be admitted to the Institute on the same conditions as men, and that the masculine shall include the feminine in all the Regulations of the Institute.

We would welcome observations from overseas readers on such questions as

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HOSPITAL AND MEDICAL CARE NEEDS —SEEN 20 YEARS LATER

by John M. Bragg

In 1959 I had the honor of moderating a Society panel on Hospital and Medical Care Needs; panelists were Morton D. Miller and W. Sheffield Owen, C.L.U. Now I am in the editor's select group of old-timers asked to say "what we worried about—and what happened". (*Ed. Note: First in this series was in the December 1979 issue.*)

That discussion majored on a resolution that had been adopted six months earlier by the Health Insurance Association of America. The statement had been described as "probably the greatest forward step in the history of insurance in our time." There was no use being modest! With 20/20 hindsight I can now divide that resolution's recommendations into two groups:

Successes:

1. Cancellations of individual policies must be minimized.
2. Guaranteed renewable policies must be developed (at a "jet-propelled" rate, said Morton Miller).
3. Group conversion privileges must become widely available.

Shortfalls:

1. Substandard A&H coverage without waivers must be developed.
2. Individual coverage over age 65 must be developed and greatly expanded.
3. Groups must cover retired people.

Coverage over age 65 was our dominant theme. This was recognized as the *crucial need*, to head off the "hundreds of bills" before Congress to provide health care for the aged. Insurance people were estimating that, although only 40% of the aged population was covered, this would rise to 90% by 1970.

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Actuarial Meetings

Feb. 14, Baltimore Actuaries Club
 Feb. 19, Chicago Actuarial Club
 Feb. 19, Actuaries Club of Philadelphia
 Mar. 13, Baltimore Actuaries Club
 Mar. 18, Chicago Actuarial Club
 Mar. 20, Actuarial Club of Indiana

Hospital, Medical Care

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This did become a shortfall area. Medicare became law in 1966. Even now only some 60% of the aged population have any private coverage.

There was talk of paid-up individual coverage for the aged, but this seems never to have gotten off the ground. An intriguing remark, though, was made by Morton Miller: "Pre-funding of health insurance costs for retired lives is possible through a deposit fund in much the same way as the group annuity deposit administration plan." Shades of today's product phenomenon: Retired Lives Reserves!

The most significant developments in the health insurance world since those days are, in my view, the following:

1. Medicare became law in the U.S.A.; and government coverage in Canada.
2. The U.S. public appears now ready to accept national health insurance for catastrophic illnesses.
3. The health insurance business also is ready to accept national health insurance, provided a major role for the private sector is preserved.

But, does that get us out of the woods? No! Just as in 1959, there is a dominant theme—a *crucial need*; unless it is met, the insurance business can have no future. That need is cost containment. Is this not an engineering service we can render? The principal key is a compulsory limit on the amount of health care rendered; or at any rate, a compulsory limit on the amount of health care being paid for by insurance plans. In a word—"profiles".

Mr. Owen died in 1965. The best way to close this article is to quote a remark he made in that 1959 discussion: "Until we demonstrate our capacity to furnish the services that are needed and desired by the people—on an efficient and effective basis—we deserve to fail." □

ACTUARIAL PERFORMANCE APPRAISED

by Robert A. Lyle

Ed. Note: In their first joint meeting, the Chicago and Wisconsin Clubs undertook a noble experiment—inviting several qualified observers to rate actuaries' achievement. This account, by the Secretary-Treasurer of the Wisconsin Club, may be useful to Program Directors of other clubs.

The panel for what proved to be a timely and lively discussion of the topic, "How outsiders view the actuary," consisted of: a Trust Officer (Clayton A. Boggan, Winston-Salem, N.C.), a recent Insurance Commissioner (Russell E. Van Hooser, Milwaukee, Wis.), and a Home Office Official (Earl J. Borge-son, Milwaukee).

The discussion leader (E. J. Moorhead, Winston-Salem) began the discussion by posing this question: "What should I, and my corporate profession, start doing, or start doing differently, or stop doing, so that we actuaries may improve our performance?" He suggested that actuaries, beset somewhat by tunnel vision, can benefit from "seeing ourselves as others see us."

Initial presentations were on those tasks that actuaries perform well. Mr. Van Hooser said that our greatest strength is our ability to organize, to put facts into analytical sequence so conclusions can be drawn. Mr. Borge-son cited the enormous respect within the industry for our profession and the people in it, and the high public confidence in actuaries. We are often seen as "too conservative" although the necessity for that attitude is understood. Many of us, he said, have ability to listen to others, specially those in marketing, in a constructively critical way. Mr. Boggan related our contributions in the employee benefit field, influencing legislation and educating trust people.

Attention then turned to tasks that actuaries might perform better than we usually do. In the employee benefit field, we were advised not to keep such a low profile but to become more involved with individual customers so that they can

Add: First Ladies

The January issue asked for additions to the list of "first ladies" among actuaries. Here's one:

Cande J. Olsen, daughter of a Fellow, who became a Fellow in 1976.

better understand their plan. We often appear insufficiently sensitive to market needs, and reluctant to get into new, uncertain ventures.

Non-actuaries tend to accept actuaries' numbers as absolute. We must work harder to have our figures and recommendations understood. In presentations to insurance departments we should provide more thorough development and reasoning; insurance company actuaries should seek better ties with our insurance department counterparts.

The final topic was important matters that actuaries tend to neglect. Mr. Borge-son talked about successes and failures in communications between the actuary and the field force; if we communicate well, field reaction is usually positive, but many field people find actuarial communication unsatisfactory. They see us as good at supporting conclusions with facts, but with excessive use of technical mumbo-jumbo. Sometimes we use apparently precise formulas to produce uncompetitive premiums. In short, actuaries must see to it that actuarial science yields results that are usable. Mr. Van Hooser on the same theme pointed to our frequent failure to take a forceful role, as in disputes between the "right rates" and "rates that will sell."

The moderator closed the presentation phase with a reminder of Ray Brady's admonitions of last spring, printed in *The Actuary*, April 1979. Small discussion groups then addressed the questions that the panelists had raised. Then the meeting reconvened for a report session conducted by the Society's Communications Manager, Mrs. Linda Delgado.

The organizers regard this whole experiment as a success, and believe that actuaries present will take to heart the advice given by our guests. □