

### Article from:

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#### EDITORIAL

#### **HEALTHY SKEPTICISM**

In May 1981 the Academy distributed an exposure draft, "Qualification Standards To Sign Statements of Actuarial Opinion on NAIC Annual Statement Blanks." In it we read, with pleasure, the following bit of proposed wording:

"Before considering himself or herself qualified, the actuary should have sufficient experience . . . With that experience the actuary should have . . . developed a healthy skepticism concerning data and other information proffered by others . . . "

Personal experience, some painful, had taught us not merely that dictum's soundness, but also the frequency with which actuaries are prone to overlook it. The guiding principle, "Apply the test of reasonableness to all figures you are given," has been violated many times. A pair of horrific malfeasances of the past dozen years might indeed have been detected much earlier if some actuaries had been true skeptics. And today we have that new menace, computer frauds, to deal with.

But the wording that was approved by the Academy Board in October 1981 was different-in our view much less stirring:

". . . With that experience, the 'qualified actuary' should have learned how to apply his or her education to learn the proper techniques of validating data and results . . ."

Gone was the advice about healthy skepticism. We quizzed the committee chairman, William D. Smith, about this deletion. Mr. Smith generously supported our proposal to write an editorial on this subject. Said he:

"I believe it is a good idea to get some discussion of this into our literature. Why not tell the situation, decry the loss and make your comments. I agree wholeheartedly that actuarial competence involves being a healthy skeptic, both words important. One must be a skeptic about everything and one must be healthy about it . . . An unhealthy skeptic is sour on everything—a healthy skeptic applies himself to find and be delighted with that which is good, and to root out that which is bad."

Mr. Smith recollects that he acquired this point of view from Wendell Milliman, and indeed it does have the ring of Mr. Milliman's philosophy.

Although fully sympathizing with the Committee's apparent reason for discarding the "healthy skepticism" phrase—i.e., to shorten the document and to increase uniformity between the life and casualty versions—we think the incident teaches that readers of exposure drafts had better start commenting favorably on parts that we specially like rather than just critizing wordings that we find objectionable. E.J.M.

#### **ACTUARIES AT WORK IN OTHER** LANDS: MALAYSIA

by Steve S. V. Wong

Ed. Note: This is the second article in a series.

Malaysia, a nation in the South East Asia region, has an area of 128,000 square miles and a population of 13 million. Its capital city is Kuala Lum-

Our life insurance industry originated in 1956, and is still a new concept to most Malaysians though the need for it is growing. Strong family ties of the past have caused people to feel little or no need for independent incomes for the widowed, the aged or disabled; other family members have readily assumed responsibility for their care. For the same reason, pensions and other employee benefit programs are quite new here. At the end of 1980, Malaysia's 18 life insurers had an aggregate of 700,-000 policies in force, little more than one policy for each 20 people in our

#### The Profession, Now and In Prospect

We have only four Fellows (of the Society, Institute or Faculty of Actuaries)—one Malaysian and three non-Malaysians. In addition, we have 14 Associates and about 40 actuarial students. Only Fellows are recognized as qualified actuaries by the Malaysian Government.

Actuarial practices here are influenced by those of other, especially English-speaking, countries. The Malaysian Insurance Act is modelled after Australian laws; insurance plan design is strongly influenced by products of the United Kingdom and the U.S.A.; training of actuaries is prevailingly Britishoriented.

The excellent growth potential of life insurers here has created great awareness of the need for more actuaries. Local life insurance companies and actuarial consulting firms are giving various incentives to encourage more students to take the professional examinations, and an institute of higher learning, MARA Institute of Technology, gives a 4-year course in actuarial science, instilling actuarial knowledge and preparing students for basic professional examinations.

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