



SOCIETY OF ACTUARIES

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WHAT SERVICES DO YE SEEK?

While cordially welcoming members' responses to our March issue advt. for continuing education ideas, we now solicit suggestions on ANY services you'd like the Society to introduce or improve. Send them to my Yearbook address.

*Robert D. Shapiro, Chairman
Services to Members Policy
Committee*

Letters

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The Dropping Out Hazard

Sir:

Attempting to look at the Society's syllabus as it influences the decisions of young people aspiring to become consulting actuaries in the employee benefit area, I find several causes for grave concern:

1. I believe the exams are too difficult to pass—much worse than when I battled through them from 1967 to 1976.
2. The people who are establishing the course of reading are out of touch with the consulting actuary's world.
3. The exam parts are inconsistently administered. Part 1 is too easy, Parts 4 and 7E too difficult. I have the impression that well prepared students who should pass them are not passing.
4. The increased emphasis on statistics in the Associateship exams is inappropriate, especially for pension actuaries.

The danger is that actuarial students won't sit for the Society exams, but will content themselves with Enrolled Actuary status. As a vivid example: Thirty-five students attended a recent seminar for Part 7EA (the Enrollment exam), but only five of them were sitting for 7EB, the Fellowship or non-Enrolled Actuary portion.

The staff in our own firm provides additional evidence. Of our four actuaries other than myself, one is an E.A. and an M.A.A.A., but not a Society member; one is an A.S.A. who intends to seek E.A. but not F.S.A. status; one has three Society exams and is going after E.A., but not even A.S.A.; only one, a 24-year-old with four exams, intends to become a Fellow.

Grasping Life Contingency Principles

Sir:

Drs. Broffitt and Klugman (Jan. issue) helpfully analyze some theoretical life contingency and compound interest details often overlooked. Some may regard these of little practical value, but I consider them important in helping us see things in greater depth, and thus sharpening our understanding and analytical abilities.

But I don't completely accept Dr. Broffitt's thesis of a fallacy in Jordan's intuitive argument. Broffitt's analysis considers monthly payments of $\frac{1}{n}P_x$ rather than the $\frac{1}{n}P_x^{(n)}$ that I believe should be used. I agree that the insured is making correct net premium payments with the latter, but I understand Jordan's argument to be that, compared to paying annual premiums for a benefit payable at the end of the year, of death, the premium $P_x^{(n)}$ must be greater than P_x to account for receiving premiums spread over the year, and for not receiving a full year's premium in the year of death. There is difficulty, though, with Jordan's argument when you have immediate payment of claims; this is discussed in a note to appear in ARCH.

$$\begin{aligned}
 P_x^{(m)} \cdot \ddot{a}_x^{(m)} &= A_x \\
 \Rightarrow P_x^{(m)} &= \frac{A_x}{\ddot{a}_x^{(m)}} \\
 &= \frac{A_x}{\ddot{a}_x - \frac{m-1}{2m}} \\
 &= \frac{P_x}{1 - \frac{m-1}{2m} \cdot \frac{1}{\ddot{a}_x}} \\
 &= \frac{P_x}{1 - \frac{m-1}{2m} (P_x + d)}
 \end{aligned}$$

$$\Rightarrow P_x^{(m)} \cdot (1 - \frac{m-1}{2m} (P_x + d)) = P_x$$

$$\text{or } P_x^{(m)} = P_x + \frac{m-1}{2m} \cdot d \cdot P_x^{(m)} + \frac{m-1}{2m} \cdot P_x \cdot P_x^{(m)}$$

Warren R. Luckner

What this suggests to me is that my nine years of hard work for Fellowship will become meaningless. What it means for the Society is that future pension actuaries won't become Society members but will look to such organizations as ASPA.

Dorn H. Swerdlin