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EDITORIAL

NEXT ON THE U.S. AGENDA ... MEDICARE

To help focus our profession's attention on Social Security's large piece of unfinished business, we devote this space to excerpts from the closing section of the 1983 Annual Report of The Board of Trustees of The Federal Hospital Insurance Trust Fund. (In addition to compressing, we have taken minor liberties with the text.)

"Even though the...fund is expected to be able to pay benefits and administrative expenses as they become due, until 1990 under the II-B assumptions and until 1991 under the II-A assumptions, any significant adverse deviation from these projections could (sic) result in inability of the fund to meet its obligations much sooner than projected....

"The prospective payment provisions of Public Law 98-21 have made the outlays of the program potentially less vulnerable to excessive rates of growth in the hospital industry by providing the Secretary of Health and Human Services with some discretion over the level of payments to hospitals.

"It is difficult to anticipate the level of discretion which the Secretary will exercise over the 25-year projection period in determining payments to hospitals (emphasis added). However...even assuming reasonable use of this new discretionary authority, the present financing schedule is inadequate to provide for the expenditures anticipated over the entire 25-year valuation period if the assumptions underlying the estimates are realized. Tax rates currently specified... are sufficient, along with interest earnings and assets in the fund, to support program expenditures only over the next six to seven years....

"In order to bring the program into close actuarial balance, either outlays will have to be reduced by 30 percent or income increased by 43 percent.

"The quadrennial Advisory Council on Social Security will be addressing the financial status of the Fund. The Council's report is due by the end of 1983. The Board recommends that Congress study carefully the Advisory Council's recommendations as it takes further action to curtail the rapid growth in the cost of the program which has occurred in recent years and which is anticipated."

The tenor of the companion Annual Report on the Supplementary Medical Insurance Fund (SMI) naturally is different. As the accompanying Summary points out, SMI is essentially yearly renewable term insurance, hence the concept of its actuarial soundness is similar to that of private group insurance. Since the financing up to December 1983 is sufficient to cover current benefits and administrative costs and to build a level of assets adequate to take care of a moderate degree of projection error, "The SMI program can be said to be actuarially sound". This mustn't, though, cause actuaries to forget that the government's contribution to SMI, \$5 billion in 1977, had climbed to \$12 billion by 1982, and is expected to be \$20 billion in 1985.

What does all this suggest that our profession, and its members individually, ought to be doing that we aren't already doing?

E.J.M.

ACTUARIES AT WORK IN OTHER LANDS: SWITZERLAND

by Dr. Josef Kupper

Ed. Note: This is one of a series. Dr. Kupper is Director and Chief Actuary, Life Insurance Society of Switzerland, Zurich.

Compared with other European countries, an organised insurance industry in Switzerland developed relatively late. The first foreign companies began operations here in 1830; in 1840-41 the first Swiss companies were formed, but none of these survived for long. The oldest existing Swiss life insurance company is the Swiss Life, established in 1857. The ensuing year saw the founding of the Helvetia, the oldest Swiss casualty insurer, and in the early 1860s there followed the first reinsurance company, the Swiss Re. Later in the 19th century, growth in all branches of insurance accelerated.

Though several mathematicians found their life-work with insurance companies, many years went by before they formed themselves into a professional body. The Association of Swiss Actuaries was founded in Basle in June 1905 with a membership of 36. One of its first goals was to create an organ for publication of actuarial papers; the "Bulletin" has been published since 1906—twice yearly since 1936. In two of its issues, 1955 and 1980, papers were devoted to evolution of the Association and of our Swiss insurance industry.

The Association and Its Activities

When mentioning these activities, one inevitably recalls the 21st International Congress of Actuaries held here in 1980, which we hope some of our Canadian and U.S. colleagues remember as a pleasant and rewarding experience. Unfortunately the 12th Congress, planned for 1940, was thwarted by the ravages of war, though its scientific papers were printed.

The Association today numbers about 650 individual members, including 140 from abroad; 25 are Honorary Members and Corresponding Members, among them our Honorary President known to many overseas, Prof. Hans Ammeter. Our affairs are conducted by a 10-member Board, now under the presidency of Prof. Hans Bühlmann.

In the absence till recently of any examination system, the Association's mem-

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Actuaries in Other Lands

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bership requirement is that the applicant be either a graduate actuary (some of our universities offer courses in actuarial science), or possess adequate experience qualifications. In 1974 a high-level examination for pension fund experts was created under the aegis of the Association; successful candidates obtain a diploma recognised nationally and become Association members. This diploma has added weight in the context of our Federal Occupational Pensions Act.

A positive financial balance from the 1980 Congress has permitted a fund to be created for promoting professional training at the international level. This year's international summer school is the second to be offered.

A significant part of the Association's work is undertaken in study groups, first set up in the 1960s. Devoted to research and continuing education, there are now three of these: Pension Funds, Data Processing, and ASTIN (Actuarial Studies in Non-Life Insurance).

Playing its full part in this country's actuarial activities is the Chamber of Independent Consulting Actuaries, an independent body that maintains close contacts with the Association. A Professional Committee as central authority watches over the observance of a jointly formulated code of conduct.

The Actuarial Profession Today and Tomorrow

The great majority of our actuaries are engaged in life insurance business either in company employment or as independent consultants. Another substantial proportion are concerned with reinsurance. In non-life insurance, well founded mathematical models were slow in gaining ground; only in the last twenty years have changing attitudes led to more and more actuaries finding employment in this fairly complex field. Other important spheres of actuarial activity are university teaching and research, and work in government services.

The pension system here rests on three pillars: social security, occupational pensions, and private provision. The Federal Law on Occupational Retirement, Survivors' and Disability Pensions implementing the mandatory second pillar will become effective in January 1985; it pre-

scribes minimum standards to ensure that the combined benefits from the first and second pillars enable the employee to maintain close to his accustomed standard of living. By assigning specific functions to a "qualified occupational pensions expert", the law confers a quasi-official status upon the actuary, which should extend our profession's scope and enhance its prestige.

More lies ahead. Both the new Accident Insurance Law to be implemented in January 1984 and the sickness insurance legislation now under parliamentary consideration provide scope for using the tools that modern risk theory puts into the actuary's hands. In property insurance the actuary must deal with risks growing in size and diversity and tending towards unmanageable accumulation. And throughout the insurance scene, narrowing premium margins seem likely to make additional demands on the actuary of the future.

My Life and Other Contingencies

(Continued from page 1)

time, and have to resort to interrupting their studies—it may cost them a couple of exams, but so long as they make their courtship a speedy affair, the effect need not be too detrimental.

Many of us wives once had useful occupations and careers of our own, but succumbed to the temptation of having children (probably for the company!). The children of course grow up more or less without a father, and then the independent little mites have the nerve to turn round and say, "When I grow up I want to be an actuary". Perhaps they think being an actuary is like being an astronaut—they are both similarly remote.

I have so far failed to mention the plight of Husbands of Actuaries. I know they exist, though I suspect they are few. Due to paucity of data (as an actuary's wife I have at least learned to respect statistics), I'm unable to comment on their predicament.

Ed. Note: If this doesn't bring us mail from some actuaries' spouses on this side of the Atlantic, we will conclude that our readers timidly avoided taking this article home.

Board Members' Acquaintanceship

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Breadth of Acquaintance By Sample Member

One actuary in our sample was known to 22 of the 26 Board members; we suspect that person of having recently been summoned to appear before the assembled Board. The whole distribution in these terms was:

Known to 10 or more
Bd. members

Known to 5-9 Bd. members

Known to 3-4 Bd. members

Known to 1-2 Bd. members

Known to no Bd. members

7 Sample members

Total 61 Sample members

Of the seven Fellows who aren't known to any of the 26 Board members, five became Fellows in 1973 or since, one is a Fellow of more than half a century who hasn't attended a meeting in many years, and one is not in the insurance or pension field.

E.J.M.

New South Life

(Continued from page 1)

Among points for actuaries to ponder: The rescue operation might have failed, especially if new policyholders had understood that the company might, as it did, go out of business. Collectively, policyholders fared well, but some who would have preferred to take cash and accept their loss, and were entitled by statute to do so, suffered for the common good. What, one wonders, is a policyholder's obligation to other policyholders?

"ADDING IT ALL UP"

The Society boasts a new brochure, titled as above, which our Director of Communications Linda M. Delgadillo describes, accurately we think, as a nifty quick explanation of our profession.

It tells who we are, what at least some of us do, how to become a member, and what services members receive.

Request a copy from our Itasca office so you can decide how you can put it to good use.