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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 organized 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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