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RETIRED ACTUARY TELLS OF HIS PERSONAL FINANCES

by E.J. Moorhead

James G. Bruce, F.S.A. 1946, has published "Adventures and Misadventures in the Stock Market" (Vantage Press, 516 W. 34th St., NYC 10001, 149 pp., \$11.95). The text is notable for its candor and its clarity of description.

In 14 chapters, whimsically numbered 1-12, 14 and 15 in deference to illogical beliefs assumed held by many interested in his topic, Mr. Bruce treats his readers to an account embracing more than 30 years ending in 1982, during which he experimented widely and often suffered intensely. To this reader it seems that he castigated himself unduly; many others must have erred in the ways that he deplors in his own decisions.

The first four chapters tell a tale of the inability of one, whose recollections of Depression days were all too clear, to steer a middle course between rashness and conservatism, and one, who knows how essential diversification is, to refrain from nevertheless creating an undiversified personal portfolio. Whichever way the values of his investments were going, peace of mind was rarely achieved.

The next three chapters give an instructive account of what woes may be visited upon an investor who, dissatisfied by his treatment at the hands of a well known brokerage firm, attempts on his own to get the benefit of the stock exchange's arbitration facilities.

The remainder of the text explores such matters as studying the charts, takers in options, stocks as hedges against inflation, the merits of relying on advice from the investment profes-

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MIDDLE ATLANTIC ACTUARIAL CLUB AT HALF-CENTURY

On October 26, 1934, the Middle Atlantic Actuarial Club was formally organized at a gathering held at the then home office in Washington, D.C., of the Union Labor Life Insurance Company. The Club's charter membership numbered 23 — ten from Baltimore, seven from Washington itself, six from Richmond. All these charter members except one Maryland Insurance Department actuary were employed in life insurance companies; thus there were at the outset no consulting actuaries, no casualty actuaries, no actuarial professors — and, strangest of all, no federal employees.

The Club claims to be the first of the regional actuarial clubs on this continent. Its original territory was Maryland, Virginia and the District of Columbia; by 1946 it had expanded into North Carolina.

The founding fathers were Lloyd K. Crippen and Abraham Kenigson. In their jointly written Club history of 1944 these words appear:

For its first President we (charter members) elected Stanford Z. Rothschild (Baltimore) ... As Vice President we elected L.K. Crippen (Washington) and for Secretary-Treasurer we elected Florence A. Watts (Baltimore). The first Chairman of the Program Committee was C.A. Taylor (Richmond).

Of the 23 original members only seven were members either by associateship or fellowship of a National Actuarial Body; the rest were ... in life insurance companies, with particular interest in actuarial prob-

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LIFE CARE RETIREMENT COMMUNITIES

by Bruce L. Workman

One of the recent applications of actuarial techniques is providing actuarial services to a life care retirement community. The needs of the developer and manager of a life care community (LCC) are for reliable historical statistics and future projections developed therefrom.

During my consulting with a LCC, the following definition of the actuary's objective has been developed:

To provide management with statistical tools for making operating cost projections that are useful in maintaining the successful operation of the retirement community organization

This definition implies the consulting actuary will provide mortality and morbidity experience rates, leaving to LCC management the implementation of those rates in making financial projections.

The specific steps to accomplishing the actuarial objective may be categorized as follows:

1. Develop an appropriate data base.
2. Prepare a report on morbidity detailing past experience and expected future trends.
3. Prepare a mortality report quantifying past experience and projecting expected future experience.
4. Periodically verify the accuracy of the expected death rates assumed in step #3 compared to those actually occurring among the retirement community residents.

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Life Care Retirement Communities

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Since the date base provides the reference source material for all of the subsequent studies, it should be as complete and accurate as the available records will permit. In addition, it should be as large as obtainable to maximize the credibility of studies made therewith.

I have been fortunate to work with a LCC management that is dedicated to maintaining an accurate data base. They manage more than two dozen retirement communities throughout the United States, some of which have been in operation for 20 years. The data base includes reliable information on approximately 12,000 residents representing over 50,000 life years of exposure.

As a practical matter, the maintenance of a data base varies considerably from one LCC management to another. It has been my experience that the need for accurate and complete record keeping may not be perceived as a high priority by administrators of some life care retirement communities.

Over the years I have created and maintained a computer file containing basic information on each resident. With this basic information I have been able to provide management annually with the following:

- Reports on actual mortality and morbidity rates. These reports form the foundation from which the management's accounting department can prepare budgets and cash flow estimates.
- Historical demographics of the residents. Displays of the distributions of residents by sex, age and number of occupants per apartment have been prepared separately for each facility and for all facilities combined. These displays define a profile of present residents and can be used to predict the profile of new residents.
- Projections of expected mortality. These are based upon a standard mortality table which is then tested against actual experience. In the future there may be sufficient data to warrant development of a mortality

MAIL ALERT

Nos. 1, 2 and 3 of Volume 10 of the *Record* should now be in the hands of the membership. These report on the 1984 Spring meetings.

table based on the residents' own experience.

- Projections of the expected number of apartments released annually for each individual facility and for a composite of all locations. These projections provide the statistical basis for management's financial projections of anticipated income from apartment resale.
- Numeric and graphic displays of residents permanently assigned to the health care facilities. These displays show the monthly movement of residents to and from the health care facility on a permanent assignment basis. Also displayed are the number of residents occupying apartments individually and residents in double occupancy apartments. Deaths in apartments and deaths in the health care facility are separately identified. The graphic displays lend themselves to projections of expected future health care facilities' use.

In addition to these regular annual reports, a number of special projects have been undertaken, including:

- Financial comparisons of various entrance endowment refund options.
- Testifying on mortality rates at a court hearing on a LCC property tax levy.
- Preparing morbidity projections for pricing entrance endowment refund liability in a lawsuit.

As a consulting actuary, I have found this to be a challenging opportunity to make an unusual application of actuarial techniques.

Ed. Note: The foregoing article, written by a FCA with unusual credentials in this new field, was inspired by the review (May issue) of the Winklevoss-Powell book on *Continuing Care Retirement Communities: An Empirical, Financial and Legal Analysis*. □

Middle Atlantic Club

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lems. . . . Two were of the fair sex. . . . We must agree that our Club was really an insurance club for actuaries rather than a club of actuaries.

In the early days, to be eligible for membership one had only to be recommended by the actuary of any company or by a state insurance department actuary located in our territory provided such actuary was a member of the Club. Anyone so recommended was voted upon by the members, a majority vote constituting final action.

The development of social insurance soon attracted a number of actuaries into Government service in the Club's territory . . . (We) felt it would be to our mutual benefit to invite (them) to join (but) fear was expressed (of) an infiltration in such force that the Club might eventually be dominated by Government men. (So) we cunningly modified our By-laws so as to limit (to one-third) the number of such actuaries admitted.

After 50 years the Club is thriving, has removed the limit on Government actuaries from its By-laws, and holds well arranged and well attended meetings in Spring and Fall. *The Actuary* extends its hearty congratulations and best wishes. □

Retired Actuary's Finances

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sions, and the general interplay between stock market results and economic and political gyrations and trends. That the author learned much from both his reading and his experiences is clear. The novice of the early chapters emerges as a philosopher whose ideas and warnings warrant sitting at his feet.

Asked by this reviewer to tell why he believes that actuaries might appreciate his book, Mr. Bruce mentions that actuaries have curiosity about how people, especially fellow actuaries, reason, act and react; that they may relish judging how wise or foolish he's been; and that comparisons of his views with those of others may prove useful. □