



SOCIETY OF ACTUARIES

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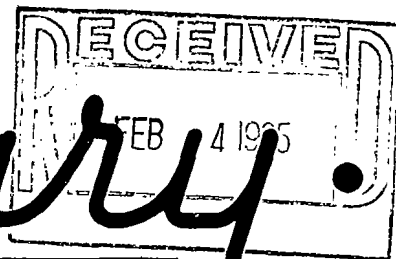
The Actuary

January 1985 – Volume No. 19, Issue No. 1



The

Actuary



The Newsletter of the Society of Actuaries

VOL. 19, No. 1

January, 1985

THE HEALTH SECTION — AT THE VENERABLE AGE OF THREE

by E. Paul Barnhart, first Chairman of the Health Insurance Council

Ed. Note: This is the second article in what is planned to be an ongoing series in which officers of the Society and of its Sections discuss the activities for which they are responsible. Comments and suggestions for the content of future articles are invited and should be sent to Julius Vogel, Associate Editor of *The Actuary*, at his Yearbook address.

The Society's Health Section, first to be organized of six special interest sections now in existence, observed its third birthday anniversary at the Toronto meeting in October. How has it fared during its infancy?

The Section appears to have been highly successful in certain areas of its projected activity: in particular its role of sponsorship and planning of health topic sessions at Society meetings. Two annual meeting events have already virtually established themselves as "traditions": Health Section Day and the Section Networking Breakfast, both well attended and well spoken of. An ample share of credit for this success belongs to Phyllis Doran, who has chaired the Section's Continuing Education Subcommittee, responsible for these meeting events as well as for the planning of Section seminars. Looking ahead to 1985, the Section is a principal sponsor of the Special Topic meeting scheduled for April in San Francisco.

The Section's Basic Education Subcommittee, chaired by Noel Abkemeier, has also made excellent progress and is currently playing key roles in the preparation of a new Society textbook

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AN ON CAMPUS MEETING

by Linden N. Cole

In August, possibly for the first time ever, the General Officers of the Education and Examination Committee sat down with a group of university professors engaged in actuarial education for an exchange of views. The meeting took place at Laval University in Quebec City, following the General Officers' meeting in Montreal.

Eight General Officers spent two hours with six members of the Laval faculty, after a tour of Laval's impressive library and computer facilities. They learned about the sequence of courses required of actuarial students, and that Laval will graduate 35-40 students next year.

There was a helpful exchange of views, and the General Officers were probably relieved to hear that in general, the early Associateship examinations discriminate well, and that the improvements over the past ten years have helped to keep them current with advances in standard university mathematics.

The Laval professors pointed out that the Society's traditional concern to have Associateship study materials which are effective in a self-study environment is not an issue in Canada, since the overwhelming majority of new actuarial students come from university programs, and have had classroom instruction through Part 4 or Part 5. They also observed that the Society's examinations serve as an important calibration of the students' university work.

Another view expressed was that the university program's orientation to the Society's examinations reduced student options, since most student time is taken up with required courses. This also makes course experimentation in

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22ND INTERNATIONAL CONGRESS OF ACTUARIES

by Peter W. Plumley

On October 21-27, 1984, my wife and I had the pleasure of attending the 22nd International Congress of Actuaries in Sydney, Australia. For the benefit of those who were not able to attend, and particularly those who have never had the chance to attend one of the quadrennial Congresses, herewith is a brief report.

The Congress was held in the concert hall of the world-famous Sydney Opera House. We arrived on Saturday after 30 hours of traveling, in order to recover from "jet lag" before the opening reception on Sunday evening.

There actually were several opening receptions in the various foyers of the concert hall, no one area being large enough to accommodate the some 2,000 registrants and accompanying persons. The name badges indicated which country the person came from, and what languages the person spoke and understood — very helpful when trying to meet people, considering that about 40 countries were represented.

Monday morning, at the impressive opening ceremony, everyone enjoyed an organ recital, an orchestral concert, and welcoming addresses by several persons, including the Governor-General of Australia. This was followed by the first of six working sessions. It consisted of brief national reports by the major countries represented at the Congress. The other working sessions each concentrated on a particular topic of interest to actuaries around the world. The topics were as follows:

1. Social, economic and political pressures affecting underwriting practices and benefit provisions.

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Published monthly (except July and August) by the SOCIETY OF ACTUARIES, 500 Park Boulevard, Itasca, IL 60143. Preston C. Bassett, President, Richard V. Minck, Secretary, Michael B. McGuinness, Treasurer, Anthony T. Spano, Director of Publications. Non-member subscriptions: students, \$4.50; others, \$5.50.

The Society is not responsible for statements made or opinions expressed herein. All contributions are subject to editing. Submissions must be signed.

EDITORIAL INCOME TAX SIMPLIFICATION

Today's newspapers are full of proposals for income tax simplification. The concept is the coupling of an increase in the tax base with a decrease in tax rates, such that the total of taxes paid by individuals and businesses is not materially affected. Expansion of the tax base is to be accomplished by including several forms of income not now taxable, and by eliminating some deductions.

To taxpayers sick and tired of the many complexities and inequities of the current Internal Revenue Code, income tax simplification may have strong appeal. Objections will come especially from those with a vested interest in one or another of the specific tax preferences targeted for elimination.

The portion of these proposals closest to the heart of the actuarial profession may well be the proposed inclusion within the employee's taxable income of the employer cost for employee benefit plans (EBP). Employer paid life, health, or disability insurance rarely becomes taxable to the employee at any time; and employer-paid retirement or savings plans become taxable only when the benefits become available. Favorable tax treatment has clearly been a driving force, though not the only one, behind the rapid and wide spread of the EBP idea.

The history of the non-taxability of employer contributions to EBPs is in itself of interest. The question of the taxability of group life and health insurance premiums was largely settled at a time when very few dollars were involved, and by Treasury Regulation rather than by legislation. The amounts involved are no longer minor, but the principle, once established, has largely survived. There is better evidence as to Congressional intent as to pension plans, where favorable tax treatment was originally limited to 'qualified' plans. The impact has spread, fueled by arguments of fairness (if some workers can get tax deferral through retirement plans, all should be able to.) We now find Keogh plans, TSAs, 401(k) arrangements, and IRAs. The amounts involved in the deferred taxability of these many retirement or savings arrangements are enormous.

That the employers of actuaries, largely insurance companies and actuarial consulting firms, are generally opposed to the elimination of EBP tax preferences can hardly be viewed as surprising. Organizations active in EBPs can hardly be objective as to this facet of the tax simplification proposals. The argument commonly put forth is that EBPs are in the public interest, but that employers and employees will abandon EBPs in favor of higher cash compensation if the tax preferences disappear.

The question remains, where do actuaries *as individuals* stand on this controversial matter? Some, believing in the essential rightness of the financial security systems with which actuaries are associated, or fearing that the role of actuaries in society may be curtailed, may join our employers in resisting any proposal taxing those who enjoy EBPs. Others, less personally committed, may take the position that EBPs do not need tax preferences to be viable. Actuaries of this persuasion may welcome the elimination of those pseudo EBPs that exist only because of the peculiarities of income tax law.

C.L.T.

The Health Section

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on individual health insurance and in support of the E&E Committee's ongoing review and revision of the health content of the examination syllabus.

In addition to the Section's Education Committee, which works through the two subcommittees mentioned, there are four other committees around which the Council has organized the activity of the Section: Communications; Health Care Economics; Ratemaking and Valuation; and Research and Data. There is also a Committee on Elections.

Tangible results in these other areas have been less visible. In some instances, it proved to be no easy task to define exactly what the goals and projects should be. Health care economics sounded like a sufficiently clear area in general, but not so clear in particular, as to specific projects and objectives. Similar difficulties were encountered by the Research and Data Committee. Further, some of the committee projects launched are intricate and long-term assignments, especially some tasks that the Ratemaking and Valuation Committee, chaired by Robert Shapland, now has underway, working through several task forces.

Like the Society as a whole, the activity of the Health Section depends upon dedicated volunteers, with ongoing turnover to bring in new blood. There are many ways in which the Section can serve and benefit its membership and the Society of which it is so proud to be a part. But the members as a whole will not likely get more out of it than they put into it, and keep putting into it. Membership and willingness to participate both are high. The Section has more than 1,200 members. A high fraction of them have expressed eager willingness to participate in the Section's work and many of them are doing so.

So the essential ingredients of continuing and expanding success are there. The ongoing challenge to the Section's Council and committee chairmen, and it will always be so, is to continue tapping this reservoir of talent and energy, with organized diligence. If this continues to be done, the Health Section cannot help but grow steadily in value to its members, to the Society and to the whole public we seek to serve. □