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A German Centennial

by Tauno Jaekel

The actuarial organizations of Germany, the Deutsche Aktuarvereinigung e.V. (DAV) and the Deutsche Gesellschaft fuer Versicherungs – und Finanzmathematik e.V. (DGVFM), held their centennial celebration last November in Berlin. It was in this historic city, on April 4, 1903, that the Department of Insurance Mathematics (Abteilung fuer Versicherungsmathematik) was established as a section of the Deutscher Verein fuer Versicherungswissenschaft e.V. (German Society for Insurance Sciences).

It is from this department that today's two actuarial organizations got their start. While DAV is the actual professional organization of actuaries, the DGVFM is—similar to the American Academy of Actuaries—a membership body for all who are contributing to the furtherance of the actuarial and finance mathematical sciences. It was not until 1993, when the then-only actuarial organization DGVM split into a professional organization (DAV) requiring formal training and education for membership and a body for all those furthering the actuarial and finance mathematical sciences through research and publications (DGVFM), that the professional designation Versicherungsmathematiker Aktuar (actuary) was formally established. Until then, actuaries had been called Versicherungsmathematiker (insurance mathematicians). Today, with membership at around 2,000 and several hundred actuarial students in the examination process, the DAV has grown to be the second-largest actuarial body in the EU, surpassed only by the traditional British Institute of Actuaries.

The centennial celebration began with a gala evening and continued the next day with a ceremony. Many members, retired members and accompanying spouses, as well as representatives of other international actuarial organizations, participated in this wonderful and memorable event.

Looking back on 100 successful years, the German actuarial profession can confidently face today's challenges when capital markets are more volatile; regulatory, legal, tax and accounting environments seem constantly changing when the actuarial field itself appears to be broadening. □

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- The European formula credits adjusted surplus with a portion of unrealized capital gains and future earnings.
- The U.S. formula requires less reserve related risk charges, including charges related to ALM.

These differences are offsetting in direction, so no conclusion can be made as to the relative rigor of the two formulas without applying them to particular facts and circumstances.

However, the European practice of crediting some portion of embedded value PVFP appears to be a reasonable practice in light of the fact that a company suffering adverse experience may have the ability to increase capital by selective sales of portfolios or reinsurance purchases. Similarly, recent reductions in European life insurance reserve related risk charges appear to be warranted when comparing European products to similar U.S. products.

Finally, a very important caveat needs to be stated. Standard and Poors and other ratings agencies rely heavily on their ratings analysts' judgment and their analyses evaluate many factors other than capital levels. In addition, an increasing number of companies are having their capital levels evaluated using more sophisticated methodologies than the CAR formula described in this article. □