The Actuary

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LETTERS

Injustice

One aspect of the Associateship exam transition seems to work unfairly. Old Part 5A had about 34 questions on advanced life contingencies, and 16 on risk theory; it seems that the only way a student might have received a grade of 5* (failure to meet a minimum standard for a particular topic) was by weakness in risk theory.

But students who had passed old 5A will now be credited with new 4C (advanced life contingencies) and also with the risk theory portion of new Part 5, while a candidate who got a 5* on old 5A will have to sit for the new 4C, i.e., a subject in which he has already demonstrated a high degree of competence.

True, the transition rules were known before old 5A went out of existence, but this is no excuse; a flawed plan is not made good simply by giving advance notice thereof. I hope that the E & E Committee will have the courage to correct its mistake.

Charles E. Moes, Jr.

E & E General Chairman James J. Murphy responds:

We have received several letters on this point, and as a result have reconsidered the decision that Mr. Moes properly criticizes. Candidates who have demonstrated adequate knowledge on either Risk Theory or Advanced Life Contingencies on old Part 5A in 1982 or 1983 have been given the good news that they will be given credit for new Parts 4B and 4C, Basic and Advanced Contingencies (38 candidates), or new Part 5A, Risk Theory (25 candidates). We are grateful to all who drew this to our attention, and are pleased to have rectified this matter.

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The Right to Know

Sir:

A large segment of the Society has become concerned that our process of electing members to the Board of Governors is democratic more in appearance than in fact because many of us don't know the candidates nor their perception of or their stand on issues that confront the profession and the Society. We consider the right to vote meaningless unless one knows what he is voting for (or against).

Our President, Dwight Bartlett, told the Atlanta Actuarial Club last month that the Board had received a committee recommendation to allow candidates for seats on the Board to publish 200-word statements on matters pertinent to the election, but the Board decided to provide candidates' photographs instead. In overruling the committee, the Board apparently thought that publishing pre-election statements would foster unprofessional conduct and introduce an unacceptable level of partisanship into the electoral process.

It would be informative for us, the members, to know which Board members hold that view. I note with dismay that the Board never discloses who voted one way or another on any issue.

I, for one, feel no shame about the political process we enjoy in the U.S. and Canada; as Winston Churchill acknowledged, it's still, despite its imperfections, the best system known to man so far. To assume that candidates for Board seats

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SURVEY OF DEMAND FOR ACTUARIES

by William G. Poortvliet, Chairman, Career Encouragement Committee

The Society has a long-standing tradition of studying its membership growth in relation to the emerging demand for actuarial talent. Our most recent effort is a survey by the Subcommittee on Actuarial Opportunities of the Career Encouragement Committee, initiated in the fall of 1982, completed in the summer of 1983, and presented to the membership in October 1983 in workshop format.

The survey had three major goals:

1. To amass data on actuarial demand and qualities sought by employers, for the benefit of the profession and potential future actuarial students.
2. To identify where demand is heading so that recruiting needs may be more accurately assessed.
3. To provide potential employers with an industry-wide picture of actuarial demand and where it may be headed.

The survey was sent to chief actuaries of more than 800 U.S. and Canadian employers of Society members, and answered by about 375 of them. Responses covered over 60% of the Society membership—70% among insurance companies, 54% among consulting actuaries.

Survey Results

With respect to Fellows, Associates and actuarial students within each organization, the survey asked for the September 1982 distribution by type of work, and the distribution of expected demand up to January 1988. The following tables summarize the then current and projected distributions as well as the expected excess in demand over current supply.

Fellows and Associates in 1982—Expected Needs in 1988

Insurance Companies	*Sept. 1982*	*Jan. 1988*	*% Increase*
Individual Life and Annuity	35%	34%	+ 37%
Individual Accident and Health	5	6	+ 56
Group Life and Health	17	18	+ 51
Group Pensions	14	13	+ 36
Purely Corporate	11	11	+ 46
Investment	1	2	+142
Other Corporate Services	4	4	+ 54
All Others	13	11	+ 18
Overall	100	100	+ 40
Consulting Firms			
Insurance Company Consulting	6%	6%	+ 37%
Investment-Related Consulting	<1	3	+657
Pensions and Deferred Compensation	75	68	+ 31
Life and Accident and Health	8	12	+122
International Benefits	4	5	+ 71
Other Employee Benefits	3	4	+ 71
Administration	2	2	+ 52
All Others	2	1	+ 14
Overall	100	100	+ 45

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Survey of Demand

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To develop a more comprehensive picture of the supply and demand outlook, we extended the recent trend in Society membership by a projection of future supply made by Linden N. Cole (*The Actuary*, June 1982) and compared it with two separate demand projections. The first demand projection used is a twenty-year projection based on a 1973 survey conducted by Russell H. Smith and his Subcommittee to Obtain Manpower Information (*The Actuary*, October 1974). The second is a ten-year projection generalized from the responses to our survey. This comparison is summarized in the table below:

Date		Demand Projection	
(Jan. 1)	Supply	'73 Study	'83 Study
1973	4301	4325	—
1978	6163	6106	—
1983	8579	7053	9264
1988	11016	7887	12203
1993	13714	8690	14044

The Cole projection, which is predicated upon a level number of successful Part I candidates of 2,000 a year (exceeding the actual range of 1,200 to 1,650 in recent years), is perhaps the most liberal among his various scenarios. Nonetheless, the 1983 Study still projected a future demand in excess of supply by numbers varying from 300 to 1,200.

Both the 1973 and 1983 studies projected growth rates in demand of roughly 40% over the first 5 years but only 15% over the next 5. And the 1973 demand projection closely matched the actual growth in membership for 5 years before falling short of it. (It is open to question whether this pattern is indicative of undue conservatism in the 10-year projection or an ERISA-generated increase in demand in the late 1970s.)

Quality

On the important matter of quality, the survey also included a Supplemental Questionnaire addressing the sources of actuarial talent, the standards employers use in judging applicants for actuarial positions, and the factors affecting the role actuaries will play in the future. A detailed analysis of the responses to these questions is beyond the scope of this report, but general conclusions are noted in items 4 and 5 below.

Conclusions

1. The demand for actuaries is projected to grow by roughly 40% over the next 5 years. If it occurs, such growth would match the rate over the past 5 years.
2. There is some, but not an extreme, expected shift by type of work; the traditional areas of work for actuaries are expected to provide most of the growth.
3. Supply apparently needs to remain strong if demand is to be met. We may, in fact, must, see growth in the number beginning with Part I of the examinations.
4. Employers are not focusing on numbers alone; they appear to be looking for actuaries with a broader bent, going well beyond the traditional technical skills.
5. Regulatory action is viewed as a factor importantly affecting the need for actuaries, and is one of the major unknowns in the supply and demand equation.

While these results may not be particularly surprising, they do provide us with useful working assumptions. There is indication, from the closeness of the predicted demand in the 1973 survey to results five years later, that predictions are credible, particularly since the characteristics of those who responded to this present survey are essentially the same as those of 10 years ago.

There seems to be general agreement that studies such as this should be conducted periodically. It is hoped that this article will stimulate membership discussion of their usefulness.

For a comprehensive report consisting of a transcript of the Florida meeting presentation including a handout at the workshop, send a self-addressed 9½" x 12" envelope to the Education and Examination Support Services Dept. at Society headquarters.

Letters

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would engage in disruptively partisan debate (especially through a 200-word statement) reflects little confidence in our candidates' professionalism and in the members' ability to sort out the good from the bad. I respectfully protest the Board's decision and request that it be reversed.

Claude Y. Paquin

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Mutual Companies and GAAP

Sir:

Daniel F. Case (Dec. issue) asks what standard should be employed for judging whether mutual life companies' annual statements conform with GAAP, and gives as the straightforward answer the GAAP rules applicable to a stock life insurer. It might equally be claimed that a stock company's GAAP statement should be prepared like a mutual's.

But there is a reason why the stock insurer's statements should follow different rules. In a stock company there are two classes of parties whose interests diverge —policyholders and stockholders—and the stockholders have a right to know the net value of the entity they own, as contrasted with the policyholders' share. In a mutual insurer there is no such diversity of interest—nobody stands to make a profit from a mutual company's policy since the insurer's commitment is to provide insurance to each class at as close to average cost as possible.

Mr. Case labels a balance sheet that shows zero net worth as meaningless on the grounds that this is tantamount to showing assets alone, which is inappropriate. But for a mutual insurer, the report's fundamental purpose *is* to show the net amount of assets under management, which equals its obligation to its policyholders after taking into account its current liabilities to third parties and beneficiaries. A second purpose is to show, as a solvency test, how total assets compare with the legal reserve and other liabilities.

The fact that a mutual insurer's statement is presented in a form showing the total funds, and also the solvency standard, doesn't mean that the mutual insurer has the same ownership structure as the stock insurer. The structures are distinct and separate; there is no more reason for the statement form that fits the stock insurer to be required of a mutual than for the reverse.

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