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NON-TRADITIONAL MARKETING SECTION

By H. Michael Shumrak

The Non-Traditional Marketing Section was formed in 1984. The purpose of the Section is to encourage and facilitate the professional development of its members through activities such as meetings, seminars, research studies and the generation and dissemination of literature which addresses non-traditional marketing subjects. The Section focuses on those product delivery systems and methods which are not the primary focus of other Sections.

The Section encompasses the following areas: direct response, payroll deduction, association group, credit insurance, and sales of insurance products through stockbrokers, banks, S&L's and retailers. In addition to covering these non-traditional distribution channels, the Section also concerns itself with the application of non-traditional marketing methods to support traditional distribution systems. For example, direct mailing techniques can be used to generate sales leads for an agency distribution system.

The majority of the over 900 Section members are insurance company actuaries (76%). Many of these members are either involved in product development or marketing development for non-traditional marketing distribution systems. A substantial percentage of the non-insurance company members are in the consulting field. Canadian and non-North American members comprise over 10% of the Section. The initial Section Council was established with an eye toward achieving a balance among geographical regions and areas of non-traditional marketing specialty.

During its first two years, the Section's primary efforts have been

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A SUMMER THUNDERSTORM

Some students sitting for the May exams were hurt by a computer foul-up when the examination results were announced in early July. John O'Connor, the Society's Executive Director, made a report to the Board as to what exactly occurred. *The Actuary* feels that its readers are entitled to a summary of this disturbing information.

On July 3, the results of the multiple-choice only exams were mailed to all candidates. The mailing included two items: (1) the official pass list, and (2) the candidate's individualized grade. Those with grades of 6 and above should have appeared on the pass list, but those with grades of 5 and below should not.

On July 7, as the Itasca office first opened after the holiday, the thunderstorm struck. There were numerous telephone calls from confused candidates reporting disagreement between the pass list and the reported grade. It was quickly noted that the problem was confined to Parts 4, 5, and 7 (EA 1), and that the pass lists were accurate; but that many of the individual grades for these three parts were incorrect.

It was later determined that human failure to update manually the passing grade (in the sub-routine that produces the individual grades) was the cause of all of the difficulty.

As to parts 4 and 7 (EA 1), the results of the error were not too serious. The grades of a number of these students were reported as 5 when the pass list showed (correctly) that they had passed. Almost immediate corrections were communicated indicating a passing grade. Here the correction was clearly "good news" to the students affected, and little harm was done.

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RANDOM SAMPLER

By Frederick W. Kilbourne

The article that follows first appeared in the August 1986 issue of *The Actuarial Review*, the newsletter of the Casualty Actuarial Society. It was therefore written for an audience of casualty actuaries. Its basic point, however, applies to all actuaries: there is only one actuarial profession, whatever our sect or denomination. The acquisition of a major insurance actuarial firm by a major pension consulting firm may provide a special opportunity for that point to be made.

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The acquisition of Tillinghast, Nelson & Warren (Tillinghast) by Towers, Perrin, Forster & Crosby (Towers) is a significant event to casualty actuaries. What's more, it appears to be recognized as such, which is not always true of significant events. Perhaps it's not surprising, however, in view of the facts that the new Tillinghast is the largest employer of casualty actuaries, has about two dozen offices scattered across the country and around the world, and has roughly a 50 percent market share of the fastest-growing segment (consulting) of the casualty part of the actuarial profession. But it's not merely size statistics that makes the merger a significant event to casualty actuaries. The greater significance lies in the connection with alien concepts such as employee benefits, not to mention pension actuaries.

One score and two years ago I began life anew, as a consulting actuary, and specifically as a pension actuary. The clients were primarily corporations with defined benefit retirement plans, ERISA and TEFRA had not yet been invented, and the work of the pension

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actuary was actuarial. Within a few years I was working with employee benefit plans beyond pensions, which in those days meant conventional group life and health insurance. At the same time a growing part of the practice involved individual life and health insurance, with the major point of departure being that the clients were generally life insurance companies rather than non-insurance corporations. I was one of about 500 consulting actuaries in the country, nearly all of us being pension or life actuaries or both. Together we made up about 20 percent of the actuarial profession, with most of the balance employed by insurance companies.

Where were the casualty actuaries in all this? Well, they were just about invisible to consulting actuaries in general. Only about one percent of their number, or a literal handful, were active full-time casualty consultants. Most consulting actuaries didn't even know a casualty actuary, for they attended separate professional meetings and seldom if ever worked together. The situation was little different in the insurance companies, for few carriers offered all lines of insurance, and even those few had an invisible but impermeable wall between life and casualty operations at the actuarial level. The separation between casualty and life actuaries, and particularly between casualty and pension actuaries, was a great, yawning gulf.

Consulting casualty actuaries as a group have increased by a factor of thirty over the past two decades, although we still comprise less than five percent of the ranks of all consulting actuaries. In my own case, the first major casualty assignment was in 1968, for an association of insurance companies, while over 80 percent of my current practice involves things that life and pension actuaries just don't do. The demand for consulting casualty actuarial services has outstripped supply for some years, moreover, and this is likely to continue for some time into the future, if newspaper headlines and newsmagazine covers may be taken as indications.

But what's the meaning of employee benefits to casualty actuaries, and where's the significance of pension actuaries in any event? In the first place, it should be remembered that the Casualty Actuarial Society was founded, in 1914, by Dr. Isaac Rubinow and others, to deal with employee benefit plan problems. The intended lines were workers compensation and unemployment insurance, the latter of which was not to be provided for some twenty years, but the former of which formed the foundation of the CAS. Group life insurance had first been written as an employee benefit in 1911, and group health insurance and retirement plans were important employee benefits of the distant future only. It can also be argued that workers compensation and unemployment insurance are the "real" employee benefit lines, in that both coverage and exposure relate directly to employment. An argumentative sort could go on, of course, to contend that all these lines (medical expense coverage excepted) are but special cases of income replacement insurance.

The significance of pension actuaries to casualty (and life) actuaries, and vice versa, will emerge over time, I contend. Joint marketing efforts will eventually lead to joint projects, which in turn will lead to the realization among different types of actuaries that they have more in common than not, and that there is such a thing as actuarial science. This may lead to an appreciation of the fact that the world has need of actuaries and actuarial science well beyond employee benefit and insurance programs. The leaders of Tillinghast and Towers are particularly able, in my opinion, to see the significance of this process to casualty actuaries, and to move it along. Others no doubt will follow, and the process will proceed.

Thus it is that the Tillinghast-Towers merger may be expected to bring casualty actuaries back to our roots (employee benefits) and to help the actuarial profession realize its potential (beyond employee benefits and even, yes, beyond insurance!) □

Post-Mortality Life?

From the 1985 Annual Financial Report of the Oregon Public Employees Retirement System:

"The following significant assumptions were used in the actuarial valuations... :

(1) ....
(2) ....
(3) pre- and post-mortality life expectancies of participants based on several mortality tables (UP-1984, 1965-70 Basic Ultimate, and 1971 Individual Annuity)."

Cathy Turner, who called this matter to our attention, wonders whether the OPERS actuary also went to Divinity school.

ACTUARIAL RESEARCH CLEARING HOUSE

The Committee on Research has recently distributed the 1985.2 issue of *ARCH*. This issue is devoted to the written presentations given at the 19th Actuarial Research Conference held at the University of California in October 1984.

Credibility Theory and Bayesian Approximation Methods was the subject of the 19th Conference, which was organized and coordinated by William S. Jewell. Twenty-one papers were there presented, all of which are now published in *ARCH* 1985.2 in 494 pages. There are another 27 pages of introductory material, including an alphabetical list of the contributors, and abstracts of the 21 papers.

For some of the earlier issues of *ARCH, The Actuary* has published the Table of Contents. In this case we do not do so, partly due to space limitations, but more because of the elapse of time since the 1984 Conference was held. The 20th Actuarial Research Conference, held at the University of Texas in November 1985, was on Financial Operations of Insurance Companies and Employee Benefit Plans; and the 21st or 1986 Actuarial Research Conference is to be held later this month (October) at Ohio State University on the subject of Risk, Valuation, and Surplus. Hopefully the papers presented at the 1985 and 1986 Actuarial Research Conferences will appear in *ARCH* with less publication delay.