

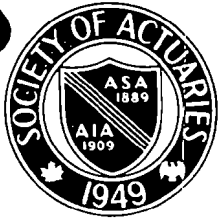


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THE ACTUARIAL PROFESSION IN SCANDINAVIA

by Dwight K. Bartlett, III

One of the advantages of being a Past-President is that it permits international contacts that might not otherwise be available. This summer my wife and I spent several weeks in Scandinavia. I decided to presume on my position by making contact with the leadership of the actuarial profession in Denmark, Sweden and Norway. While the purpose of the contact was primarily social, it gave me an opportunity to learn about the actuarial profession in those countries. My visits were with Jorgen Tofte, President, Des Danske Aktuarforening; Nils Wikstad, Vice President, Svenska Aktuarieföreningen; and Georg Harbitz, President, Den Norske Aktuarforening. Following is a summary of some of what I learned.

In all three countries the profession is quite small. Professional membership is approximately 150 in Denmark and Sweden and 225 in Norway, with approximately two-thirds of those actually in active practice. Full-time employment in consulting work appears to be extremely rare, since almost all active members are employed by insurance companies. There are also far fewer insurance companies in those countries, and they tend to be concentrated in the capital cities. Therefore, the profession tends to have both the advantages and disadvantages of being small, geographically concentrated, and homogeneous in terms of employment. Compensation tends to be modest by North American standards and subject to very high rates of taxation; but that is characteristic of employment generally in Scandinavia.

Qualification is achieved not through our process of apprenticeship-type

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Part 8 Moving to Fall

The E&E Committee has announced that Part 8 will become strictly a fall examination, effective in 1987. Part 8 will be given in both spring and fall of 1986. It was a spring exam only in 1985.

This move is designed to even out the spring/fall imbalance experienced particularly by U.S. pension students. After the change, these students will have an equal number of spring and fall Fellowship examinations.

Other students will wind up with two spring parts (6 and 10) and three in the fall (parts 7, 8, and 9).

There will be no transition requirements in connection with this change.

10,000 READERS?

Like any newspaper, magazine, or newsletter, *The Actuary* is interested in the number and characteristics of its readers. A recent approximate count tells us that the 10,000 circulation-mark is about to be reached, if it has not already.

Since *The Actuary* is the official newsletter of the Society of Actuaries, it is automatically sent to all Society members. The Yearbook shows 9,260 members as of 11/1/84. After allowance for nearly a year's growth, we estimate current Society membership at 9,600. About 56% of these are FSAs, the remainder Associates.

Others can subscribe to *The Actuary* for \$5.50 annually (\$4.50 for students). A July listing of non-member subscribers shows 394, of whom 198 have paid the student rate.

A count of foreign addresses indicates that about 500 copies are sent to

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DIFFERENT — BUT THE SAME

by C.M. O'Brien

In talks I recently gave to a number of gatherings of actuaries in North America, I used as a sub-title the phrase "Different but the same". I then explained what that meant to me — that over the years I had found that there were differences of legislation, business practice, customs, etc. between different countries, but that underneath such differences, actuarial problems were basically the same. Only when I had talked with a number of actuaries did I realize how apropos it was!

My main subject was the supervision of life assurance, based on the events in the U.K. in the early seventies. Following a small number of insolvencies, fresh legislation was introduced. Central to this was the position of the "appointed actuary", not so much because of his legal responsibilities but because of the duties imposed on him by the profession. (The "appointed actuary" must, with minor exceptions, be a Fellow of the Institute or Faculty of Actuaries, so duties imposed by these bodies are very powerful). These are spelled out in, e.g., pp. 41 et seq of the Institute of Actuaries Yearbook, 1984/85.

I quickly learned about the U.S. discussion of a "valuation actuary", and from what I heard and from the U.K. experience I would like to make three points.

First, as to the title. In the U.K., the title of "valuation actuary" is given by a number of companies to the actuary who is responsible for carrying out the valuation, including the accuracy of the data, and similar work. He is, in a sense, a technician. The "appointed actuary" is a very different animal. Nor-

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employment, self-study, and examinations administered by the profession, but rather through formal academic training. The training, which is equivalent to something between a Master's Degree and Doctoral Degree level in North America, puts heavy emphasis on mathematics and other academically oriented subjects. It is therefore not surprising that Scandinavian actuaries have been leaders in theoretical developments in actuarial science, such as risk theory. On the other hand, employers find that newly qualified members of the profession need considerable strengthening of their skills in the practical aspects of the work before they can fulfill all of the requirements of an actuarial position in company employment. This is mostly done by the companies themselves, although apparently there is some opportunity for involvement in study groups or training classes sponsored by the professional organizations.

Women are apparently finding ready acceptance in the profession in these countries. In Denmark, for example, approximately 20% of the members of the profession are women, with a number of actuarial marriages, including our Danish host and his wife. There appear to be some differences within the three countries with respect to specialty qualification. In Denmark many insurance companies do both life and non-life insurance business, and actuaries are considered to be qualified in both fields. In Sweden and Norway the two types of business are kept separate, and actuaries are considered to be qualified in one field or the other. The non-life field seems to offer the more interesting challenges at present although, as in the United States, historically more actuaries worked in the life field.

Life companies in Scandinavia tend not to compete on gross premiums, but rather on bonuses (comparable to dividends). Actuarial bases for gross premiums apparently are universally accepted within each country, although I did not ask whether that is by practice or a legal requirement. There also ap-

pears to be less diversity in product and less rapid development than we are presently experiencing in North America.

Perhaps one reason for the fewer actuaries in consulting work, in addition to the smaller number of insurance companies, results from the fact that pensions are largely funded through insurance policies. Terminating employees take their policies with them, including the rights to future bonuses, which helps alleviate the portability problem.

In the United States rating bureaus are a phenomenon peculiar to the property and casualty field. Apparently the reverse is true in Norway. Our Norwegian host, Mr. Harbitz, is director of a statistical organization which compiles mortality data for the life insurance industry.

Since the professional actuarial organizations are much smaller, they tend to operate informally, perhaps more along the lines of the actuarial clubs with which we are familiar. In Copenhagen, for example, they hold monthly dinner meetings. In addition, because of the similarity of their languages and their close national relationships, the actuaries of each country maintain close relationships with those of the other Scandinavian countries, including holding a joint annual meeting. In addition, a journal comparable to the *Transactions* is published jointly.

The presidents of the Scandinavian actuarial organizations serve terms in office which would be daunting for a president of the Society of Actuaries — three years in Norway and Denmark and six in Sweden. Nevertheless, Mr. Harbitz said his presidential duties took perhaps 25% of his business time, which is comparable to what I spent as president. They must have very understanding and supportive employers.

While the information about the status of the profession in Scandinavia was of great interest, the most lasting impression was the personal warmth with which I was received. I hope these are friendships I will be able to renew at the International Congress of Actuaries in Helsinki in 1988. □

Different — But the Same

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mally one of the most senior actuaries in the organization, he is an integral part of senior management, as indeed he must be if he is to carry out the duties referred to above. He signs the valuation report, and is therefore responsible for it, particularly in terms of methods and bases (where these are not legislated); but he may well not have had any hand in the production of the figures. To U.K. ears, therefore, the title of "valuation actuary" substantially undervalues the position of "appointed actuary", and I wonder whether perhaps this is not also true in the U.S.

Second, the existence of the "appointed actuary" and the professional guide-lines enables us to retain a large measure of the freedom of action which we previously had — something which certainly would not have been the case if the profession had not taken such a positive line. This we believe to be valuable, not only because we have always had great freedom of action and did not want to lose it, but because we believe that precise legislation is extremely difficult to frame if it is to be adequate in all circumstances. Law is by definition inflexible and cannot easily be changed to meet changing circumstances. We believe that professional guidelines, altered as necessary as circumstances change, are a much sounder basis for ensuring the solvency of life assurance companies.

Third, the Institute of Actuaries, both in its general guide to professional conduct and in the guidelines for appointed actuaries, has made reference to the support and comfort that it provides to its members. It invites any member in doubt as to his proper course of action in relation to either of these guides to consult, in total confidence, the Institute. We have a committee, the Professional Guidance Committee, which includes this duty in its terms of reference. We feel that if we impose duties on our members, then we have a corresponding duty to our members to provide guidance when necessary.

I believe that there is nothing comparable to this in the U.S. and perhaps I might be bold enough to commend some such arrangement to you. □