



SOCIETY OF ACTUARIES

Article From:

# The Actuary

December 1987 – Volume No. 21, Issue No. 10

*Two CFOs Cont'd.*

the financial dynamics of the products — the pricing, the profitabilities, the capital needs, and so on — much more than our predecessors had to understand. We need to make much more explicit decisions, and we're going to live with their consequences a lot longer. In the past, there was a longer time frame between and when you did something and when the real impact of it showed up.

**Pike:** That's if you ever knew about the real impact!

**Verni:** True. It often just blended into the amorphous mass called statutory accounting.

**Poppel:** *What do you expect from the actuarial function in your company?*

**Verni:** We depend very much on the actuaries, for our insurance products, to continue to practice their craft skillfully, with a note of conservatism but maybe not quite as conservative as in the past. My biggest theme is to ask the pricing actuaries and financial actuaries to help us effect in our measures the stochastic reality of our world. They've always dealt with stochastic aspects when they dealt with mortality; they should do the same for the expenses, the cash flows, and so on. We need to do more of the "what if?" kinds of analyses to really understand the possible outcomes so we can allocate capital more effectively.

The actuaries should also help us "non-card carrying" actuaries to learn a little bit more. We've got to get rid of the actuarial mystique that we tease about. We shouldn't be teasing about it in five or so years.

**Pike:** In our new organization, we've taken a lot of the technical planning functions that were dispersed throughout the company and put them all in one place. At the corporate level, we now expect the actuary to be one person on a team of several people, all with different technical skills. He or she brings the actuarial viewpoint to the process, but doesn't control the whole process. Actuaries need to be able to communicate with and educate the rest of the team so that together they can make the best decisions.

**Poppel:** *How does the emerging valuation actuary role fit in with your job?*

**Pike:** To me, the term *valuation actuary* is still ill-defined — the concept seems to be farther along in Canada and maybe elsewhere. Our corporate actuary has, as one of his

responsibilities, the job of certifying reserves for the whole company.

**Verni:** I agree that the concept is evolving. We're trying to go beyond a straight C-1, C-2, and C-3 risk analysis approach (which is still important) to an approach which looks at the assumptions made when pricing specific products versus the actual experience. We're still in the learning stages, but we hope to end up with an approach which is more pragmatic and less static than the traditional valuation methods.

**Poppel:** *What advice do you have for those who aspire to be CFOs?*

**Pike:** I have to answer that based on how I believe the job will evolve. The single most obvious thing I would say is to develop a business orientation, either through an MBA or management experience in different parts of the organization not necessarily actuarial. I don't think that the old concept of how an actuary is trained fits very well with the CFO role — that training doesn't get into the interpersonal experience and business dealings that you need to make the job work.

**Verni:** I think anyone in an insurance company who aspires to this job should be looking for opportunities to diversify his or her career. The ideal person could be an actuary or an accountant, but not necessarily — he or she needs some of those skills, but can develop them by working in a related area. It would be great to spend some time in the investment function or even outside the industry.

**Poppel:** *What is the biggest challenge facing you in the next year?*

**Verni:** There seem to be so many! If I had to choose one, it would be conceptually agreeing upon and implementing a methodology for allocation of equity-type capital and defining return measures so that we have a return on equity kind of approach that applies to all of our lines business.

**Pike:** We're at the same spot. We think we know what those definitions ought to be — now we're trying to reach agreement with the operating areas that the measures are reasonable. The big challenge is making the concept operational.

---

## In Memoriam

Fernand Pare F.S.A. 1959  
 John G. Selig F.S.A. 1959  
 Huntly G. Walker A.S.A. 1955  
 Harold G. Walton A.S.A. 1925

## Competition Results

by Charles G. Groeschell  
 Competition Editor

We have three new co-champions with perfect records for the eleven Actucrossword puzzles in the last fiscal year ending with the June 1987 issue. They are D. C. Baillie, Robert C. Martin and Jonathan Schwartz. D. C. Baillie has shown steady improvement ever since your CE did not catch the misspelling of his name several years ago. Bob Martin, on his January solution, commented, "I was not 100% in November, having missed the word *forearm*." He had *firearm* instead of the official *forearm* as did almost half of the other solvers that month. After consulting expert solvers of our Actucrosswords, we decided to accept either one as correct, but Bob was the only one who tried not to take credit for our unusual show of generosity. As for Jon Schwartz, he is lucky to be recognized as a champion because he missed the April solution. Then your CE noticed an anonymous correct solution that month, and after a handwriting analysis, recognized it as Jon's. (Jon is one of a few solvers who doesn't make sure his name is on his solutions. Your CE usually notices this when opening the mail. If the solver's name is on the envelope, he makes the solution "non-anonymous." In this case he missed, but wishes all solvers would identify their solutions so he wouldn't have to do it in the first place.)

The number of solvers continues to increase. A total of 535 solutions were received and 4 out of 5 were 100%. However, the monthly variation was extreme. In February, 31 solutions were received but only 11 were 100%, while in May we had 67 solutions out of 72 that were 100%. Usually, the solutions that are not 100% will miss on the same tough clue. However, in April when 21 solvers out of 59 failed to achieve 100%, seven words were missed by one or more solvers.

We had six runner-ups with 10-1 records: William A. Allison, John W. Grantier, Robert D. Hohertz, Gary D. McDonald, Robert A. Miller III, and Esther Portnoy. Those with 9-2 records were Andrew P. Johnson, G&D Mazaitis and Beth (Mrs. John S.) Thompson.

Each co-champions may nominate a candidate to receive a free subscription to *The Actuary* until June 1989. Do this by notifying Susan Pasini at the Society office in Itasca.