



SOCIETY OF ACTUARIES

Article From:

The Actuary

March 1986 – Volume No. 20, Issue No. 3



The Actuary

The Newsletter of the Society of Actuaries

VOL. 20, No. 3

March, 1986

SOCIETY OF ACTUARIES STAFF ORGANIZATION

By John E. O'Connor, Jr.
Executive Director

The Society of Actuaries membership now totals close to 10,000! As you might suspect with the Society becoming increasingly larger, more specialized and active, it is often difficult for the membership to meet the office staff or even realize the full range of services that the Society office routinely provides for its members. Therefore, I would like to take this opportunity to introduce you to our staff and the services that we provide for you.

In addition to myself and two administrative assistants who compose the Executive Division, the office is organized into seven divisions. These are: Education, Education and Examination Support Services, Meetings, Finance, Research, Communications, and Information Services Center. Within this departmental structure, each division has its own set of responsibilities in conjunction with various committees. However, it is quite common for several divisions to work together and support each other on a particular project.

Let me briefly describe each division and its primary responsibilities.

Education:

This department is headed by Linden N. Cole, FSA. Education is one of the primary functions of the SOA, and the work of the Education and Examination Committees, supported by this department and its staff, is a key to the overall strength and growth of the actuarial profession. In his capacity as Director of Education, Linden works closely with the Society's various education committees, including Education

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COMPARING THE ACTUARIAL EXAMS

By Rick A. Roeder

When you were spending countless hours studying for actuarial exams, did you ever wonder why you had been foolish enough to select this profession when other professions such as accounting and law appeared to offer easier paths to receiving professional credentials? I surely did. I gave myself the opportunity to test whether this thought was mere wishful thinking in a recent six-month period.

My practice has gotten involved in additional areas of tax-planning other than those normally encountered by an actuary. Being a believer in credentials, I thought that becoming a CPA would be consistent with this belief, and a useful marketing tool to boot. So, I decided to take the CPA exams, much to the incredulity of certain associates and friends. I want to share my observations on the many differences between the CPA and actuarial exams.

First of all, you should realize that I am not an ideal barometer by which to compare the two sets of exams:

1. When I took the actuarial exams I was usually one of the youngest in the room; not so for the CPA exams where I was one of the "senior citizens" and "exam seasoned" from my actuarial background.

2. My formal education was stronger in actuarial science than in accounting.

3. My attitude in studying for the two sets of exams was different. I studied hard for the actuarial exams, while my commitment to the CPA exams was limited to self-study on a basis that did not interfere with work or social commitments (and the 1984 World Series, as it worked out. My favorite baseball team, the Tigers, played the local

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ANNUITIES USED IN SETTLEMENT OF PERSONAL INJURY LAWSUITS

By Robert C. Blattenburg

At the outset it should be said that this article is not intended to be a learned or technical treatise. Rather it is a brief description of one of the fastest growing segments of the life insurance industry — the so-called Settlement Annuity. It is presented out of the experience of the author, who has had a hand in the development of the methods used in rating and handling these annuities since the inception of current usage. The author was Actuary of one of the companies to first issue such annuities, he has been an advisor to others, and he has actually settled several hundred personal injury lawsuits through the use of Settlement Annuities.

The use of annuities as part of a financial package in the settlement of a claim of one person against another is not really new. The Roman Senate granted a life income to a claimant, and about 50 years ago annuities were used in settlement of a few of the Thalidomide cases. However, the use of the annuities issued by life insurance companies to settle personal injury lawsuits did not really begin until 1970. Since then the growth rate of the use of this approach has been tremendous. Only \$150,000 of premium was generated in 1970, but over \$2,000,000,000 in 1984. Almost a 100% annual growth rate sustained over 14 years is indeed awesome.

The reasons for this growth are not difficult to see, though we may wonder why it didn't happen earlier. For the injured person a life-time income makes much more sense than a lump-sum settlement. The liability insurer likes the

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Comparing the Actuarial Exams

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Padres less than a month before the November exam. World Series fever put a screeching halt on any studying for a week.) In contrast, most CPA candidates take formal review courses.

Anyway, I was startled by the differences. Here are some of them.

1. The most fundamental difference is that the breadth of topics on the CPA exam is more extensive than the actuarial syllabus. Because of this, CPA questions tend to be more general. In other words, financial common sense and educated guesswork get you farther on the CPA exams than on the actuarial exams.

2. Multiple choice questions on the

CPA exam were easier because you only had four choices, instead of five. Also the dreaded answer (e) on actuarial exams, "None of the above answers," never reared its ugly head on the CPA exam.

3. When taking actuarial exams, I usually felt much time pressure. Not so on the CPA exam, as ample time is allotted. Many finished the CPA exam early. I found it disconcerting that some people were aimlessly walking around with a cup of coffee during the exam. Tell me, did any of you ever see that at an actuarial exam?

4. The number of people taking the CPA exam was at least 20 times greater than I ever encountered at Part I or Part II of the actuarial exams. The exam room had all the trappings of a conven-

tion hall, making me feel that I could have just as easily been attending a sporting event or a Van Halen concert.

Well, I achieved comparable results gradewise on the four CPA exams as I did on the ten actuarial exams, albeit with much less effort. Does it prove anything? Perhaps not, since my study habits and concentration level have undoubtedly improved considerably over the past 15 years. However, this barometer reaffirmed my belief that it is quite an accomplishment to get through the gauntlet of Society exams. □

COMPOUND INTEREST VIDEOTAPES

The University of Michigan has produced a series of videotapes to prepare students for the compound interest portion of Part 4. The lecturer is Professor Jack Goldberg of the UM Mathematics Department. Inquire at (313) 763-1233. □

Recent Research from LIMRA

	Code
Investing in New Agents	33.22
The Financial Dynamics of Disability Income	30.80
Persistency of Flexible-Premium Annuities	63.30
Buying Directly: The Consumer's Response	56.00
Manufacturer-Distributor Agreements	54.00
Long-Term Ordinary Lapse Survey	63.30
Measuring Universal Life Persistency	63.30
Replacement: The Consumer's View	81.00
1985 Buyer Study	84.00

In your company library, or from LIMRA Library, P.O. Box 208, Hartford, CT 06141.

Spring Exam Seminars

During April, Georgia State University will offer seminars to help students prepare for the following of the 1986 spring exams: Parts 2, 3, 4, 5, 6, and 7P (EA-1). For further information contact Robert W. Batten at his *Yearbook* address.

Recent Research from 1985.1 Issue of ARCH

A Multiple Decrement Theorem	Jim Connor; comments by Cecil Nesbitt
On the Moments of Compound Interest Functions When Interest Varies as an AR(2) Process	Colin M. Ramsey
Accumulation Functions	S. David Promislow
The M-Linear Hypothesis and Varying Insurance	John A. Mereu
A New Derivation of Life Annuity and Life Insurance Functions	Hung-ping Tsao
More on Optimum Premium Payment Plans	Colin M. Ramsey
Distributional Aspects and an Evaluation of some Variance Indicators in Credibility Models	Stuart Klugman
Teacher's Corner	E.S. Rosenblum, James C. Hickman, Beda Chan, Robert L. Brown, E.S.W. Shiu, E.R. Vogt

OTHER ACTUARIAL NEWSLETTERS

This being Vol. 20, No. 3, *The Actuary* is in its 20th year, having been published continuously since 1967. Except for an informal newsletter once put out by Ralph Edwards, replaced when this newsletter started publication, we believe *The Actuary* to be the oldest of the newsletters serving the actuarial profession.

Today, however, there are no less than ten such publications, not including the several now published by Society Sections, and exclusive of letters or reports put out by segments of the insurance or employee benefits industries, or by actuarial consulting firms. For our readers' easy reference we list on page 7 ten actuarial publications of the newsletter or reports nature, together with sponsoring organization and how often and how long published. In keeping with its place in alphabetical order, *THE Actuary* is listed last.