



SOCIETY OF ACTUARIES

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SOA's Financial Plan Cont'd.

students. Seminar registration and meeting income was projected to grow in proportion to total membership. Investment income was estimated to grow at 7.5% of the excess of revenue over expenses.

Projected Revenue and Expenses: 1988-1991

At the Annual Meeting in October, the Board approved a budget for fiscal 1988 that shows the three self-supporting departments, with a combined budget of \$4.1 million, almost precisely matched between revenue and expense. The four membership support activities show expenses of \$2.5 million against available revenue of \$2.4 million, all of which project a preliminary budget deficit of \$105,000.

It would not be feasible in the space of this article to detail each department's financial projections of revenue and expense for the subsequent years of the long-range plan. The following graph compares the growth of total revenue to total expenses. With E&E activities and seminars growing at a faster rate than membership generally, the trends noted earlier are expected to continue. The budgets for these activities will represent increased percentages of the Society's total budget for the next several years.

Dues Increase for 1988

In a nutshell, expenses for membership support activities and general administration are increasing faster than membership dues and revenues from miscellaneous sources. Against

this background, rather than wait until we are forced to pass a substantial increase in membership dues, the Administration and Finance Committee at this year's Annual Meeting recommended, and the Board approved, a modest increase in dues for 1988.

Dues for all Fellows and for Associates having 10 or more years will increase from \$185 to \$200; dues for Associates of 5 to 9 years will increase from \$140 to \$150; and for Associates of less than 5 years, from \$95 to \$100. This new schedule will increase total membership dues at an annual rate of \$120,000, of which \$70,000 will accrue as revenue in the fiscal year ending next July 31. Of course, the 1988 budget was proposed well in advance of this Board vote, which has had the effect of reducing the budgeted deficit from \$105,000 to \$35,000.

Summary

For the year ahead, in addition to my duties as Treasurer, our new President, Gary Corbett, has assigned me the Chair of the Administration and Finance Committee. In these two positions I shall continue to work closely with the Society office staff. We will do our utmost to see that your Society of Actuaries funds are prudently managed and hope that we shall be able to report a sufficiently favorable variance from the revised \$35,000 deficit, so that I may again sport the black tie to the 1988 Annual Meeting.

Michael J. Cowell is Vice President and Corporate Actuary at UNUM Life Ins. Co. He is the SOA Treasurer and newly appointed Chairperson of the Administration and Finance Committee.

The Actuary in Europe

by Peter H. M. Kuys

One effect of the considerable European investment in the U.S. insurance industry over the past ten years has been more intensive contacts between North American actuaries and their European colleagues. With this in mind, I would like to give an overview of the actuarial profession in Europe, and include information on how actuaries are trained and what their roles and responsibilities are in the member countries of the European Economic Community (EEC). These countries include Belgium, Denmark, France, the Federal Republic of Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, and the United Kingdom (U.K.). The major reference for this article is "The Actuarial Profession in the European Communities," published in 1985 by the Consultative Group's Secretariat, c/o The Institute of Actuaries, Staple Inn Hall, High Holborn, London WC1 7QJ, England, telephone (1) 242-0106.

Roles and Responsibilities

Let me provide some background. The 1957 Treaty of Rome, which created the EEC, established the principles for a Common Market, the free movement of capital, and circulation of labor among its member countries. It also set out principles of freedom, establishment, and services. This means that an actuary who is a citizen of one member country may become established or offer services in a second member country under the same conditions which apply to nationals of that second country.

The EEC has issued regulations for some professions (not yet including actuaries) which mutually recognize evidence of formal qualification. The EEC institutions only recognize professional bodies organized in a community-wide manner. For that purpose, the 14 actuarial associations from the 12 EEC member countries have formed the Consultative Group. Luxembourg actuaries are represented by the Belgian association. France, Italy and the U.K. each have two associations. The 1984 membership statistics of the Consultative Group (excluding Spain and Portugal, which just entered the EEC in 1986), are shown in Table 1. The number of

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**SOCIETY OF ACTUARIES
Long Range Financial Plan**

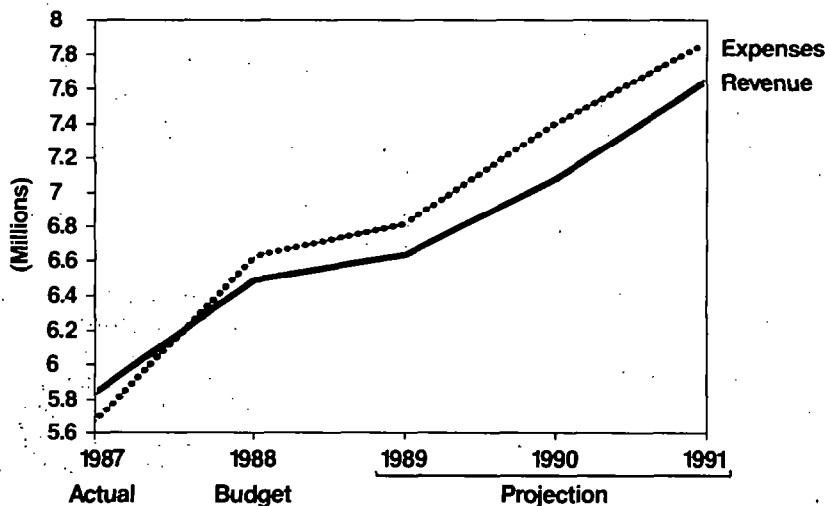


TABLE 1: Employment Members EEC Actuarial Associations

Country	Total	Insurance Companies	Pension Funds	Consulting	Education	Government	Other Financial Institutions	Other, Incl. Retired
Belgium	257	46%	0%	9%	10%	5%	6%	24%
Denmark	162	49	4	1	6	7	1	32
France	734	44	6	2	2	10	22	14
Germany	489	55	0	7	3	5	0	30
Greece	39	62	3	8	0	3	0	24
Ireland	50	56	0	32	2	2	6	2
Italy	569	30	0	4	16	40	5	5
Netherlands	476	53	10	10	2	7	0	18
	2,632	55%	0%	18%	0%	1%	7%	19%

TABLE 2: Comparative Table of Actuarial Training

Country	Normal training route	Approx. no. qualifying each year	Association's involvement in examination standard	Further requirements for qualification	Subjects
Belgium	4 yrs. full time university 2 yrs. part time post-graduate	25	none	none	applied math., act. math., oper. research, economics, investment, accountancy, law
Denmark	5.5 yrs. full time university	6	consultation on major revisions	none	calculus, lin. algebra, act. math., statistics, computer science, economics, tax, insurance, law
France	After BA in math, 3 yrs. full time university or 2 yrs. organized by association	35	syllabus set by association	1 yr. practical experience	applied math., act. math., statistics, demography, accountancy, portfolio theory, fin. analysis, law
Germany	4 yrs. full time university, applied math., specialized in actuarial math.	unknown	none	practical experience or passing examination offered by association	pure math., applied math., act. math., oper. research, risk theory, economics, law
Italy	4 yrs. full time university	20	set by government	none	math. analysis, statistics, demography, economics, sociology, marketing, law, act. math., finance, oper. research, soc. security
Netherlands	two routes: (1) 5 yrs. full time course university (2) 8.5 yrs. part time course by association	7	only indirectly	none	economics, econometrics, bus. admin., law, math., statistics, act. math., computer science, soc. security, pension funds
United Kingdom	two routes: (1) part time private study for 6 yrs. (2) 3 yrs. full time university plus 4 yrs. private	130	syllabus set by association or mutually agreed with university	at least 4 yrs. practical experience	prob. & statistics, act. math., investment & finance, economics, institutional investment, pension funds, law, demography

Actuary in Europe Cont'd.

fellows and associates and their field of activity, in the EEC countries are also included in this table.

Differences in actuarial employment activities among countries evidently reflect differences not only in the social and institutional infrastructure of a country, but also in the roles and statutory responsibilities of its actuaries. The profession's historical development and the formal training of actuaries vary among countries as well. These phenomena also contribute to employment distribution differences.

Some of the striking differences are summarized in the following four points.

1. In Denmark, France and the Netherlands, larger corporations tend to have their pension schemes administered by separate legal entities with independent managements. Actuaries in these countries are traditionally employed by these entities to assist in the financial management of those pension funds.

2. In Belgium, Denmark and Italy, the high percentage of actuaries in education reflects that the formal training to become an actuary is usually through full-time courses from university actuarial departments and faculties.

3. In France and Italy, the government employs many actuaries because of the strong state involvement in the insurance industry, either because that part of the industry is nationalized (France) or because of industry-wide mandatory reinsurance with state-owned institutions (Italy). Actuaries have more training in the public administration of social security programs in these countries.

4. Historically many actuaries in France, and less in the U.K., have been employed by banks, mutual funds, security firms and other areas of the national financial system. As a result, investment and banking are major examination subjects.

In all EEC countries, actuaries have sufficient formal training to work in both life and property and casualty insurance. Most active property and casualty actuaries (estimated at 5% of the total EEC membership), are members of their national group for Actuarial Studies in Non-Life Insurance (ASTIN, a subsection of the International Actuarial Association or IAA). One objective of these groups is

to organize post-qualification seminars which address actuarial issues regarding the property and casualty insurance business.

Until recently, the traditional activities of EEC actuaries employed by insurance companies, except British and French actuaries, have been the pricing and accounting for insurance and pension contract liabilities. However, because of increasing instability in financial markets during the last decade and the concomitant effects on solvency, the profession in Europe has recognized that the actuarial approach can be expanded and integrated effectively into more generally managing the financial processes of insurance companies and pension funds. In fact, some actuaries strongly believe that we could play a key role in the financial management of any financial institution, including banks, savings and loans, credit institutions, etc. The awareness for broader professional involvement in the national financial system has led the IAA Council to appoint a task force to study the possibility of forming another IAA subsection, similar to ASTIN, for actuaries specializing in the risk management of financial institutions other than insurance companies and pension funds. The task force report was expected sometime in the fall of 1987.

Actuarial Training

The qualifications of an actuary are not mandated by law in EEC countries nor is the use of the term "actuary" restricted to members of an accredited professional association. The only exception is Italy. Nevertheless, the governments of all EEC countries generally accept that actuaries carry an important indirect but special public responsibility to ensure the financial stability of insurance companies and pension funds. Therefore, it is generally recognized that for an actuary to be considered sufficiently competent to carry out these responsibilities, several years of intensive training is required.

Actuarial training is provided in all member countries of the EEC, except Luxembourg. Ireland uses U.K. training, and, in Greece, training is mostly done "on the job." Table 2 compares the key elements of actuarial training in the other countries.

Full university training is provided in all the countries listed in the table except for the U.K. The Netherlands and the U.K. also provide complete training part-time outside

the university system. All syllabi emphasize mathematics and its related subjects. Economics, law and accounting are also common subjects. Italy appears to be unique in its educational offering, which includes marketing and sociology. France and the U.K., as mentioned earlier, stress finance and investment as part of the university training.

According to the National Reports to the 1984 International Congress of Actuaries on Political, Social and Other Influences on the Actuarial Profession, many European actuarial associations have encouraged members to move into areas outside their traditional mathematical tasks. These changes are strategically important for both the long-term prospects and the viability of the actuarial profession.

Because of shifts away from traditional actuarial roles, fundamental syllabus changes are being considered in the Netherlands and some of the Scandinavian countries to incorporate training for future actuaries to enable them to be more effective in a dynamic business environment. In addition, many programs and post-qualification seminars are also being organized to help broaden the actuary's involvement in the management and control of risk processes of financial institutions.

In this regard, let me comment on the profession's development in North America. Because of my personal experience during the past ten years, I believe that the life actuarial profession in Europe has evolved tremendously, moving away from the back offices to the executive rooms, by taking the lead and providing guidance in major strategic shifts in the market dynamics occurring in the U.S. and Canadian life insurance industry. The strength and vigor of the North American actuarial profession, demonstrated by how professional challenges are met and by the richness of post-qualification educational opportunities offered through Society of Actuaries meetings, seminars, symposia, workshops, etc., should induce many European actuaries concerned about the profession's prospects to discover the secret of their American colleagues.

Peter H. M. Kuys is Vice President and Actuary of Nationale-Nederlanden U.S. Corporation, the holding company of the U.S. subsidiaries of Nationale-Nederlanden N.V., the largest insurance group of the Netherlands. He is a member of the Board of Governors of the Actuarial Society of the Netherlands.