



SOCIETY OF ACTUARIES

Article from:

The Actuary

May 1988 – Volume 22, No. 5



The Newsletter of the
Society of Actuaries

VOL. 22, NO. 5
MAY 1988

THE Actuary

Continuing Education in Other Professions

by Gary D. Simms, Esq.

(Ed. Note: The following article is reprinted with permission from The Pension Forum, September 1987.)

Recent years have witnessed an ever-increasing demand for continuing education opportunities for the professional. This demand in part has been the result of an upsurge in consumer advocacy: The users of professional services are beginning to insist that the professional maintains a high quality of service through ongoing education. One response to this demand has been the promulgation of legally mandated continuing education as one method, among others, of insuring competence within specific professions. As a result, professional associations have felt pressure to provide the continuing education opportunities that are being sought by both the professional who wants to improve his knowledge and ability voluntarily and the professional who must attend courses because he is required by law to do so.

The purpose of this article is to provide members of the actuarial profession with background information regarding the question of continuing education from the perspective of other professions: what they do, how they have done it, and the extent to which the actuarial profession can learn from other professional groups. Perhaps the actuarial profession may decide that continuing education recognition is not a matter worth pursuing; nevertheless, that

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Commit to Quality

Patrick L. Townsend is the author of the book *Commit to Quality*, which describes his successful installation of a quality process at The Paul Revere Insurance Companies. Townsend's "Quality Has Value" process is mentioned in Tom Peters's latest book, *Thriving on Chaos*, as a model for creating employee involvement and improving quality in a service industry.

Townsend earned a bachelor of science degree in mathematics at Marquette University. He spent 20 years in the Marine Corps doing jobs ranging from teaching ROTC at Holy Cross University to running a Vietnamese refugee camp.

Features Editor Deborah Poppel interviewed Townsend at McCormack and Dodge, a software engineering firm based in Natick, Massachusetts, where as the Director of Quality Resource Services he has been charged with again installing a company-wide quality process.

Poppel: Why should companies focus on quality?

Townsend: There's only one reason to do it — it makes money. Companies that establish themselves as consistent providers of quality service will

come under "Townsend's Ultimate Law of Quality" — the first ones to focus properly on quality will keep all the money. People will pay for quality, and that makes a competitive difference. There are other positive but intangible, hard to measure, benefits for a company focusing on quality, such as the development of a happier work force.

Poppel: Why all the talk about quality now?

Townsend: Those of us working in the service sector are facing a survival crisis. The fact that America is a 75% service economy now isn't because we chose that, but because our manufacturing segment got its head kicked in by foreign competition. We were chased into the service sector. But we do a terrible job in the service sector. We really haven't been challenged. If the Japanese or anyone else decide to challenge the American service economy on a large scale, we're in real trouble.

Poppel: Doesn't quality cost money?

Townsend: Yes, but it's a great investment. The people who measure this estimate a return on investment in

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decision should be made only after careful consideration of the benefits of a formalized program of continuing education for actuaries.

Preliminary Information

The question of whether the actuarial profession should adopt a system of continuing education recognition for its members is now in its beginning phase. The Conference of Actuaries in Public Practice has adopted a program for its members, and the American Academy of Actuaries is considering such a program. For Enrolled Actuaries, the question appears to be "when" and not "whether" a program of required continuing education will be imposed by the Joint Board for the Enrollment of Actuaries.

And yet, the fact is, the actuarial profession already has in place an extensive system of continuing education. What is lacking at the present time is a systemized overview of the entire range of continuing education, together with a system for certification of attendance at already-existing educational opportunities for members of the actuarial profession.

Consideration of a more systematic and formalized structure is motivated by two major factors, one internally generated and the other externally generated. The first set of motivating factors includes a desire to enhance the image of actuarial professionalism and to supplement the effort now underway with respect to standards of practice. The external factors include the potential for imposition of continuing education requirements by regulatory bodies, such as the Joint Board.

The most significant initial hurdle to be overcome in the consideration of the matter is the fact that the phrase "continuing education requirements" is not uniformly defined or interpreted. In short, it means many different things to many different professions, and certainly within the actuarial profession is likely to be misunderstood by many practitioners. One can conceive a spectrum, running from the most rigorous (classroom instruction requirements with examinations, together with mandatory certification of membership in the organization) to the least rigorous (voluntary systems without an examination or certification procedures). At any point along the spectrum, the actuarial profession could logically formalize an appropriate program of continuing education.

You will note the emphasis placed upon the word "formalize." As indicated, the actuarial profession already has a program of continuing education, with each of the major actuarial organizations acting as a source for continuing education opportunities. For example, the Society of Actuaries and the Casualty Actuarial Society offer many such opportunities through their seminars and published papers, as does the Academy through jointly-sponsored functions such as the Enrolled Actuaries Meeting and the Casualty Loss Reserve Seminar [CLRS].

Therefore, from the outset, the actuarial profession needs to address the question of whether there is a need to formalize its continuing education program. This essentially is a matter of determining the extent to which specific requirements for such education will be established, monitored, and certified.

Presently, the Academy's qualification standards imply the need for at least a modicum of continuing education, by mandating that the actuary keep current in professional developments. Exactly how this is to be accomplished is not presently clarified. Nevertheless, one could argue that continuing education is almost by definition a necessary and important part of maintaining the integrity of the actuary and the actuarial profession. The debate must therefore necessarily center upon the possible parameters of a formal program, how it could be designed, implemented, and operated.

Definitions

It is appropriate to define some of the jargon associated with continuing education requirements before proceeding to a more detailed discussion. These definitions are as follows:

- (1) Continuing Education — learning experiences, formal or informal, designed to enhance and/or update the knowledge, skills, or attitudes of the learner.
- (2) Mandatory Continuing Education Requirements — statutes (generally enacted by the various states) requiring continuing education for the relicensing of certain professionals. Mandatory continuing education is established and enforced by law. State licensing or regulatory agencies are responsible for administering mandatory continuing education requirements.
- (3) Voluntary Continuing Education Requirements — continuing education

requirements adopted and promoted by voluntary professional associations.

(4) Continuing Education Units (CEUs) — provide a permanent record of the educational accomplishments of individuals participating in significant non-credit education experiences. They may be expressed as multiples of "contact hours" of actual instruction or other learning experiences.

(5) Certification — process by which a nongovernmental agency or association grants recognition to an individual who has met certain predetermined qualifications specified by that agency or association.

(6) Hours of Study — a quantitative measure such as hours, points, or continuing education units (CEUs) applied to course offerings and so on in a continuing education program.

The Basics of Continuing Education Requirements

(1) Legally Mandated Programs: The majority of legally mandated requirements are found in the medical and allied health fields. Other professions having such state requirements include certified public accountants, social workers, architects, and lawyers.

[The American Institute of] Certified Public Accountants (AICPA) continuing professional education division [sponsors courses]. Every year, over 90,000 CPAs enroll in these courses in more than 3,800 group-study presentations, usually conducted by state CPA societies. These courses address every area of the profession. The AICPA also produces and distributes "Video Journal" and "Videoflex," two programs designed for self-study and in-office use by practitioners unable to attend group sessions.

The Society of Chartered Property and Casualty Underwriters does not have a continuing education requirement for its members; however, many states require continuing education for underwriters. The society sponsors continuing education workshops and seminars throughout the year to help members meet the state requirements and to enhance professional development.

(2) Non-Legally Mandated Programs: There are, of course, professional organizations which have continuing education requirements (either voluntary or mandatory) regardless of whether legally mandated requirements exist. Among the professional societies that require

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periodic continuing education to qualify for membership are sixteen state medical societies and eight state dental societies. On the national level, the American Academy of Family Physicians (AAFP) has had a continuing education requirement for a number of years. Each member must complete 150 hours of approved continuing medical education over three years to be eligible for reelection to membership.

Two other organizations surveyed have continuing education programs even though practitioners are not required by law to fill continuing education requirements. One, the Institute of Chartered Financial Analysts, has a council on continuing education which is responsible for developing continuing education for members. Ongoing efforts to keep members professionally competent and up-to-date are accomplished through seminars, various publications sent to members, and a periodical, *The C.F.A. Digest*. Continuing education is not mandatory, nor are seminars taken by members certified. Members were recently surveyed on this issue and voted against mandatory requirements. However, the association anticipates that within the next ten years there will be mandatory continuing education requirements.

Until recently the American Society of Appraisers (ASA) had a mandatory recertification program that required senior members to recertify on a regular five-year basis. In order to recertify, members were required to accumulate a certain number of points during a five-year period. Points were accumulated through various continuing education activities. In an effort to better coordinate its continuing education program with other appraisal associations (the ASA is an umbrella organization, the other associations specialized), the continuing education program was recently reorganized. The point system was revised so that all the appraisal organizations would award the same number of points for various continuing education activities and the mandatory recertification requirement was dropped. Voluntary recertification is now achieved by earning 100 points during a five-year period or by successfully passing an examination. Members obtain points in various ways, such as attending association meetings, giving lectures on appraisal, and serving as officers in the organiza-

tion. Though recertification is no longer mandatory, the ASA constitution provides that members who obtain the number of points required for recertification are so designated in the yearbook. This provides incentives to recertify.

A Proposal for Consideration

It is apparent from recent developments that the actuarial profession, acting through the princip[al] actuarial organizations, is giving serious thought to the formalization of continuing education within the actuarial profession.

It is suggested that the profession should address the major questions that any such program includes, and that it should develop a clear plan of action for consideration of a complete proposal by the various actuarial organizations. Of course it may be that the status quo is entirely appropriate.

There is often an interplay between membership in the professional association and satisfaction of legally-mandated continuing education requirements. Generally, professional associations whose members must meet legally mandated requirements for continuing education in certain states do not require continuing education for membership in the organizations. Nevertheless, professional associations play a major role in any mandatory continuing education requirement. Such associations are generally a major producer of continuing education activities, as well as a channel of information about other programs.

Mandatory requirements generally must be satisfied before an individual practitioner can be relicensed by the appropriate state authority. Much of the information contained in this article would be useful to any association considering a continuing education program, whether mandatory or voluntary.

Most of the associations surveyed as background for this report have set up continuing education programs in response to state requirements. For example, in 1971, when it appeared that about one-third of the states were considering making continuing education a mandatory requirement for renewal of an architect's license, the American Institute of Architects decided to upgrade what had been, until then, a sporadic continuing education program.

The American Pharmaceutical Association (APA) does not require continuing education for professional

status; however, thirty-four states do require continuing education credits for a state license. Generally, states require fifteen hours of continuing education units (CEUs) each year for these professionals. The association sponsors continuing education programs and currently has programs which provide 150 approved CEU credits. In developing a program, the APA formed a task force to study the need for continuing education. In 1974 the task force issued a statement of basic principles and policies to "assist the profession in developing a basic guide for planning and implementing programs to assure that registered and/or-licensed pharmacists maintain competence in practice." Following completion of the statement, the APA contracted with the Education[al] Testing Service to conduct a national study of the practice of pharmacy and the education needs of pharmacists. The study provided a data base for the development of standards of practice and an identification of continuing education needs.

Realtors in most states are required by state law to fulfill continuing education requirements. Each year the National Association of Realtors makes a survey to determine the requirements of each state. Continuing education courses offered by the association are tailored to the requirements of the various states. All courses must have the approval of the state real estate commission. The courses are offered at national conventions held three times a year. The courses are three hours long, and there are no examinations (except for California realtors who are required by law to take an exam). Participants pre-register for the courses and attendance is taken to verify participation.

Continuing education is not a requirement for membership in the American Bar Association; however, at least sixteen states have continuing education requirements for lawyers and the number is growing. Continuing education is sponsored by the ABA sections (committees), sometimes in cooperation with the state bar associations. The programs offered are not specifically designed to meet state requirements, but members often take them for that reason. Several states use continuing education as a means of establishing specialization within the legal profession. For example, California and Texas permit lawyers to designate and maintain

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certain areas of specialization after completing required amounts of continuing education. Florida has a similar law in which a lawyer publicly designates up to three areas of specialization based on experience; to maintain the area(s) of specialization, the lawyer must participate in prescribed amounts of continuing education.

Certified public accountants are required to take an average of forty hours of annual continuing professional education in forty-five states. Much of the course material developed to meet this requirement is produced by [AICPA]. Assuming, on the other hand, that the profession desires to challenge the status quo by recommending the formalization of continuing education for the profession, a series of questions must be addressed. These include, but are not necessarily limited to, the following:

- (1) Should a program of continuing education for actuaries be voluntary or mandatory?
- (2) What would be satisfactory components of continuing education? Would we adopt a classroom instruction hour requirement, or a more flexible approach which gives credit for activity within the profession (such as membership on committees, giving lectures, writing articles in bulletins or professional journals, authorship of monographs or books, and so on)? In either case, how many hours (or how many units) would be required?
- (3) What kind of activities currently undertaken by the actuarial organizations would qualify for continuing education credit? The Enrolled Actuaries Meeting, the CLRS, or other seminars sponsored by other organizations would have to be considered.
- (4) Should certification of satisfactory completion of the requisite hours of instruction/study/activity be on a self-certification basis, or should the various actuarial organizations undertake this function?
- (5) In any continuing education program, whether mandatory or voluntary, some type of review process must exist to ensure the quality of the program. This review process should address both the quality and appropriateness of the course offerings, as well as the length or duration, in order that some form of a quantitative measure might be applied such as hours, points, or continuing education units (CEUs).

(6) Should the profession adopt a program of recertification of its members, based upon successful completion of x hours of continuing education in y number of years? Should the *Yearbooks* denote members who have successfully completed their continuing educational requirements?

(7) How does the issue of qualification standards interrelate with a continuing education program, and what implications does this relationship have with respect to the profession's educational programming?

(8) A major communications program directed to members of the actuarial profession would be critical. Clearly, some communications are needed to establish the necessary membership support that such a program would require. Even if the program is without any onerous certification or testing requirements, the members must be advised as to the nature of the program to be adopted.

Conclusion

This article has provided an analysis of what continuing education means within the context of professional organizations. There is little need to reinvent the wheel regarding this issue, given the experience of others. The actuarial profession, if it does determine to move down a road towards formalization of continuing education requirements, needs to consider the lessons learned by others if it is to produce a program which meets the needs of its members and the public interest.

Gary D. Simms, Esq., not a member of the Society, is General Counsel for the American Academy of Actuaries.

TSA Papers Accepted

The following papers have been accepted for publication in *TSA* Volume 40:

- "Probabilistic Concepts in Measurement of Asset Adequacy," and "Unification of Pricing, Valuation and Management Basis Financials for Participating and Non-Guaranteed Element Contracts," by Donald D. Cody.
- "Some Applications of Credibility Theory to Group Insurance," by Charles S. Fuhrer.
- "Interest Rate Scenarios," by Merlin F. Jetton.

Product Profitability: Variable Versus Interest-Sensitive

(Part Two of Two Parts)

by John M. Fenton and Dennis L. Carr

This is the second part of a two-part article examining some of the pricing-related issues insurers face in deciding whether to introduce a variable life insurance product. Part one appeared in *The Actuary* for March 1988.

Recap of Results from Part One

In part one, it was shown that (under the given set of assumptions) a hypothetical company can generate comparable profitability on a typical Variable Universal Life (VUL) product, as compared to its current Universal Life (UL) product. Initial testing was performed using a single cell approach under a level interest rate scenario. The resulting VUL product is somewhat more heavily loaded than the UL product to compensate for the higher expenses generally found on variable products. Profitability was compared after provision for taxes and target surplus. Because of the reduced exposure to interest rate risks, a lower level of target surplus was assumed for the VUL product, aiding its profitability.

Here, in part two, two more topics will be addressed:

- Global pricing issues
- Impact of multiple interest rate scenario testing on profitability

Global Pricing Issues

Our initial analysis focused only on a single cell approach to pricing. This approach necessarily converts fixed amount start-up expenses into per policy expense assumptions, utilizing expected production figures. However, a new pricing technique gaining more acceptance in the industry conducts profit tests under various production levels. Each production level generates a separate per policy expense assumption. Although it may be difficult to estimate both the level of future production and the allocation of expenses between fixed and variable, this global approach offers advantages. This concept is especially important on variable products because of their

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