The Actuary

December 1989 – Volume 23, No. 11

Treasurer cont'd

between self-supporting functions and general membership activities. In this regard, the committee will focus its attention on activities such as research and publications to try to bring them closer to operating on a self-supporting basis.

The committee will continue to seek improved projection of revenues in an attempt to anticipate them more precisely than we have been doing.

In closing, we extend our thanks to John O'Connor, our Executive Director, and to Bill Kepraios, our Director of Finance, and the other Society office staff for their dedicated efforts to make sure that your Society funds are managed to best serve all members.

Michael J. Cowell, Treasurer of the SOA, is Vice President & Corporate Actuary, UNUM Life Insurance Company.

Problem workshops for 110 and EA-1

Intensive problem-solving workshops for Course 110 (2 days) and for the EA-1 exam (3 days) will be given by Actuarial Study Materials in April in New York City. For details, write to A.S.M., P.O. Box 522, Merrick, NY 11566.

Review classes

Temple University and the Actuarial Club of Philadelphia will sponsor intensive review classes for Courses 100 and 110 in Philadelphia before the February exams.

The Course 100 class will be held January 17-20, and the Course 110 class will be held January 16-19. For more information, contact Bonnie Averbach, Program in Actuarial Science, 479 Ritter Annex, Temple University, Philadelphia, PA 19122, or call 215-787-8153.

Study materials for SOA exams

Study manuals and textbooks for the May 1990 SOA exams are available from Actuarial Study Materials. For a complete list, write to A.S.M., P.O. Box 522, Merrick, NY 11566.

TSA authors

The second installment of an article profiling authors in Volume 41 of *Transactions* will be published in the January issue of *The Actuary*.

Actuary breaks record – and the bank – on 'Jeopardy'

by Diana Montgomery

Vancouver actuary Bob Blake recently parlayed his knack for "remembering odd facts" into record-breaking winnings of $82,501 on "Jeopardy," television's most cerebral game show.

Blake, Product Actuary at Seaboard Life Insurance Company, won the money during five appearances on the show, which he taped in Los Angeles last June. As a five-time retired champion, he will compete for a $100,000 grand prize in the show's "Tournament of Champions" next fall.

Blake, who may use some of his winnings to travel to India and the Middle East with his wife, said he hasn't decided how to use the remainder. For one thing, he hasn't yet received his check.

"I was told to expect it at Christmastime, minus withholding of 30% for U.S. taxes and 5% for California taxes," he said in a telephone interview. Such winnings are not taxed in Canada, and he's looking into applicable tax laws. Because "Jeopardy" has a top payout of $75,000 to contestants, Blake was asked to donate his excess winnings of $7,501 to charity. He chose OXFAM, a famine-relief organization.

Blake displayed an impressive range of knowledge on the show, quickly and easily answering questions on such subjects as ballet, opera, literature, film, science and geography. The Canadian also was not fazed by the U.S. orientation of the questions, which often are grouped under such categories as "Presidential Inaugurations" or "The Civil War."

"I've always enjoyed reading about politics and history," said Blake, whose interests in opera and popular music also served him well on "Jeopardy."

"Facts just stick in my mind." However, he said, this ability didn't allow him to coast through his actuarial exams. "I had to study, and I got a lot of 5's. I don't have a photographic memory."

A longtime "Jeopardy" fan, Blake sent in a postcard when the show invited Vancouverites to apply as contestants early this year.

"The show received over 105,000 postcards, many of them multiple entries from individuals," Blake said. "As an actuary, I knew my odds wouldn't increase appreciably if I sent in more than one." His one postcard was among 250 drawn from all the entries. He was called in for a written test and interview, then was notified in May that he was selected.

Between the June taping and the September airing of his five shows, he kept the outcome secret, keeping coworkers in suspense along with the rest of "Jeopardy's" viewers. Nobody knew until the last show, and then he earned a measure of local and international fame.

"*USA Today* called me and did a story. So did the Vancouver TV and radio stations and the newspapers," he said. "Total strangers were stopping me on the street."

Blake has only one regret about the show. "They always identified me as an actuary, but Alex Trebek (the host) never asked me what actuaries do. I was prepared to tell them how we're the number-one profession."

"Well, I'll try to work that in on the 'Tournament of Champions' next year."

Because he knows several actuaries who are good at trivia, Blake wonders whether actuaries as a group may have a special aptitude for it by propensity or training.

Here are a few questions Blake answered correctly.

In "Jeopardy"-style, the answer comes first, then the question.

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'Jeopardy' cont'd

Under the category "Time":
Answer: A law discovered by Galileo led Christian Huygens to build the first clock regulated by one of these.

Question: What is a pendulum?

Under the category "Languages":
Answer: Most people of this small European nation speak Letzeburgisch, a German dialect.

Question: What is Luxembourg?

Under the category "Ballet":
Answer: This "regal" ballet company was formerly known as the Sadler's Wells Ballet.

Question: What is the Royal Ballet?

Blake missed this, his final question, but was far enough ahead to win the game and set a new record.

Under the category "Literature":
Answer: The next-to-last chapter of this novel is entitled "The Knitting Done."

Question: What is *A Tale of Two Cities*?

Economic statistics booklet available

A limited quantity of "Economic Statistics for Pension Actuaries" booklets are available on a first-come, first-served basis. Each Pension Section member already has received a copy, and a number of the booklets were distributed at the October Society meeting. To order a booklet, contact the Research Department at the Society office. There is a charge for multiple copies.

Review classes for February examinations

The College of Insurance, 101 Murray Street, New York, N.Y. 10007, will offer two-day intensive review classes in January for Course 100 and Course 110 examinations to be given in February. For more information, please contact Srinivasa Ramanujam at 212-962-4111, ext. 381.

Need for reduced paid-up nonforfeiture values in long-term-care insurance policies

by Gordon R. Trapnell

Long-term-care (LTC) insurance presents a huge opportunity for insurers. If fully exploited, the field lends itself to policies with relatively large premiums that need to be accumulated over a lifetime in statutory reserves, requiring fiduciary investment management as well as insurance services. The need to accumulate large reserves to prefund a risk largely concentrated at the end of the life span gives this product most of the desirable characteristics of the level premium life insurance policies that were the staple of the insurance business for many decades.

However, the insurance industry will forfeit the opportunity to exploit this market unless it supports effective regulation that will channel insurers' efforts into constructive paths serving the public interest. Unfortunately, there is fear that the industry will earn the enmity of public-opinion makers and find its freedom to innovate and fill the enormous needs for the prefunding of long-term care severely constrained. Many companies now offering products operate in a manner that will earn only public condemnation and mistrust.

To avoid the consequences of the almost certain public uproar, the industry must support product regulation strong enough to assure that the public interest will be served. Failure of regulation can lead only to more onerous and restrictive restraints on the industry.

The dimensions of the public interest are clear. The cost of LTC exceeds the capacity of the federal government to fund it. The present commitments of the federal government for social insurance benefits equal a third of all wages and salaries that will be paid in 2040. To these obligations must be added the impact of the unfunded civil service and military retirement systems (which are funded in the same illusory fashion as Social Security and the Hospital Insurance Program). Adding an LTC program of even modest dimensions to the social insurance burden will lead only to additional curtailments in the obligations of the other programs, or devaluation of the promises through inflation. (I assume that payroll taxes of 45% to 55% of payrolls are not a practical possibility.)

If one concludes from this financial burden that benefits will be curtailed, the only hope for real benefits for the middle class is through prefunding. A benefit provided from accumulated savings and investment income does not need to be provided at the expense of someone else in the manner of transfer payments. In terms of macroeconomics, the reserves of insurers – invested in productive capital assets – increase real income and hence the capacity of an economy to provide services. In other words, through the investment of insurance reserves, the insured are capitalists who enjoy the return from owning capital.

Increasing the capital in an economy increases the potential consumption. Additional LTC services are possible, as a result of additional production potential. In contrast, social insurance, condemned by political realities to "pay as you go" funding (i.e., not funded at all in real economic terms), must tax Peter to pay Paul, in this case a frail elderly Paul with little effective means to fight for his "rights." As to the potential for intergenerational conflict over resources, those who deny its potential cannot demonstrate what will happen, simply because no society has attempted to manage with the proportion of nonworkers projected for the 21st century. At a minimum, it is a risk for those who will be frail and aged in the 21st century, one that I, as a prospective participant, find to be unacceptable.

For the insurance business to provide an acceptable medium for the prefunding required, the industry must offer products with potential to

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