



SOCIETY OF ACTUARIES

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*CPE cont'd*

actuarial certifications are already required in connection with prefunding certain medical claims reserves. Not having a Joint Board for group actuaries is one reason that implementing regulations have not been issued yet.

CPE standards are worthwhile, especially in a volatile field like pensions. The substance of the Joint Board's rule, therefore, is not troublesome. The fact that the requirements are not being imposed from within our profession, however, is disturbing. The Society could seize the moment and consider promulgating its own CPE standards, which might ultimately be accepted for Society members by the Joint Board.

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## New AIDS papers available

Two new papers on AIDS written by David M. Holland, who was chairperson of the AIDS Task Force, have been released. Members of the Life Insurance Company Financial Reporting Section, which sponsored the printing of the papers, automatically will receive them. Others interested in obtaining copies should send \$5.00 to the Society office (ATTN: Research Dept.) to cover printing and mailing charges. The papers are entitled "The HIV Epidemic and Topics for the U.S. Valuation Actuary" and "Observations on the Human Immunodeficiency Virus Epidemic and Managing Uncertainty in Insurance."

## Editorial

# Actuaries and national problems

by Daniel F. Case

People often describe the actuarial profession as dealing with risk. That is true, but in the case of life and health actuaries, another element may be even more important. It is the management of liabilities that accrue over time. For example, the liability associated with a group of individual-life insureds increases as the group grows older. Actuaries are skilled at mapping the accrual of that liability and arranging for income, sometimes on a levelized basis, to meet the outgo. They have an acute sense of time.

Actuaries tend to think in terms of time spans that fit the types of product they work with. Individual-life actuaries calculate prospective asset shares from issue age to the end of the mortality table. Model-office calculations may involve even longer periods. Health and pension actuaries may deal with similar time periods. Casualty actuaries, presumably, often deal with much shorter periods.

What is the appropriate time period with which to work in guiding the affairs of a country like the United States or Canada? This question gets debated actively with reference to the U.S. Social Security system. The Social Security Administration has been making 75-year projections for OASDI, presumably because the average U.S. resident lives for about 75 years. Some observers argue that OASDI should be financed on something close to a pay-as-you-go basis; others (predominating in recent years) hold that it should be financed on something like a 75-year accrual basis; and a few may feel that a period longer than 75 years should be taken into account. This last group points out that if a large surplus is first built up and then used up by the end of 75 years in accordance with current projections, at the end of the 75 years the trust fund will be heading into deficit.

Various problems that beset the United States (Canada, too, in somewhat the same degrees) are assigned various time spans. For example, estimates may call for \$100 billion over 20 years to clean up and shape up the Energy Department's nuclear-weapons

plants and other facilities. Bailing out insolvent savings and loan associations may be estimated to take \$85 billion over 10 years. The target for balancing the federal budget may be about five years.

These time periods are arbitrary, chosen by the people who have decided to address the problems. Natural time periods underlie the real problems that we must face sooner or later. The natural time periods involve the depletion of natural resources, such as fuels, soil, and fresh water; the rising levels of pollution; the rate of population increase; the greenhouse effect, and so forth. We do not know enough to project these trends reliably, but we know they point in dangerous directions.

Elected government officials (in the United States) are sometimes said to think in time frames of two, four, or six years. Many corporate executives think largely in terms of immediate "bottom-line" returns. Economists and accountants may use somewhat longer periods, such as the useful lives of specific assets. Some actuaries use periods longer than those. Ecologists take into account even longer periods, such as the lifetimes of whole classes of assets — fuels, soil, wildlife species, etc.

Do actuaries, with their acute sense of time and their expertise in managing the accrual of liabilities, have a special contribution to make to the debates of national problems? Granted, most actuaries are not economists, sociologists, defense experts, or even health-care experts. No single discipline, however, embraces the scope of all a nation's problems.

One does not have to be directly involved in government or politics to help find solutions. If you think you have a potentially useful observation or idea, why not write to your federal government representatives and your newspaper? Of course, active involvement in some way is even better, if you can manage your time so as to include it!