



SOCIETY OF ACTUARIES

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THE Actuary

Life insurance in Europe – heading towards 1992

by Camilo Salazar

Traditionally, the European life insurance market has been characterized as complex, protective, and difficult to penetrate for foreign companies. However, recent developments within the European community, as 1992 approaches, are forcing a reevaluation of these concepts.

The European insurance market is not homogeneous. Differences in culture, language, economic history, and political environment have, over the years, shaped local insurance markets typical to each country.

In terms of size, the most important life insurance markets in Europe are England, France, Spain, Germany, and Italy. There are significant differences between these markets. England, for example, traditionally a more sophisticated financial center than any other country in Europe, has a more sophisticated life insurance market as well. Unit link products, approximately described as variable products, are well established in that market. Spain, on the other hand, has basically a pension-oriented life insurance market, both on an individual and a group basis, with whole life and endowments products that provide some kind of guaranteed income upon death or retirement. Life insurance companies in France compete directly with banks for life insurance and investment products premium. Term, credit life, and single premium investment products are common. Germany's products are basically somewhat complex participating endowment and whole life products.

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Competition, communication and cooperation

by David G. Hartman

(Ed note: Following are excerpts from the Presidential Address of David G. Hartman to the Casualty Actuarial Society Annual Meeting, November 9, 1988)

Earlier this year the CAS Constitution was amended to reflect a revised statement of purpose. It reads:

The purpose of the Casualty Actuarial Society is to advance the body of knowledge of actuarial science in applications other than life insurance, to establish and maintain standards of qualifications for membership, to promote and maintain high standards of conduct and competence for the members, and to increase the awareness of actuarial science.

...During this past year there were two notable competitive events that occur only once every four years. They are the Games of the XXIV Olympiad in Calgary and Seoul and the U.S. presidential election. Unfortunately, the summer Olympic games will likely be remembered more for its scandals than for the triumphs and culminations of years of sacrifice, with personal best records for many participants. The presidential campaign has been one of the most negative ever, with personal attacks flying between George Bush and Michael Dukakis. The upcoming election on November 21 here in Canada has not been the most gentlemanly either.

As noted, one part of the purpose of the CAS is "to promote and maintain high standards of conduct and competence for the members." How

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Competition cont'd

will we casualty actuaries maintain these high standards while encouraging competition without scandal and negativism? Granted, we are not a group of amateurs, nor a group of politicians. However, to increase our professionalism, we have taken giant strides this year with the promulgation by the CAS Board of Directors of two statements of principles – one for ratemaking and one for reserving; a third on valuation principles is likely to be promulgated in 1989. The Canadian Institute of Actuaries is addressing standards of practice. Furthermore, the Actuarial Standards Board was formed as of July 1 by the American Academy of Actuaries. While we have had Guides to Professional Conduct for many years and some standards of practice, the standards issued by the CIA and the Actuarial Standards Board should improve the professionalism of all actuaries. The statements of principles articulated by the CAS will serve as a foundation for the casualty standards of practice.

I am sure many of you have seen examples of work done in the casualty field that border on incompetent. It is difficult to maintain high standards of competence without generally accepted standards of practice. We want those standards to apply to competitive circumstances in the future so that we can compete competently and fairly and so that the public will hold our profession in high regard. The standards should not be so restrictive as to prohibit experimentation.

I salute the casualty actuaries working to improve our profession and to meet one part of the purpose of the CAS by serving on the Actuarial Standards Board or on the various ASB operating committees or developing CIA standards of practice. I also encourage each member of the CAS to review the exposure drafts of proposed standards of practice and to submit written comments as appropriate.

...Moving from competition... [another] theme I would like to address is cooperation... On this theme, I would like to focus on increased cooperation between the CAS and the Society of Actuaries.

The purpose of the CAS is that of a learned body. It maintains a syllabus of readings for its qualifying examinations, stimulates research that is published in both refereed and unrefereed journals, and holds numerous

meetings for continuing education – to name several characteristics of a learned body.

Meanwhile, the American Academy of Actuaries and the Canadian Institute of Actuaries are national public interface bodies. They are recognized by governments and other public groups as the organizations that speak for the actuarial profession. While each establishes its own qualifications standards of practice, they both rely on the learned bodies to train their members. The profession needs the functions of both a learned body and a public interface body.

The Society of Actuaries is also a learned body supporting the American Academy and the Canadian Institute. Excellent dialogue has taken place between the CAS and SOA education and examination leaders this past year, but I wonder if there can be even more cooperation between the CAS and the SOA on educational matters. As president this past year, I have seen clearly that the membership of the CAS has serious reservations about bringing our two organizations closer together. However, I would like each of you to step back and give fresh consideration to a proposal that makes good sense. This proposal, made by fellow actuary Ardian Gill, is that the educational aspects of our profession be structured along the lines of a university.

Within this university there could be several colleges – one for the study of life actuarial topics, one for the study of pension actuarial topics, one for the study of health actuarial topics, one for the study of property-casualty actuarial topics, perhaps one concentrating on financial topics, and possibly others. Various majors could be offered within each college with differences between U.S. and Canadian material. Each college would be solely responsible for the education in its field. Each would be governed by its own elected leaders.

The actuarial university would be primarily a degree-granting organization with ancillary research functions and with responsibilities for symposia and other education opportunities, much like the current meetings and seminars of the learned bodies.

The university would not have any qualification functions beyond certifying that an individual has satisfactorily completed several courses offered by the university. The function

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Competition cont'd

of deciding who are qualified to practice, and certifying them, would continue to lie with the Academy, or the Canadian Institute, or the Joint Board for the Enrollment of Actuaries. Those bodies would rely, of course, on the university to offer the courses needed and to examine proficiency with appropriate rigor in those courses. Similarly, standards of practice and discipline would remain with the national public interface bodies, which have the right to expect that the underlying principles would emerge from the learned organizations.

Everyone matriculating in our university would be required to take certain core courses covered by examination parts 1, 2, 3, and possibly part 4, and would thereafter take courses in his/her major area. Students would be encouraged to take elective courses, including some in other colleges.

Just as in today's academic world where students earn doctorate, master's, bachelor's and associate degrees, students in the actuarial university would earn various levels of degrees from the colleges of the actuarial university—fellowship, associateship, enrolled pension actuary, and possibly others.

The key to this structure is recognizing the distinction between being certified as qualified to practice and acquiring the education that permits that qualification. Law, accounting, and medical schools provide educations and grant degrees, but they do not certify anyone to practice.

Some casualty actuaries have raised the concern that the formation of such a university would cause the casualty actuary to lose recognition or identity. One has only to look at schools such as Wharton within the University of Pennsylvania to realize that an outstanding college within a university has much public recognition and identity. Furthermore, qualification standards established by the national public interface bodies would continue to be specific as to practice areas. Dividing the subjects currently covered by the SOA into several colleges may be more traumatic to life actuaries than establishing a casualty college as a part of a university structure would be to us.

We casualty actuaries have much more in common with our brethren in the SOA than we do with accountants, economists, MBAs, and others who think they can do actuarial work

better than actuaries. I would urge cooperation between us and hope that someday the educational aspects of our profession can achieve a structure similar to a university as outlined.

David G. Hartman, not a member of the Society of Actuaries, is Senior Vice President and Actuary, Chubb Group of Insurance Companies. He is Past President of the CAS.

1,100 view SOA's first teleconference

by Barbara Choyke

More than 1,100 persons at 25 sites across the United States participated in SOA's first teleconference January 26.

The program on "Minimum/Maximum Tax Deductible Contributions" offered participants five hours of core continuing education credits toward the required 10 hours needed to maintain their enrolled status. It was organized in cooperation with the American Academy of Actuaries, American Society of Pension Actuaries, and the Conference of Actuaries in Public Practice.

The planning and production of this educational program took a year. A crew of more than two dozen was at work when the session was broadcast before a live audience at the American Hospital Association's (AHA) headquarters in Chicago. The Society contracted with AHA to have it provide production, logistical, registration, and broadcast support.

Audience members at other sites were able to call in questions to telephone operators who passed the questions on to the moderator. Attendees responding to a questionnaire rated the program quality high.

Those wishing to view this program at home may order a VHS video tape and workbook from the Society. To earn continuing education credits, viewers may submit a test accompanying the video tape.

For more information, contact Cherie Harrold, Seminar Department, at 312-706-3545.

Congratulations to the teleconference faculty: Barnet Berin, Christopher Bone, Edward Burrows, and James Holland.

Barbara Choyke is SOA Director of Continuing Education.

Editorial

Blacksmiths, revisited

by M. David R. Brown

In the November 1988 issue of *The Actuary*, I commented on a letter signed by several hundred Society members protesting the Board decision to award credit for some early Society examinations to candidates with sufficient standing in appropriate college or university courses. My comment was that opposition to this idea appeared to reflect the widespread (but far from universal) self-satisfaction with the status quo within our profession. I went so far as to compare the attitude that "the world owes us a living" with that of the blacksmiths, whose once flourishing trade has largely been eclipsed.

This comment provoked a number of letters to the editor, mostly from members who had signed the original letter. Some of these aggrieved letter writers felt that I had impugned their motives and had stooped to name-calling. To them, I can say only that I profoundly respect their right to hold and express their opinions, however strongly I may disagree with them. If they felt insulted by my comments or their tone, I apologize.

I am sure that all of us, although we may have differing views, have as our central focus the best interests of the Society and the profession. The major point that I attempted to comment on in that editorial was my belief that our present early examinations are drifting towards irrelevance, that they may attract too many candidates who will have difficulty in coping with the future of the actuary and too few with the potential to do so successfully; further that they may be only prolonging the travel time of students through our education and examination process without adding value to that process.

EA Continuing Education

The Society of Actuaries has been approved as a sponsor for continuing education programs for enrolled actuaries by the Joint Board for the Enrollment of Actuaries. This recognition is retroactive to September 7, 1988.