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Refugees master universal language

by Judy Bluder

Refugees Anna Mitina and Serge Kuznetsov still may be polishing up their English, but they speak the universal language of numbers with ease.

When the married couple arrived from the former Soviet Union in the United States last March, they didn't know actuarial science existed. Just weeks later, Anna signed up to take her first actuarial exams in May, and she passed them with flying colors.

Insurance doesn't even exist in the former U.S.S.R., Serge explained, let alone actuarial science. Anna said they have something called "insurance," but it only covers a small part of the cost of loss.

After hearing about actuarial science through Russian friends in New York who moved to the United States about five years ago, Anna was eager to get started on the exams. "We believe we'll only gain, not lose, by taking the exams."

Though they understand mathematics well, the couple is still learning how to speak English. They have a solid working knowledge of the language. They've taken English courses, and the research they completed for their doctorate degrees was in English. Anna received her Ph.D. in mathematics from Kharkov State University in the Ukraine and Serge got his Ph.D. in mathematics from Moscow State University.

Seeking a better life

The couple decided almost three years ago to move to the United States to build a better life for themselves and their four-year-old daughter. Anna's oldest daughter is a student at the University of Illinois at Chicago.

Both had prestigious jobs in the U.S.S.R. Anna was associate professor in the Civil Engineering Institute at Kharkov State, and Serge was senior research associate at Kharkov State. After the fall of the Soviet government, Anna said the economy turned so bad that she and her husband, who were considered well paid, couldn't live on their salaries. The job situation there cannot be compared to the United States, Serge said. "The economy is completely broken."



Serge Kuznetsov (left) and Anna Mitina research the true meaning of actuarial science in the Society of Actuaries library.

Religious discrimination also made living difficult, especially when religion mixed with government. "This is the first problem of the former Soviet Republic," Serge says. Their Jewish faith created obstacles for them, because certain groups would outwardly ban Jews from participating in their programs.

Establishing careers in America

With help from the Jewish Vocational Service in Chicago, Anna and Serge are trying to make ends meet and to find jobs in the mathematical field. Serge would like to find a job as a mathematician but is still considering taking actuarial exams.

Anna took two more actuarial exams in November, and she has been knocking on doors in search of a job.

Although she hasn't had much luck yet, she remains optimistic. "The exams and studying give me some moral support," Anna said. "I like to study and pass exams, but I have to make a living."

The couple found jobs tutoring students from the University of Illinois at Chicago and Northwestern University. Serge tutors math students, a business administration student, and students studying for actuarial exams. Anna tutors two

Russian students in mathematics in the couple's home. Both hope to tutor more actuarial students.

Serge is optimistic about an offer from a Chicago college for a possible part-time teaching position in September 1993.

Helping family members

Members of their families still live in what is now the Commonwealth of Independent States, but Anna expects her parents to move to the United States this year. They find it difficult to send anything to their family without cutting through yards of red tape. Food is scarce, and the food they send to their parents is often stolen when it arrives. "Our parents try to tell us the situation isn't as bad as it really is, but we know better," Anna says.

Anna's father is looking forward to teaching in the United States. Her family members are involved in some area of mathematics or physics education. Her mother was an associate professor in mathematics at Kharkov State, where her father is a full professor in physics and mathematics, and her brother has a Ph.D. in physics and mathematics.

Anna speaks admiringly of her father, Gregory Lyubarsky, who is

well regarded in educational circles in his country. He wrote a textbook, *The Application of Group Theory in Physics*, that was translated into six languages and is still used at many universities.

Starting a new life

The couple now has refugee status, but they hope to receive their green cards this year. They say everyone they've met here has been very helpful, and they look forward to finding jobs and possibly settling in Chicago. "We have made many friends here," Anna says.

The Equitable cont'd

segment backing the policies going into the closed block were selected for the closed block. The amount of closed block assets was determined as the amount, together with anticipated earnings from these assets and revenue from closed block policies, that was reasonably expected to be sufficient to pay guaranteed benefits and taxes and to maintain the 1991 dividend scales if the experience (of 1990) underlying such scales continues. The closed block assets will decrease to zero when the last policy leaves the closed block. Under no circumstances can the assets allocated to the closed block nor the revenue from them revert to the benefit of stockholders.

Individual policies not in the closed block

For the non-dividend paying individual par policies excluded from the closed block, the NYID required that we protect these policies similar to the closed block policies. We designed a process to prevent the stock company from making more profit from these policies than had been assumed in the calculation of their actuarial contributions.

Distributing actual excess profits would have presented many of the closed block problems again, such as allocation of expenses and valuing of asset cash flows. Therefore, we concentrated on the most significant component of profits for a product (for example, interest spread for annuities and claims ratio for health insurance). We then established a process where experience in these components that proved better than we had assumed in allocating policyholder consideration would be distributed over time to policyholders in each class.

The actuarial negotiations with the NYID were largely completed in time to finalize the plan adopted by our board in November 1991. Work related to the non-dividend paying policies not in the closed block continued into early 1992.

Regulatory obstacles

Many other regulatory hurdles had to be jumped, most at the federal level. We had to negotiate with the Department of Labor for ERISA rulings and with the IRS for corporate and personal tax rulings. The biggest obstacle was the Securities and Exchange Commission (SEC) in the preparation of our prospectus or S-1. Space does not permit even a list of all the issues with which we had to deal. To give you some idea of the complexity, at one of the many drafting meetings with attorneys representing us, Axa, and the underwriters, one of our people asked the underwriter's attorney (who spends 100% of his time on S-1s and related issues), "On a scale of one to ten, compared to other issues you've worked on, how complicated is this one?" The answer was, "Thirteen."

Two issues we faced warrant mentioning. The first was related to whether we could continue to GAAP-account for our traditional life insurance business as we had in the past. Although we were a mutual company, we had been producing statements basically in accord with stock GAAP, attested to by our auditors. For traditional life insurance, we had not been using FAS 60, but a modification of FAS 97 called "Source of Earnings." Everyone, including the major accounting firms and the FASB staff, agreed that FAS 60 gross premiums are not a good representation of revenue for the par business of a mutual company. However, we were still required to follow the dictates of FAS 97, which prescribes FAS 60 as the accounting model for traditional life products, including participating. Therefore, as part of the conversion, we had to revise all our GAAP factors for the affected business.

The second issue was how the results of the closed block should be presented in our GAAP financial statements. We believed the most meaningful presentation would be to show the line-by-line closed block results in a separate column and then consolidate them with the open block. The SEC insisted on a one-line entry on

the profit and loss statement, reflecting the net earnings of the closed block. This results in our P&L not being comparable to other companies, because closed block premiums are excluded from revenue, but the expense related to closed block policies (which are not charged to the closed block) are in the open block. Therefore, we'll have a meaningless high ratio of expenses to revenue.

Meeting the deadline

I never believed we could complete everything on schedule — an acceptable plan for adoption by the board on November 27, 1991, and the IPO by mid-July 1992. That we met those ambitious deadlines is a credit to many people, both within the company and outside it. In particular, the regulators (the NYID and the SEC) spent countless hours on this project. We didn't always agree with them, but we could not fault their effort and cooperation.

No more complex transaction in the insurance industry exists than converting a mutual insurance company. Even with all the complexities, many companies are exploring demutualization to gain access to outside capital and to enhance the flexibility of the company to react to changes in the financial services marketplace.

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New Zealand cont'd

insights as I discussed these issues with my New Zealand colleagues.

Many SOA members travel abroad, on business and for pleasure. The newsletter of the new International Section will try to list upcoming foreign meetings. If SOA members can tailor their travel plans to include attendance at some of these meetings, they will find it, as I have, to be a rewarding opportunity.

Curtis Huntington, Chairperson of the Committee on International Relations and a Council member of the International Section, is corporate actuary at The New England Mutual Life Insurance Company.