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The Equitable cont'd

value of the shares issued to policyholders.

Although we paid cash or policy credits in lieu of shares to some policyholders, all calculations assumed everyone received shares. We simply converted the value of shares to cash or policy credits as a last step for the affected policyholders.

The number of shares allocated to all eligible policyholders was about 30 million. All eligible policyholders (nonpar as well as par) received a fixed component of 3 shares. This fixed component totaled about 6.5 million shares. Subtracting 6.5 from 30 million leaves 23.5 million shares. The remaining shares, called the "variable amount," were then allocated to par policyholders in the proportion of their policies' past and expected future contributions, called the "actuarial contribution," to The Equitable's surplus.

The calculation of actuarial contribution for each in-force policy was a huge job. We collected historical data back to 1910. We built models to capture the most significant profit-generating features of each type of policy. Obviously, we had to make many approximations, especially for the distant past.

For each of 10 major product lines, we calculated the line's actuarial contribution as the sum of the actuarial contributions for the policies in-force in that line. For those lines with a negative actuarial contribution in total, such as GICs and individual medical, we set the actuarial contribution for that line and for all policies in the line to zero.

For those lines with positive actuarial contributions in total, we first spread any negatives proportionately over policies with positive actuarial contributions. As a result, the sum of the individual policy actuarial contributions for the line became equal to the actuarial contribution for the line in total. For example, if the sum of positives was $1 billion and the total for the line was $900 million, then the adjusted actuarial contribution for each positive policy was 90% of its calculated actuarial contribution and zero for negative actuarial contributions. (We could not actually charge negative actuarial contributions to policyholders.)

We then added up the adjusted positive actuarial contributions for the entire company and calculated each policy's share as a percentage of the total company adjusted actuarial contribution. Each policy then received this percentage of the total variable amount of shares distributed to policyholders.

The result was to pay approximately 46% of the variable amount to individual life policyholders and lesser percentages to other product lines.

The closed block

Issues relating to the closed block consumed most of my time in the last half of 1991. Almost every aspect had to be negotiated with the NYID, which played both advocate and judge roles, limiting our negotiating powers.

As with policyholder equity, Method 4 does not require setting up a closed block, required under methods 1 and 2. However, there was never any question that we would set up a closed block to protect par policyholders. Our use of Method 4 permitted us to exclude non-dividend paying par policies from the closed block, which we could not have done under Method 2.

The closed block is composed of all The Equitable's dividend-paying individual policies. It is labeled "closed," because no new policies will be added to the block after the effective date. Thus, over time, the number of policies in the closed block will decrease, and the closed block itself will disappear when the last closed block policyholder dies or surrenders his or her policy.

The purpose of the closed block is to assure policyholders' reasonable dividend expectations when the former mutual becomes a stock company and is operated primarily for the benefit of its shareholders, rather than its policyholders. The closed block operates to assure closed block policyholders that dividends post-demutualization will be determined on a basis consistent with the way they were determined before demutualization.

All premiums paid by closed block policyholders are credited to the closed block, and all benefits (death or termination) and policyholder dividends are paid out of the closed block. Premium and income taxes also are paid out of the closed block. However, normal expenses and commissions are not charged to the closed block and are not funded for in the closed block.

Certain assets, primarily bonds and mortgages, in the investment

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E & E CORNER

The proposal to merge two Associateship examinations, Course 160 (Survival Models, a required course) and Course 162 (Construction of Tables, an elective) into a single required course was approved and will be effective with the November 1993 examination session. The rationale for the merger is that the existing courses overlap and can be combined with no real loss of coverage.

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The new Health Policy elective (G-527, Health Policy) is very popular with candidates, and 492 registered for the exam in November.

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Case studies were introduced on exams I445, Individual Health Insurance and G-522, Continuing Care Retirement Communities and Long-Term Care Insurance for the November 1992 session.

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Grades for the November 1992 exam session were expected to be mailed on December 23 for Exams 100 and 110, January 8 for the remaining Associateship exams, and January 15 for the Fellowship exams. Candidates may call the interactive voice response (IVR) system after these dates for their pass/fail results. The IVR number is 708-706-3579.

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The Society of Actuaries will have a Finance Track operational beginning with the fall 1993 session. The Finance Track offers broad training in financial reporting, valuation, finance, and solvency management.

The track will consist of existing and newly developed courses. Existing courses that will be required in the Finance Track are I-442C, Advanced Topics in Valuation and Financial Reporting-Canada, or I-443U, Advanced Topics in Valuation and Financial Reporting-U.S. and V-580, Corporate Finance. The new courses under development will cover Financial Management, Advanced Financial Management and Taxation (Canada or U.S.), and Corporate Strategy and Solvency Management. Full descriptions will appear in the 1993 Fall Fellowship Catalog.

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1993 Seminar Calendar

January 19	Cash Balance Plans	Atlanta
February 2-5	Asset/Liability	Wharton, Philadelphia
February 11	FAS 106 (Basic)	Baltimore
February 25	401(a)4 Teleconference	Various locations
April 13	Credit Risk Seminar	San Diego
April 13	Health Care Reform	San Diego
April 14-16	Spring Meeting (Pension, Health)	San Diego
May	Chief Actuaries Open Forum	Date & location TBA
May 3-4	Spring Meeting (Product Development, Financial Reporting	Boston
May 5	Credit Risk Seminar	Boston
May 5	Annuity Seminar	Boston
June	Postmortem on 1992 Reserve Adequacy Analysis - Where Do We Go From Here?	Date & location TBA
June 3	FAS 106 (Advanced)	Baltimore
June 14-15	Spring Meeting (Financial Reporting)	Quebec City
June 16	Credit Risk Seminar	Quebec City
September	Immunization Theory	Boston
September	Duration Analysis	Boston
September 20-21	Valuation Actuary Symposium	West Coast location TBA
October 17-20	Annual Meeting	New York
December	Critical Issues in Underwriting	Date & location TBA

This is a partial listing of SOA seminars and meetings for 1993. Watch for additions published in *The Actuary* throughout the year. For more information, please call Continuing Education, 708-706-3545.

E&E corner cont'd

Candidates who want to focus their elective credits on investment and finance topics can take the following electives:
1) V-480, Advanced Asset/Liability Management
2) V-485, Advanced Portfolio Management
3) I-550, Reinsurance Topics
4) P-363, Pension Funding Vehicles

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To strengthen the foundation in investment topics required of all Fellowship candidates, the structure of the core requirements has been changed effective November 1993. Property and casualty material has been removed from Courses 200 and 210. Canadian candidates and other candidates who want to have some familiarity with property and casualty topics are encouraged to write any of the CAS examinations that earn elective Fellowship credit. (See Section III. 22 of the 1993 Spring Fellowship Catalog.)
1) Course 200 will become a 30-credit course to be offered for the first time in spring 1994.
2) Course 210 will become a 25-credit course.
3) Course 220 will be unchanged.
4) Course V-380 will be modified to become Course 230, a required core course with 15 credits to be offered for the first time in spring 1994.

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Preliminary actuarial exam books containing two sample exams each for Exams 100 and 110 now are available at the Society office.

Help for exams

Georgia State University will sponsor examination preparation seminars in the spring on the following courses: 110, 120, 130, 135, 140, 150, 151, 160, 162, 165, 200, EA1-A, and EA1-B. For more information, call Robert W. Batten at 404-651-2736.

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Study manuals and textbooks for the May 1993 SOA exams are available from Actuarial Study Materials. For a complete list, write to A.S.M., P.O. Box 522, Merrick, NY 11566, or call 516-868-2083.

Dear Editor:

Full mail boxes prompt letters

The September 1992 issue had many worthwhile articles. Even so, the small note on the recent constitutional amendment balloting did not escape my attention. I recall a recent special supplement devoted to this amendment. The vote against was so overwhelming one cannot help but wonder why the issue was even brought to vote, considering balloting is not an inexpensive process. Sampling or survey techniques could have given our Board an indication of the membership's feeling on this issue, and we could have avoided the additional expenses involved with the full ballot.

Also, on the subject of expenses, as a member of several Sections, I receive separate mailings for newsletters and election materials from each Section. It seems that some of these mailings could be coordinated and result in significant savings.

Jeffrey G. Stevenson

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It has been 60 years since I finished high school, 50 since I passed Part I, and 12 years since I retired. These are the significant work-related events in my life.

Although I do not pay dues, I get a lot of mail from the Society. I would be happy with much less, and I am sure I have company. The Society could increase revenue and reduce waste by dividing retirees into four groups, based on the amount of dues chosen. These groups are:
1) No dues. No mailings. Name in *Directory* until death.
2) Nominal dues. *Directory* and *The Actuary* are the only mailings.
3) Moderate dues. Mailings I get now.
4) Higher yet. All mailings.

Note that Groups 1 and 2 would not vote.

The retiree problem is bound to grow in the future. This would be a good time to do something.

Robert E. Larson

Reply from Executive Director John O'Connor

The authors of these letters make some very good points. Many members, retired as well as those actively practicing, may believe they receive more mailings from the Society than are necessary.