



SOCIETY OF ACTUARIES

Article from:

# The Actuary

April 1993 – Volume 27, No. 4

Crawford has issued the challenge — now can you deliver a real life example when you're asked the "why?" question? We think you can — that you have success stories to share with all actuaries trying to promote the "Ask an Actuary" concept. If you are willing to write them down or tell them to us, we'll gather them into short vignettes, even condense each into the 10-second sound bite Crawford suggests and publish them. Because we're trying to help the profession as a whole rather than promote individuals, we'll use no names in the stories. Please fill out the form on this page and return it by June 1.

### "Ask an Actuary" Success Stories

Yes, I have a success story to share in which an actuary played a key role in solving a business, governmental, or societal problem. I will describe the problem, the actuary's role, and what the measure of success was (profit, gain, cost savings, coverage, social good accomplished).

\_\_\_\_\_ I have attached a 100-word or less summary.

\_\_\_\_\_ Please call me. I will tell you my story; you can write it and get it back for my review.

NAME \_\_\_\_\_

TELEPHONE NUMBER \_\_\_\_\_

Return by June 1, 1993, to: *The Actuary*, Society of Actuaries, 475 N. Martingale Road, Suite 800, Schaumburg, IL 60173-2226; fax: 708/706-3599, or call Cecilia Green, 708/706-3561.

## Dynamic Solvency Task Force report available

by Godfrey Perrott

**T**he Board of Directors of the American Academy of Actuaries adopted a position statement last year suggesting insurance company management obtain each year a written report on financial solvency by an appropriately qualified actuary. This reflects the Academy's belief that actuaries are suited to advise insurer management on its company's future probable solvency in view of its current assets, liabilities, and business plan.

To respond to the recognized role Society of Actuaries members would be asked to assume in this context, an SOA task force was appointed to:

Produce a plan of action to accomplish the necessary research and to produce the needed educational materials on dynamic solvency issues so that by 1995 the following is a true statement: *An actuary has access to necessary research, education and training, techniques and industry-wide data needed to select appropriate methods and assumptions in order to provide a life and health insurer's management with a report on its financial solvency.* The plan needs to cover the research needed and how to accomplish it and what programs in basic and continuing education will need to be put in place. Research will include methodologies, applications, and experience studies needed to provide appropriate data.

The Dynamic Solvency Task Force (DSTF) specifically was charged not to

comment on the Academy board's position, but to focus on what support the SOA should provide members who might be asked to undertake such an assignment as outlined in the position. Also, it was clear that the DSTF was not developing any basis for standards of practice.

The DSTF reported as scheduled at the January 1993 Board of Governors' meeting with the following recommendations, which were approved:

- Make the DSTF report available to the membership and conduct open workshops and discussion groups at spring SOA meetings with focused discussion on the concept of financial solvency as it applies to life and health insurers. This has been done.
- Appoint a task force to oversee the basic research needs identified by the DSTF.
- Appoint a task force to prepare a handbook for actuaries who would provide such a financial solvency report. The handbook would be an educational resource and a bibliography similar in concept to the Valuation Actuary's Handbook and perhaps a successor to it.
- Appoint a task force to develop dynamic solvency seminars offered on a continuing basis by the SOA.

Members of the Financial Reporting Section will receive copies of the task force report. Other members may request a copy by writing Laura Kammeier at the Society office or by calling her at 708/706-3526. Any

member who wishes to participate in any of the task forces being assembled should call Richard Mattison at the Society office, 708/706-3576.

This is an important issue for SOA members who practice with insurers, as well as for the profession. Actuaries who currently report on a company's financial solvency or may need to in the future will want to participate in the discussions at the spring meetings in San Diego, April 14-16, and in Boston, May 3-4. It is important that the concept be aired so a consensus definition can be set soon for U.S. practice. Canadian actuaries already have a statutory duty to prepare this type of report.

The SOA focus appropriately is directed to the education and research needed to support members reporting on an insurance company's financial solvency in U.S. terms. At the same time, the Academy is wrestling with the issues of how to limit the actuary's legal liability and how to preserve the confidential nature of the actuary's report, since supervisory authorities will want access to it.

The Dynamic Solvency Task Force consisted of Chairperson Godfrey Perrott, Jeffrey A. Beckley, J. Peter Duran, Larry M. Gorski, John J. Palmer, James F. Reiskytl, Alan J. Routhenstein, Gary E. Wendlandt, John B. Yanko, and staff liaison Richard S. Mattison.

Godfrey Perrott is a consulting actuary in the Boston office of Milliman & Robertson, Inc.