The Newsletter
of the Society
of Actuaries
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The Actuary

The predicament of market value accounting

by Richard S. Robertson

Financial Accounting Standard 115 presents insurance company management with a painful dilemma. Do we adopt investment and management strategies to reduce the fluctuations in GAAP book value that result under the standard? Or, do we continue with business as usual and hope that our financial publics ignore the effect of the standard on reported book value?

Featured this issue:

Reducing the effects of FAS 115

Several strategies can be used to reduce the effects of FAS 115. The average duration of invested assets could be shortened. Mortgages and other investments outside the scope of the standard can be used more. Management can commit to hold investments to maturity, thereby qualifying those investments for valuation at cost. Some companies are considering holding most investments to maturity and using options and other derivatives to manage the relationship between assets and liabilities.

A particularly imaginative approach I heard about was using interest rate swaps to hedge market fluctuations in both assets and liabilities. Because hedge accounting follows that of the item hedged, it is claimed that a company could effectively undo the market value accounting through buying and selling identical swaps.

Strategy drawbacks

Any of these strategies has its costs. In today's environment, shortening durations significantly reduces investment yield. In any environment, it could leave a company vulnerable to future decreases in market interest rates. Strategies that limit a company's freedom to sell securities reduce the flexibility and effectiveness of investment management. Derivative securities have transaction costs and can have unintended consequences.

Dangers in FAS 115

I am a strong advocate of not letting bad accounting cause bad business decisions. I believe it likely that investors, rating agencies, and other sophisticated users of our financial statements will see through the accounting folly and will adjust the financial information back to a cost basis in forming their financial opinions.

Not all those using our financial reports, however, are sophisticated analysts. Statistical reports in publications and elsewhere frequently are based on unadjusted information, with inappropriate conclusions citing the reported financial information as support. The resulting confusion will adversely affect the confidence of policyholders and investors in insurance companies.

The effect of this accounting can be extreme. Even for a duration as short as seven years, a 300 basis point increase in interest rates would reduce the value of a security by about 15%. That could be a significant part of a company's equity. Would even sophisticated analysts have confidence in a company reporting little or no GAAP equity?

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EDITORIAL

Our dynamic environment

by Tony Spano

In this issue of *The Actuary*, we focus on life insurance, one of the four practice areas under the Society's organizational structure. Included are articles on product trends, profitability and solvency, market value accounting, and AIDS experience. The scope of these articles demonstrates the diverse forces affecting this constantly evolving industry.

I think back to the late 1970s, when I first became immersed in Society matters and when I began work at the American Council of Life Insurance, a national trade association representing the industry. Those were the days of the traditional marketplace, when life insurance product classifications involved just term and whole life insurance and participating and nonparticipating policies. We're all familiar with the dramatic changes since then, and Chuck Ritzke's article provides interesting perspectives.

The evolution within the Society and the profession has been equally noteworthy. Fifteen years ago, for example, the Society had 6,000 members, and nearly two-thirds of employed actuaries were with insurance companies. Today, the membership totals more than 15,000, but insurance companies account for less than one-half of employed members.

The effects on the Society's activities and organization have been significant. Consider, for example, the changes and innovations in the Society's examinations, meetings, and other educational offerings and the major expansion in research.

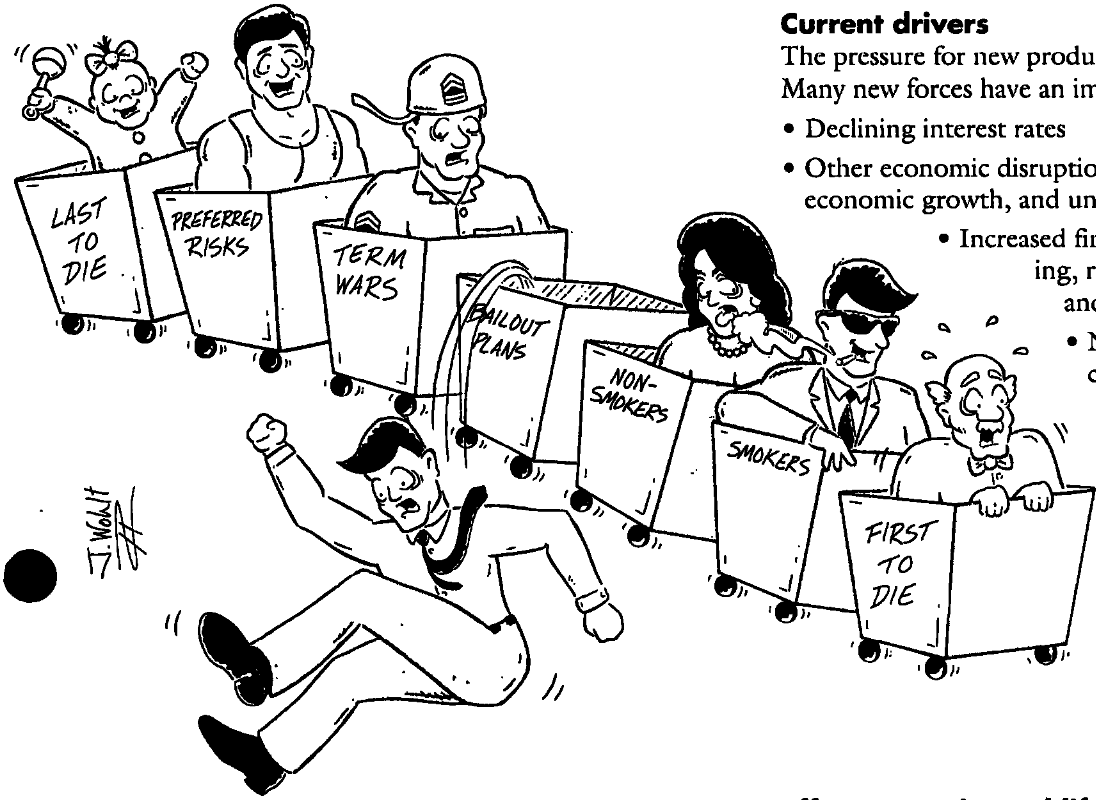
Instead of several organizations going their separate ways, the profession is cooperating in many ways, coordinating efforts in such areas as the Working Agreement, the uniform codes of professional conduct, and the Actuarial Board for Counseling and Discipline. The Forecast 2000 public relations program, recipient of a 1993 Silver Anvil, a prestigious national award from the Public Relations Society of America, has been highly successful in promoting the visibility and image of the profession.

The changes during these years have been dramatic, and the ability of the industry, the Society, and the profession to respond and adjust to a dynamic environment has been impressive. We hear that the future change will be even faster and more unpredictable. Our record these past years makes me confident we will meet the challenges, whatever they may be.

With this upbeat tone, I'll close with a note that this is my last issue as an associate editor of *The Actuary*. For the past three years, these pages have given me a forum for an enjoyable dialogue with our members. I'll miss this opportunity, but I know you will be in excellent hands with Mike Cowell, our new editor, his associate and assistant editors, and his superb staff at the Society. I wish them and each of you all the very best. (Don't miss Mike's last-minute addition to this issue — a collection of comments from noted health care actuaries on President Clinton's health care proposal. If you receive this issue a little later than usual, it's because we held up printing to include late-breaking developments.)

Riding the life product rollercoaster

by Charles E. Ritzke



My career started in the mid-1970s. Life products sold then had, with minor variations, been around for a very long time (1958 CSO created the last flurry of new activity). However, soon the onslaught began: nonguaranteed deferred annuities, adjustable life, new dividend options, economatic par products, indeterminate premium plans, term/annuity sales, nonsmokers, preferred risks, term wars, first generation universal life, revertible term, indexed plans, fixed premium universal life, single premium universal life, short-term guarantees, long-term guarantees, bailout plans, illustration war bonuses, second generation, third generation..., universal life, bigger illustration war bonuses, MEC savers, accelerated benefits, last to die, first to die, universal term, still more bonuses (we really liked bonuses), and on and on.

This article is my perspective on the overarching drivers of current and future trends. Since this is only my perspective, readers are encouraged to add their insights.

Current drivers

The pressure for new product development has not let up. Many new forces have an impact:

- Declining interest rates
- Other economic disruptions (junk bonds, real estate values, economic growth, and unemployment)
- Increased financial oversight (cash flow testing, risk-based capital requirements, and rating agency oversight)
- Net shrinkage of internal industry competitors (company insolvencies/instability, mergers, acquisitions, streamlined company market focus, and rating downgrades)
- Increase in external industry competitors (banks and mutual funds)
- Rapidly changing markets (aging baby boomers, for example)
- Consumerism
- Taxation

Effects on universal life

As interest rates decline, most companies are finding it more difficult to market profitable, competitive, and financially viable universal life products. The current environment exposes the following basic flaws in the product's design.

The product became popular because of the enormous tax advantage in using the inside buildup of interest to pay for net insurance benefits. With high interest rates, this advantage was more than enough to offset the disadvantages of high distribution costs, premium taxes, and deferred acquisition cost (DAC) taxes. As interest rates declined, the tax advantage shrank while the disadvantages remained the same or increased.

Pressures increased to replace this advantage. For a time, this could be accomplished through investments with cash flow risk (junk bonds, real estate, and duration mismatch). Problem investments, insolvencies, and increased financial oversight, however, effectively blocked this approach.

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Life products (continued)

The search for alternatives to maintain the advantage led to "illustration wars." Many products were sold with over-optimistic nonguaranteed bonuses and other lapse supported illustration enhancements that will be difficult to support if lapse rates aren't high enough.

Back to traditional cash value products?
When interest rates started their decline, many traditional products with a strict portfolio (vs. new money) interest crediting strategy had an artificial but temporary advantage. The advantage was artificial because the companies still were attracting new money at a loss. Many looked at the deterioration of universal life as a signal of the return of traditional whole life products with their certainty and guarantees. However, most flaws described here also apply to traditional cash value products.

Trends toward selling insurance
More focus on competitive term products, deeply discounted preferred risk rates, aggressive insurance cost guarantees, insurance-oriented universal life products (e.g., universal term), and new insurance benefits (e.g., accelerated benefits) is the response to all the drivers. When under attack, focus on what you do best or on what the external competitors don't do at all.

Annuities
While fixed deferred annuities have the same or worse cash-flow risks, they don't have several of the disadvantages of cash value life products. Distribution costs, premium taxes, and DAC taxes usually are much less for deferred annuities. I haven't done a detailed comparison, but I'd wager that a convincing argument could be made for the advantages of a competitive term plus annuity package over the most competitive of cash value life products, with the term benefit boosted to pay the tax at death.

Variable and modified guaranteed products
These products address the desire to replenish the lost advantages of higher interest rates and the problem of external competitors. How well will life companies compete? How will popular mutual funds combined with competitive term, boosted to pay taxes at death, compare to variable life?

Market segmentation, target marketing, and data base marketing
More attention is being given to disciplined approaches to marketing. Customized niche products, services, risk classification, and distribution methods are being developed that focus on identifiable, homogeneous customer groups. If done well (it's not easy), reduced distribution costs can create new competitive advantages.

Many products were sold with over-optimistic nonguaranteed bonuses and other lapse supported illustration enhancements that will be difficult to support if lapse rates aren't high enough.

Drivers for the future

I believe the following four factors will be the primary drivers for future product trends:

- Interest rates and other economic factors
- Solvency concerns
- Taxation
- Insurance regulation

Interest rates and other economic factors probably will continue to have a major effect on product trends. A future interest rate spike will create another round of pain for some and short-term opportunity for others.

Increases in individual tax rates will increase the relative tax advantages of cash value products. The continued search for increased tax revenue, however, likely will add offsetting elements to the equation.

I believe insurance regulation will be a major determinant of future product trends. If we are ever to get off the product development roller coaster we've been on, we need to push for enlightened regulation of future life products. Valuation laws, nonforfeiture laws, illustration regulations, and other consumer protection initiatives all require bold and creative approaches that go beyond the current political and adversarial atmosphere. We need regulators who will be open to new ideas that recognize the realities of the marketplace. We need regulators who will foster an environment that encourages companies to compete responsib with an opportunity for profit.

Life insurance companies also need to cooperate in an unbiased, unselfish manner in responding to the regulators' needs to protect consumer interests and company solvency and to maintain a level competitive playing field. I think that actuaries on both sides of the fence are best able to take the initiative here.

The current product development environment is one of defensive posturing and unsatisfactory compromises. If we can create the proper environment, however, product actuaries can focus their future creative efforts toward a more customer-oriented marketing effort that will benefit both consumers and the life insurance business.

Charles E. Ritzke is senior vice president and chief marketing officer at Zurich Life Insurance Company of America in Schaumburg, Illinois.

What actuaries think of Clinton's health care proposal

by Mike Cowell
The Actuary *Editor*

"Can you say 'actuary'?" President Clinton can... and did mention actuaries in his September 22 address to Congress. That's the good news. The bad news — for Clinton, at least — is that some of the group who volunteered to look at the numbers for the Administration have been quoted in *Wall Street Journal* (Oct. 1 and Oct. 12) and *New York Times* (Oct. 8) articles, cautioning that the president's remarks about the group may have misled people about its role.

The group included actuaries Dick Ostuw, Howard Atkinson, John Bertko, Brent Greenwood, Dick Helms, and Ken Porter, and economist Jack Rodgers. Some have been less than happy with reporters' "no-win" questions in the mode of "When did you stop beating your wife?" and comments taken out of context.

In its letter to Ira Magaziner, senior White House aide in charge of health care reform, the group noted that its review focused on evaluating the cost of the federally guaranteed benefits package and did not cover the cost or savings estimates for the entire plan. The letter also mentioned that the group did not address the implications of altering Medicaid and Medicare or assess possible savings from managed competition.

The Actuary contacted other leading health actuaries to solicit their comments. Following are those who responded.

Roland (Guy) King, chief actuary, Health Care Financing Administration: "The health care reform plan relies heavily on global budgets enforced by the federal government to hold down premiums and the associated government subsidies. For example, the actuarially determined premiums for the first year of reform, 1996, are reduced by nearly 25% by the global budget, and the associated federal subsidies are reduced by more than 40% by the impact of the global budget. To be that successful in containing health care costs, the federal government would have to be far more resolute than it has been in containing costs in the Medicare and Medicaid programs."

Tony Hammond, policy research actuary, Health Insurance Association of America: "If Mr. Clinton thinks he can take the current employer-sponsored pool, add early retirees to it, add Medicaid to it, and provide more generous benefits than they currently get to almost everyone in the pool at an average premium that is less than the average premium for employer-sponsored plans in 1991, then he needs to talk to his actuaries again. As I understand it, at least part of the discrepancy is because the estimates the Cost Issues Audit Team looked at did not include early retirees in the pool or other changes that were made after their review.

"Even before migration effects, my estimates and those of several company actuaries already are indicating that the Clinton cost estimates for the average premium in the regional health alliances are at least 15 to 35% too low. Dr. Martin Feldstein [former chairman of the Council of Economic Advisors and economics professor at Harvard] has estimated that in 1997 alone, Clinton's estimate of the annual budget deficit is $120 billion too low. If it is that low in every year of the five-year projection period, the understatement would equal the total of all national health expenditures in 1989.

"Furthermore, it would greatly clarify matters if the Administration were to release the report of the Cost Issues Audit Team for other actuaries to review objectively."

Sam Gutterman, director and consulting actuary, Price Waterhouse, and SOA Vice-President supervising the SOA health practice areas committees: "I believe there is general agreement with the principles underlying the Administration's health care reform proposal (security, simplicity, savings, choice, quality, and responsibility). Significant differences in opinion exist, however, on (1) how best to achieve these principles and their priority, and (2) the assessment of the impact of changes to the system on different sectors of the economy and changes in behavior that will result.

"In evaluating the desirability of various proposals, the actuary plays a significant role in evaluating the proposals' costs relative to their design, and whether changes in design can improve achievement of the principles. It is a challenge to determine the financial effect of resulting behavioral changes by participants in the system (consumers, providers, and insurance risk-takers). Although the impact of these changes will only be known well after implementation, reasonable estimates have to be made now. I hope that such cost estimates reflect, as reasonably as possible, all available information."

David Wille, vice president and chief actuary, Humana, Inc., and chair of the SOA Managed Care Task Force: "We in the health care financing business ought to be supportive of the major goals President Clinton has established: universal coverage, cost control, and simplification. Let's be positive about this reform effort, rather than trying to find all the negatives.

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Actuaries hold a strong hand in the solvency game

by John J. Palmer

The past few years have been troubled ones for the life insurance industry. It has had solvency problems of unprecedented number and magnitude. These problems, surprisingly, did not result from adverse external economic forces, but from clear cases of internal mismanagement. This led state regulators, and may be leading federal regulators, to conclude that the normal market forces — the threat of failure and loss of company owners' capital — is not enough to coerce corporate behavior that is consistent with public interest. What is needed, it is argued, are more constraints on managements' actions. Also mentioned are more detailed disclosures to the customer of policy details and company practices and stronger guaranty association support for the customer.

Could any combination of these recent initiatives have resulted in less severe problems, given the determination of some managements to engage in risky behavior? The presence of the state guaranty associations may have made it even more feasible to take large risks without paying a price in the marketplace. Strengthening the guaranty system would be a step in the wrong direction unless an appropriate current risk premium was imposed for risky behavior, creating a current marketplace penalty.

It could be argued that enough public information and regulatory power already existed to compel early disclosure and remedial action and that the missing element was the regulatory will to act. Under this view, the industry at large and the actuarial profession specifically might be faulted for failing to support the regulators in their duties. How many in the industry now say, "It was obvious for years that Company X was in serious trouble."?

The result has been a larger and still increasing number of constraints on managements, most of which are directly translatable into capital requirements. The most important ones follow.

The NAIC Risk-Based Capital (RBC) formula

This was designed as a device to categorize companies to determine the appropriate level of regulatory oversight. It also has the potential to turn into a micro-level rating point system. Few companies, however strong in surplus, will undertake significant financial transactions without looking at the RBC impact. More schemes to "manage" against RBC formula are increasingly visible. This is inevitable when it is convenient to use a formula as a substitute for what was formerly a matter of judgment.

Target surplus formulas

More companies use generalized target surplus formulas similar to, but often more stringent than, RBC formulas. These measure surplus required by various lines of business and by the company as a whole.

Judgments of rating agencies

The relevance to companies of rating agencies' judgments depends on the customer markets they serve and their ownership structure and attitudes. While some rating agency actions are formula-driven, often their judgments seem arbitrarily based. Certain products, markets, practices, and even sheer size characteristics move in and out of favor with the rating community.

The valuation actuary

The implications of product design, pricing, and investment strategy will be reflected in the valuation actuary's work, possibly leading to the need for reserves beyond those demanded by statutory formula. There seems little chance in the near term for valuation actuary studies to allow companies to hold less than statutory formula reserves, though this would be logical.

The proposed solvency report

The recent initiative by the American Academy of Actuaries to develop periodic reports to management on solvency, i.e., surplus adequacy as an ongoing business, has the potential to be very useful. It can pose the greatest threat to management, however, by making the company's actuary, in some sense, an agent of the regulators.

For the product actuary, these forces reinforce the notion of surplus as the limiting resource and some form of return on equity (ROE) as the primary measure of profit.

"Equity" for this purpose would consist of the aggregate of the various amounts that the company feels constrained to hold. While some amounts are clearly formula-based, other amounts will be quite subjective, as in the case of the rating agency requirements ("How much do we need to keep the X rating above Y?").

These multiple and loosely defined constraints make it difficult to determine precisely the minimum surplus needed at the company level.

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AIDS in the United States

A perspective after the first decade

by Thomas W. Reese

The first news article describing part of the AIDS epidemic appeared in the summer of 1981. The article reported five severe cases of pneumonia caused by common organisms easily held in check by normally functioning immune systems. The patients were all homosexual men in Los Angeles. A month later, another article reported 20 homosexual men in New York and six in San Francisco with the pneumonia and a normally benign skin cancer.

Thus in 1981, the Centers for Disease Control (CDC) began tracking an unnamed syndrome. Interviews soon determined that some patients were not homosexual. It was not easy to discover they were intravenous drug users. The drug addicts usually contracted the quick-killing pneumonia, rather than the slower-killing skin cancer more common in homosexuals, and were dead by the time they were reported to the CDC.

By December 1981, the official count of cases had climbed to 151 men and one woman. The syndrome had an unofficial name — Gay-Related Immune Deficiency (GRID) — although the CDC preferred calling it "the epidemic of immune deficiency."

By April 1982, patient tracking studies identified a Canadian airline attendant called "Patient Zero." Of the first 248 gay men reported with GRID, at least 40 had sex with him or with someone else who had.

Homosexuals were not the only ones affected. In 1982, the risk groups were identified as the "Four H's" — homosexuals, heroin addicts, hemophiliacs, and Haitian immigrants. By the end of the year, blood transfusions began to be identified as a risk. The syndrome was given its official name — AIDS, Acquired Immune Deficiency Syndrome. Others with the disease now included infants and some women who were sexual partners of male AIDS sufferers.

The changing face of AIDS

On the face of reported cases, it may appear that the AIDS epidemic has accelerated in 1993. The number of new cases reported in the first half of 1993 was more than 2.5 times the number reported in the same period of 1992. In June 1993, the cumulative number of reported U.S. AIDS cases crossed the 300,000 mark. The 200,000th case had just been reported in January 1992.

The sudden increase in reported cases, however, is due to the CDC's new liberalized definition of AIDS cases effective for 1993. The new definition identifies AIDS cases earlier than the previous definition adopted in September 1987. The 1993 reporting surge shows more of the epidemic earlier rather than indicating an actual increase in its size.

The population of AIDS cases is changing over time. For cases reported in 1992, 80.2% were homosexuals and/or intravenous drug users, compared to 86.5% for cases reported in 1988. Hemophiliac and blood transfusion cases declined from 3.6% in 1988 to 2.1% in 1992.

The fastest growth rate has been for AIDS cases from heterosexual contact. These have increased from 3.8% of all cases reported in 1988 to 7.8% in 1992. Reported cases from heterosexual contact were still increasing more than 25% per year in 1991 and 1992, compared to less than 5% per year for all cases combined. The percentage of female reported cases increased from 11.0% in 1988 to 14.1% in 1992.

Insurance company impact

Compared to early fears, the insurance industry has managed AIDS claims reasonably well. Estimates of total life and health AIDS claims reached $1.4 billion in 1992, "only" a 240% increase from five years earlier. The rates of increase have slowed dramatically, indicating perhaps at least a temporary plateau in AIDS claims costs at about 2% of total claims (4% for group life).

It is too soon, however, to conclude that AIDS claims have reached their peak or have even yet reached a slow-growth plateau. HIV testing and underwriting efforts are paying off in reducing early AIDS claims. There will be further AIDS claims as infections occur after issue and as these insureds eventually progress to AIDS. Further, drug treatments have slowed progression to AIDS for many people, but probably medical treatments cannot prolong good health indefinitely.

AIDS has changed the underwriting practices of life insurers. The huge number of HIV tests needed created a growth industry for insurance testing labs. The dramatically increased use of these labs has changed the nature of underwriting. HIV testing was the catalyst for companies to increase testing, but other valuable tests available for blood specimens have justified their costs in allowing insurers to better classify risk levels for prospective insureds.

Product pricing by many actuaries "includes" the cost of AIDS by eliminating future mortality improvements that would have been assumed without AIDS. U.S. population mortality rates have declined in the first AIDS decade, except for males aged 25 to 44, where mortality rates also would have declined if AIDS were removed. Insured mortality has improved even

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Market value accounting (continued)

FAS 115 and mutual companies

Because the standard is limited to GAAP reports, mutual companies may believe this is not a critical issue for them. Perhaps they believe that GAAP statements will not be widely used, or they may be willing to accept the qualified auditors' opinion that will be given for statutory statements. However, in an environment where investment markets cause reported equities of publicly-held companies to be weak, analysts probably would make comparable adjustments to statements of mutual companies. Regulators would be under pressure to "reform" statutory accounting.

Accounting based on historical cost is no longer an option. We fought that battle and lost, perhaps because serious weaknesses exist in historical cost accounting. The assertion that variations in asset values are offset by variations in real liability values breaks down when assets and liabilities are not perfectly matched. Changes in asset values due to credit deterioration are not matched by changes in liability values. This last shortcoming may have been the factor that caused us to lose the battle, given the significance of investment credit issues in recent years.

Restoring integrity of statements

Many of us have concluded that the only alternative that will restore validity and integrity to our financial statements is to change the way we value liabilities to make that valuation consistent with asset valuation.

Although insurance liabilities are not traded enough to establish a "market value," a gross premium valuation with suitably chosen assumptions would be a reasonable proxy for market value. An accounting system that uses market values for assets and a gross premium valuation for liabilities would tend to include in a company's reported equity the value of the insurance in force. Such a system would report valid and useful information.

One characteristic of an accounting system based on a gross premium valuation is that most or all of the expected profit would be released when a policy or contract is issued. This is significantly different from present accounting. Users of insurance company financial statements would have to fundamentally change their perception of the significance of financial data. Comparability with financial statements of non-insurance corporations also would be a problem.

Accounting based on historical cost is no longer an option. We fought that battle and lost, perhaps because serious weaknesses exist in historical cost accounting.

Theoretical model

If one wished to avoid releasing profit at issue, suitable loadings could be built into the valuation process. Such loadings could be designed to release profit in proportion to revenue, risk, or any other appropriate measure.

An interesting approach is to establish loadings that replicate the loadings in the existing accounting model. If investment markets are stable and asset values do not change, the financial statements would be identical to those produced under the existing model. If investment values change due to changes in market interest rates and if changed interest rates are reflected in the assumptions used to value the liabilities, the resulting change in equity can be shown to be entirely from the value of net differences in asset and liability cash flows. In a perfectly immunized situation, equity would not change.

This approach would be an excellent theoretical model for designing a liability valuation system for use with investment market values.

Time to move quickly

Several approaches to liability valuation would be consistent with use of market values for assets. We must agree on one such approach quickly if we are to re-establish the validity and credibility of insurance company financial statements.

FAS 115 will be in effect for 1994. I know of several companies, including mine, that will be disclosing the amount by which liabilities would change to be comparable to the change in investment values. Users of financial statements will be seeking comparability of these adjustments and an understanding of how they are derived. The actuarial profession needs to provide the leadership to accomplish this.

Richard S. Robertson is executive vice president at Lincoln National Corp., Fort Wayne, Indiana, and a past president of the Society of Actuaries.

U. of Singapore receives grant

The Society of Actuaries recently awarded a $2,500 grant to the National University of Singapore in recognition of full-time faculty member Ka-Cheng Albert Tsui attaining Associateship status.

The university will use the grant to help with actuarial exam fees, purchase actuarial science books, and fund fees for staff members attending actuarial science conferences.

Early release copies of *TSA* papers available

The following papers have been accepted for publication in Volume 45 of the *Transactions*. Members who would like an early-release copy before it is published in a preprint should send $5 for each paper to the SOA Books and Publications Department.

"Mortality Differences by Handedness: Survival Analysis for a Right Truncated Sample of Baseball Players" by Harry H. Panjer

Previous studies have suggested that left-handers exhibit significant excess mortality. Their life expectancies are said to be up to nine years shorter than right-handers. The methodologies used in these studies have been criticized for not controlling for variables that can significantly bias the results. This paper studies mortality differences for professional baseball players by examining the times and ages of death of more than 6,000 players who died before 1990. Various cohorts are studied separately to recognize time-varying factors such as changes in overall level of mortality and the changing handedness mix. The methodology uses the reverse time hazard function and recognizes that the individual observations are drawn from right-truncated populations.

Mortality levels are compared at all ages over 20. No significant mortality differences can be detected for any subgroup in the study, although small (but not highly statistically significant) differences can be observed when all cohorts are combined. This difference appears to be due to changes in the handedness mixture over time.

"Multidimensional Whittaker-Henderson Graduation with Constraints and Mixed Differences" by Walter B. Lowrie

Dick London (*Graduation — the Revision of Estimates,* Actex, 1985) tells us that graduation is a "revision of estimates." Mike Boesen, in a private communication, was just as perceptive when he said that graduation is the "substitution of impressions for facts." The practical problem is that data have a nasty habit of showing random errors in areas where actuaries and people on the street know that smooth progressions should occur. The methods given in this paper allow a practitioner to regain the smoothness in a systematic way.

Some parts of the paper are a bit technical, but they essentially say that the method will work. Other parts tell an actuary with some patience with math and computer science how to use these methods. An indepth knowledge of statistics is not necessary to use the methods in this paper.

Readership survey in this mailing

Included in this mailing is a readership survey. The results will help *The Actuary* editorial board keep this newsletter focused on what types of information you find most useful. Please return the survey to the Society office by December 1. An envelope has been included for your convenience, or you may fax the survey to *The Actuary* (708/706-3599). The results will be reported in the February issue.

SECTION CORNER

Pension Section

The Pension Section, with 4,007 members, sponsored several sessions at the New York annual meeting. It currently is determining what programs to offer members at the SOA spring meeting in San Antonio, June 15-17.

Computer Section

This Section, with 2,285 members, is still looking for a new name for its *Digital Doings* newsletter. The Computer Science Section Council will award to the winner a prize of a one-year free membership in the Section.

The Council thanked Kerry Krantz, outgoing chair, for all his efforts in establishing the Section and leading the group through its first year.

The Section donated $7,500 to help establish the SOA Electronic Bulletin Board. It plans to take a lead role in establishing the bulletin board and encouraging others to use it. Sessions at the annual meeting conducted by the Computer Science Section were systems management, computer buzzwords, and local-area networks.

Reinsurance Section

The Reinsurance Section, with 1,490 members, conducted sessions at the annual meeting on reinsurance and rating agencies, reinsurance marketplace issues, reinsurance accounting for life and health insurers, and tax and regulatory issues.

It sponsored a successful seminar in September in San Francisco on "Reinsurance Regulations: Critical Knowledge for Tough Times" in conjunction with the Valuation Actuary Symposium. The Section received positive feedback from the 115 attendees.

Health care proposal (continued)

"In the spirit of making the reform effort more successful, we should suggest a heavy role for competition, which includes competition among medical providers, competition among managed care plans, and competitive forces to stimulate the purchasing alliances to give the customers what they want. That's why the purchasing alliances ought to be non-exclusive. Employers should be allowed to purchase coverage either through the alliance or directly from a managed care plan or insurance company.

"The opinion is often expressed that an exclusive alliance is necessary to bring affordable coverage to those who are in poor health. I disagree strongly with this. Clearly, the federal and state governments could require guarantee issue at reasonable rates for every employer who wishes to purchase coverage. That would become the norm in the health care industry. You don't need exclusive alliances to get there.

"In fact, the Florida legislature has done exactly that — a very strict guarantee issue rule for small groups, along with non-exclusive alliances. We should encourage a federal framework that allows Florida to continue this program.

"In summary, an exclusive alliance is subject to the same temptation as any government agency — to serve their own interests rather than serving the public. Competition is the best way to counter this attitude."

Bart Munson, a principal at Coopers & Lybrand and chair of American Academy of Actuaries and Society of Actuaries committees on long-term care:
"In spite of the risks so well illustrated in recent weeks, on balance, I'm delighted President Clinton and his health care reform leaders are well aware of, and reliant upon, our profession.

"We've worked hard for many years to let policy-makers know we can make a significant contribution, even an essential one, to the solutions of the nation's most vexing problems. Certainly, health care reform is one, perhaps the largest, conceivable one.

"When we succeed in getting into the game, we've got to accept some bruises. If Clinton (Bill) 'uses' us in an attempt to make his case, as he did on September 22, we should be proud. Wince, yes, and work quickly and as hard as needed to correct the implications that we bless the numbers, for we haven't and probably won't. But we should be glad to be visibly in the fray. ...

"We can't always control where we're cited, how we're quoted, or to whose end we're used. Neither can we control whether we're a player in the game. We can work diligently and carefully to get there, however. We have and we are. That's great!

"Now let's use our opportunity to truly help our nation work on this huge challenge. Clinton needs us, and he obviously knows it."

Alice Rosenblatt, senior vice president and chief actuary at Blue Cross/Blue Shield of Massachusetts and chair of the American Academy of Actuaries Risk Adjusters Work Group:
"Health care reform is urgently needed, and we need to do everything we can to assist in designing the new system. We have not yet seen the legislative language, but the 239-page document contains some items of concern — for example: global budgets and caps on the rate of premium increases, cost and savings estimates, and fairly rich benefits.

"I was delighted to see that a risk adjustment mechanism has been included in the proposal. This is an area where actuaries need to do a lot more work and provide a lot of input.

"I think it's very positive that the debate is moving forward. We need to do our part to assist with the details that give us concern. I'm confident the Academy's work groups will provide valuable assistance to those involved in the debate."

Howard Bolnick, president of Celtic Life Insurance Company and vice-president and chair of the Health Practice Council for the Academy of Actuaries:
"The American Health Security Act of 1993 (President Clinton's plan) is now before Congress and the American people. Much of it covers areas in which actuaries have either unique expertise or a special perspective. The importance of the proposal necessitates our speaking out. I've seen uniform appreciation by the people involved for actuaries looking at the numbers and other key issues, such as health plan solvency and health risk adjusters.

"There's a lot of questions about the health care plan and the Academy and Society will play a positive role as the plan goes forward. Several work groups and task forces are being formed, and we need a lot of help from volunteers."

(Note: see box on page 11 for volunteer opportunities.)

The January issue of *The Actuary* will include an article covering this issue in more depth as details continue to unfold. For those who objected to Clinton's lack of details in his September speech, one of his advisors, Paul Begala, reminds us with his quote in a *USA Today* story, September 21: "President Kennedy said, 'We'll put a man on the moon by the turn of the decade.' He didn't say, 'We'll have a three-stage Saturn rocket and we'll have tracking stations in New Zealand and New Guinea.' He [Clinton]'s not actuary-in-chief. He's commander-in-chief."

But then again, there are no people — and no politicians — between the earth and the moon. Kennedy had it easy!

Health care reform volunteer opportunities

The American Academy of Actuaries, the designated organization for providing actuarial advice to the Clinton Adminis-tration, Congress and the public on health care reform, and the Society of Actuaries, the profession's education and research organization, are forming several work groups and task forces. This is a chance to become involved in helping shape the solution to this important national issue. Please consider volunteering your services if you have experience in one of the areas listed below.

American Academy of Actuaries Work Groups — Duties: Assigned a well-defined issue to discuss, gather information, and develop into issue and position papers. Contact Howard Bolnick, chair of the Academy Health Practice Council, or the work group chair if listed.

- Structure of the President's Proposal and Cost Estimates (co-chairs Howard Bolnick and John Bertko)
- Guaranteed National Benefits Package (Julia Philips, chair)
- Mental and Nervous Benefits (chair to be announced)
- Payer Administrative Requirements and Cost Savings (Dick Niemiec, chair)
- Solvency (Bill Bluhm, chair)
- Budget Development and Enforcement (chair to be announced)
- Health Plan Pricing (Paul Fleischacker, chair)
- Health Risk Adjusters (Alice Rosenblatt, chair)
- Casualty Actuarial Issues
- Long Term Care (Hal Barney, chair)
- Medicare and Medicaid
- Transition Rules
- ERISA Changes
- Health Alliances

Society of Actuaries Task Forces — Duties: Original research, rather than issues discussion, done on a longer time frame than the Academy's work groups. Contact Sam Gutterman, SOA vice president.

- Risk Adjusters
- Effects of Life Style
- Health Care Financing Issues
- Mental Health
- Effects of Managed Care
- Medical Effectiveness

AIDS in the United States (continued)

more dramatically, largely because of better underwriting information received from laboratory testing.

Some companies have established reserves for future AIDS claims, and there have been some adjustments in product design. Advance payment of death claims for insureds who are terminally ill is one product design innovation in reaction to AIDS.

Actuarial projections

AIDS poses great uncertainty, because its true size is hidden. Past epidemics worked their way through the population quickly. AIDS, however, requires years to progress from infection to symptoms.

This is why the impact of AIDS cannot be understood without mathematical modeling. Are the cases we are seeing the first end-results of a huge problem that is unseen because of very slow progression rates from infection to AIDS? Or is the real size of the epidemic smaller, resulting from a smaller infected population progressing to AIDS at faster rates?

Actuaries have applied their skills to this problem, starting with a landmark actuarial paper published in 1987, "AIDS, HIV Mortality and Life Insurance," by Michael J. Cowell and Walter H. Hoskins. The paper developed several important new concepts in modeling AIDS and presented alternative projections of the future of the epidemic. Other projections have followed since.

A rough characterization of the early series of actuarial AIDS projections might be that they were "in the ballpark," but in general were too high. These over-estimations were because of scanty early data and because the assumptions were drawn from early populations of AIDS patients who were quicker to spread infections and who progressed to AIDS faster than infected populations that followed. Further, drug therapies are slowing the course of the epidemic by prolonging the time from infection to AIDS diagnosis. To their credit, actuaries avoided the hysterically high forecasts often bandied about by the media.

Attention paid to AIDS has lessened dramatically in recent years, both among the public and the insurance industry. Some perceive the AIDS problem as small in contrast to the high forecasts that did not materialize.

The AIDS epidemic surely is not insignificant, however, and we do not know its ultimate impact yet. Appropriate insurance industry responses to control anti-selection have contained this threat to what appear to be manageable levels. Continued diligence by companies and actuaries is needed to assure that the insurance mechanism continues to work as future experience unfolds.

Thomas W. Reese is with Tillinghast, a Towers Perrin Company in Atlanta, Georgia.

E&E CORNER

Bilisoly retires; Allen steps in

After a 41-year career, with the last 4 years at the Society of Actuaries as an education actuary in the health practice area, the only statistics Dick Bilisoly will be gathering are his frequent flyer miles. On October 29, he retired from the SOA and began his travel schedule with a trip to Hawaii.

"I think the best part of my job here at the Society was working with so many different people, representing so many points of view, from all over the world," Bilisoly said. "But, you haven't seen the last of me yet. I plan to stay on as a volunteer on the 100 and 110 exam committee."

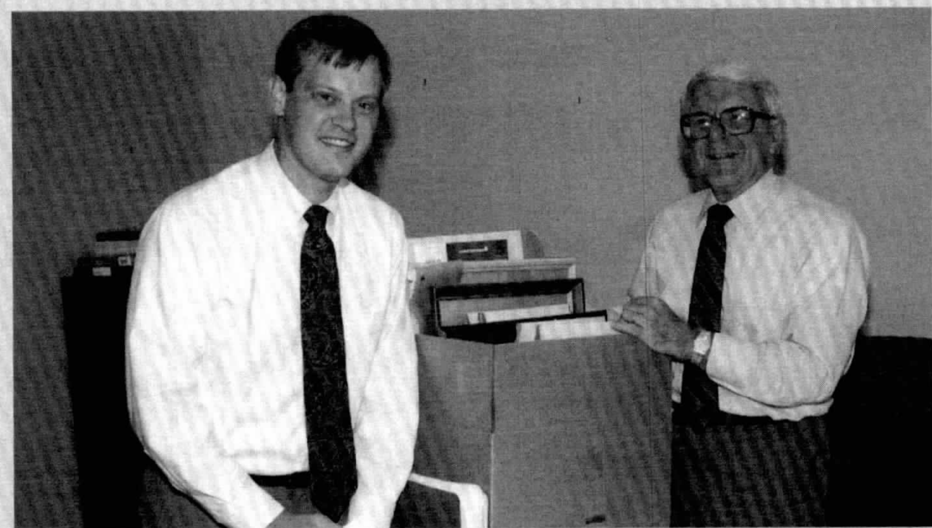
Bilisoly spent much of his last month at the Society briefing his replacement, Jeffrey Allen, FSA 1992.

"The biggest challenge in this position will be dealing with the unknowns in the changing health environment," Allen said. "We'll have to continually address these changes in our examination and practice education areas."

"Jeff will bring a new perspective to E&E," Marta Holmberg, education executive, said. "He is the first actuary on staff who was writing exams when the Flexible Education System (FES) was implemented and who experienced the Fellowship Admission Course firsthand."

Allen's interest in the insurance industry began early. As a child, he puzzled over the rate books his father, who was in insurance sales, brought home. "The numbers have always fascinated me." He went on to get his mathematics degree at Wheaton (Illinois) College. After four years at Blue Cross/Blue Shield of Illinois and short stints at a small health insurance company and a consulting firm, Allen spent the past four years at CNA Insurance Companies in Chicago, where he worked in mass-marketed and small-group pricing and product development. He most recently was heavily involved in the analysis of small group reform at CNA.

Dick Bilisoly (right), retiring from the SOA, packs his pictures to clear the office for Jeff Allen (left), new health actuary on staff.



Solvency (continued)

Transferring company-level constraints to pricing requirements for a specific product is much more difficult, because many formulas are broad brush by design. The usual shortcomings of the single-number ROE measure mean that it often must be supplemented with more minimum profit standards, such as break-even year to force early return of investment or return on assets where surplus requirements are small or poorly defined.

The industry is paying closer attention to this kind of approach for pricing and for other key financial decisions. Retail prices are more consistent and more "rational" than at any time in the 1980s. This is the result of excess capital disappearing from our industry and more or less explicit requirement formulas emerging in various quarters. Surplus levels are already improving in many companies, due in part to greater financial and actuarial discipline and the actuarial profession's contributions.

Much remains to be done, and new potentials for error have arisen, such as undue reliance on formulaic surplus requirements by regulators and business owners. Nonetheless, the actuary now holds a stronger hand than at any time in the recent past. We need to play that hand with all our professional skills.

John J. Palmer is senior vice president at Life Insurance Company of Virginia in Richmond, Virginia.

on the lighter side

'Twas the Night Before...

by Barry Hall

'Twas the night before actuarial exams, and all through the house,
Not a disk drive was stirring — not even a mouse.

The students were stretched out all snug on their racks,
While study-induced lumbar pains raced up their backs.

Mama in her kerchief, and I with my pocket protector,
Had just loaded mortality graphs in the slide projector.

When out on the lawn there descended such a monstrosity,
I reached for my slide rule to calculate its velocity.

And what to my wondering eyes should appear
But a pencil-necked geek and a bunch of reindeer!

He jumped from his sled and proclaimed from the lawn,
"Let me in, I'm the proctor! The exam must go on!"

I raced to the door and threw open the bolt
And he jumped in the room with a six-pack of Jolt.

His glasses were thick, his carriage was svelte,
His slide rule slung low, from a loop on his belt.

His arms were like toothpicks...so wasted away
That I knew in an instant — he must be an FSA!

From his pack he passed out bubble sheets for the graders,
Some No. 2 pencils and Society calculators.

A wink of his eye and a twist of his head
Did little to quell my deep feelings of dread.

He looked at his watch and then said with a grin,
"Break the seal on your booklet, and you may begin."

I spoke not a word, but went straight to my work,
Ascertaining where each of the answers did lurk.

The hours raced by as I pondered each question
With a feeling not far from acute indigestion.

And when he arose, all my hopes were collapsed,
"The time for this examination now has elapsed."

He scooped up my paper, then turned with a jerk,
"Your study time's over — now get back to work!"

And laying a finger aside his moustache,
He opened the door and took off in a flash.

More rapid than eagles, his reindeer they came,
And he foamed at the mouth as he called them by name:

"On Gompertz, on Makeham, on Leibnitz and Newton,
On Jordan, on Batten, on Fackler and Lidstone!"

And I heard him exclaim as his sled pulled away,
"Good luck to you all, and I'll see you in May!"

Barry Hall completed his Fellowship exams in 1989 and is a senior consultant with Coopers & Lybrand, San Francisco.

Positions open at U. of Waterloo

The University of Waterloo is accepting applications for one tenure track position and one two-year definite term position at the assistant professor level, beginning July 1, 1994. Salary is commensurate with qualifications and experience. Appointments subject to the availability of funds.

Qualifications: Ph.D. in actuarial science or closely related area, have completed or be actively pursuing Fellowship in the Canadian Institute of Actuaries (FCIA), and have potential room to develop an active and productive research program. Industrial experience also an asset.

Duties: Undergraduate and graduate teaching, graduate supervision.

Closing date is January 31, 1994. Send curriculum vitae and arrange for three references to be sent to Professor K. Steve Brown, chair, Department of Statistics and Actuarial Science, University of Waterloo, Waterloo, Ontario N2L 3G1. This announcement, in accordance with Canadian immigration requirements, is directed to Canadian citizens and permanent residents.

BOOK REVIEW

Book gives inside view on redesigning corporations

by John Sardelis

***Reengineering the Corporation: A Manifesto for Business Revolution,* Michael Hammer and James Champy. Published by Harper Business, 10 E. 53rd St., New York, NY 10022; $25, 1-800-242-7737. 1993, 256 pp.**

Reengineering is being lauded by business magazines, boosted by management consultants, and hailed by organization academics as the cure for America's productivity problem. *Reengineering the Corporation* is a welcome addition, providing a theoretical framework and several case studies from two very credible experts. Michael Hammer is widely regarded as the high priest of reengineering since his seminal article appeared in the July-August 1990 issue of the *Harvard Business Review*. His coauthor is James Champy, head of CSC Index, a prominent consulting firm with a very active reengineering practice.

The central thesis of the book is that American corporations must radically redesign how they do their work to survive in the 1990s. To compete, organizations must focus on three forces now shaping their environment: customers, competition, and change. Hammer and Champy state that customers have gained the upper hand through information and are now demanding better value. In addition, competition will continue to intensify as trade barriers fall and technology creates new and better solutions. Finally, change will become constant as product and service life cycles continue to shrink.

To meet this demanding pace, companies must reengineer to adapt to the new environment. Insurance companies appear to have been early converts to reengineering. Four of the ten companies acknowledged in the book (Chubb, Aetna, Capital Holding, and Progressive) are in this industry.

The authors lay the groundwork for the reengineering movement by claiming that old business paradigms are obsolete. Adam Smith's venerable principles of the division of labor and specialization of work are called "outdated." Smith's ideas are built around simple tasks to achieve productivity; reengineering practitioners believe that work must be organized around processes. A process is a set of activities that produce value to the customer and is the key concept of reengineering. By organizing around processes, workers spend more time attending to customers than satisfying the bosses' needs.

The authors give a somewhat ponderous definition of reengineering: "The fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service, and speed." The resultant reengineered organizations are flatter, with fewer middle managers, and executives are recast from scorekeepers to leaders.

The authors explain the vital role information technology plays in enabling change. We are encouraged to think inductively, which starts with recognizing a powerful solution and then seeking an appropriate problem. This line of reasoning usually is considered heresy in information technology circles and is disparagingly referred to as "a solution looking for a problem."

Reengineering the Corporation is at its best when discussing information technology and its capability to radically alter the way work is done. Hammer and Champy's approach to work redesign, which heavily relies on envisioning the potential of information technology, offers an exciting way to realize the payoff from computer automation.

The latter half of the book serves as a primer on how to reengineer. We find out who should be part of the reengineering team and what processes to target. Once again, the authors come up with some unexpected recommendations. For example, process redesign requires creativity, inductive thinking, and craziness. While there are no algorithms for reengineering, they advise focusing on the customer and organizing around outcomes.

At the end of the book, we discover that between 50-70% of the organizations embarking on reengineering do not achieve their objectives. Many reasons are given, but I think they all stem from the same cause — organizations are designed to resist change.

This is an interesting and provocative book that shares the same advice for which corporate America has paid millions. It also leaves one wondering whether reengineering is the latest idea destined for the management theory junkyard.

John Sardelis is director of insurance practice at AGS Information Services, New York City.

DEAR EDITOR

Scotland plans actuarial anniversary

Society of Actuaries' members may be interested to know that Scotland and the Faculty of Actuaries soon will be celebrating the 250th anniversary of the first actuarially based fund in the world and the first actuarial certificate. The following is a historical note on the background of this event.

The Jacobite Rebellion of 1745 in Britain seems a long time ago, just two years before the Churches and Universities (Scotland) Widows' and Orphans' Fund was established by Parliament at the request of the Church of Scotland.

This was the first actuarially based fund in the world and was similar to the Presbyterian Ministers Fund established in Philadelphia in 1761, said at the time to be in imitation of the laudable example of the Church of Scotland.

The first-ever actuarial certificate recommending the principles, benefits, and contributions was signed by Colin Maclaurin, professor of mathematics at Edinburgh University (and known more widely for the Euler-Maclaurin Formula). Unfortunately, he was not able to contribute further to actuarial work, as he died in 1746 from an illness caused by hardships while avoiding capture by the Jacobites.

The fund still exists and, while benefits have been increased, they are relatively much smaller than they were.

Although it was about 110 years before the Faculty of Actuaries in Scotland was founded, we Scots are proud that the first proper actuarial fund in the world was established in Edinburgh.

Alistair Neill

Editor's Note: Alistair Neill is the Scottish Faculty of Actuaries' correspondent to our newsletter appointed when Jack Moorhead was editor.

TSA paper subject of hearing

It may be newsworthy for *The Actuary* to point out that for the first time a congressional hearing has been held on a *TSA* paper. Our paper, *TSA*, Volume 44, "An Updated Money's-Worth Analysis of Social Security Retirement Benefits" was the subject of a hearing before the Senate Committee of Finance, March 11, 1993. Chaired by the Hon. Daniel Patrick Moynihan, the committee heard our views, along with Administration witnesses and other Social Security experts, on our analysis that suggests workers who retired in the past received or are receiving benefits of far greater value than the Social Security taxes they and their employers paid, but that some workers retiring in the future will not get their money back. Our paper was reprinted in the Senate Hearing 103-121 "Money's Worth" of Social Security publication, which is on file in the Society of Actuaries library.

Bob Myers and Bruce Schobel

Actuarial sighting

The May 30, 1993, *New York Times* carried an article discussing a cultural literacy test given to graduate management students at Wake Forest University. One student defined "actuary" as "a home for birds." I suppose that's better than "a person who buries dead actors."

Jerome Tuttle

Mail alert

The *Transactions 1991-92 Reports of Mortality, Morbidity and Other Experience* was mailed to members in late September. If you have not received your copy, please call Laura Kammeier at the Society office, 708-706-3526. (Note that because of the date of the *Reports*, it is not sent to new 1993 Associate members.)

Election Committee invitation

The Committee on Elections is beginning to prepare the first ballot for the 1994 election. On that ballot, Fellows are asked to nominate FSAs for Board of Governors' positions. A list is provided of those eligible for election who have met specific criteria for committee and other service to the profession. In addition, Fellows who have the experience, interest, and time to serve on the Board of Governors may submit their names for consideration. Anyone who would like to do so is invited to summarize his/her accomplishments and background in a letter to Donald R. Sondergeld, chairperson of the Committee on Elections, and send it to the SOA office before December 15.

IN MEMORIAM

Leo J. Danzinger
FSA 1939, MAAA 1965

Charles A. Hachemeister
ASA 1986, FCAS 1968, MAAA 1969

William F. Ward
FSA 1940, MAAA 1965

Arthur G. Weaver
FSA 1948, MAAA 1965, FCIA 1970

ACTUCROSTIC

by Don Baillie

A. 1938 film which earned Betty Davis an Oscar — 211 154 121 103 71 43 93

B. Understood; taken for granted — 15 42 193 163 120 179 219 53

C. They repeat from memory — 47 60 137 196 26 173 114 86

D. Powerful; intensely emotional — 49 72 96 128 141 177 199 205

E. Edna Ferber novel set in Alaska (2_wds.) — 148 160 202 1 31 75 92 111 138

F. Cup-bearer to King Artaxerxes — 20 46 59 84 70 161 133 176

G. *Jeopardy!* and *Wheel of Fortune* (2_wds.) — 157 2 171 212 188 27 17 61 78

H. System or situation which may be easily upset — 113 131 152 201 69 91 142 40 9

I. With all possible speed — 130 80 213 182 107 144 13 38 67

J. Kevin Costner or Douglas Fairbanks role (2 wds.) — 89 65 45 10 209 184 139 105 123

K. In whatever place — 97 83 52 34 192 180 167 132

L. Rare-earth element named for a town in Sweden — 36 58 79 118 134 172 190 214 21

M. Hostilities; disaccords — 22 12 68 181 117 216 50 102

N. Grew red, as a tomato — 66 85 200 28 136 166 16

O. Tops (hyph.) — 140 164 174 197 5 32 62 98 122

P. 1994 event in Lillehammer, Norway — 206 194 25 44 74 101 116 151

Q. Baton-passing contests (2_wds.) — 73 170 158 135 125 51 23 207 187 110

R. Large marine aquariums — 11 106 82 129 143 159 183 198 218

S. Most solemn or heavy — 147 7 178 57 112 99 77 33 204 126

T. Thrice-repeated phrase of a Siamese king (2 wds.) — 208 191 165 150 87 48 29 4

U. One need not carry coal to this place — 145 195 108 81 35 215 6 94 168

V. _In the Bleak ______ (Christmas carol) — 186 203 220 18 55 8 95 41 153

W. Maquillage component (2 wds.) — 30 63 76 217 100 115 156 88 189

X. Part of the body between the thorax and the pelvis — 109 124 146 39 169 210 56

Y. Volatile liquid hydrocarbon mixture — 24 14 104 127 175 54 155

Z. 1965 Lennon/McCartney song — 3 19 37 64 90 119 149 162 185

1 E	2 G	3 Z		4 T	5 O	6 U	7 S	8 V	9 H	10 J	11 R	12 M		13 I	14 Y	15 B	16 N		17 G	18 V	19 Z	20 F	
21 L	22 M	23 Q	24 Y	25 P		26 C	27 G	28 N	29 T	30 W		31 E	32 O	33 S		34 K	35 U	36 L	37 Z		38 I	39 X	
40 H	41 V	42 B	43 A	44 P	45 J	46 F	47 C		48 T	49 D	50 M	51 Q	52 K	53 B	54 Y	55 V	56 X	57 S		58 L	59 F	60 C	
61 G	62 O	63 W		64 Z	65 J		66 N	67 I	68 M	69 H	70 F	71 A	72 D	73 Q		74 P	75 E	76 W	77 S	78 G	79 L	80 I	81 U
82 R	83 K	84 F		85 N	86 C		87 T	88 W		89 J	90 Z	91 H	92 E	93 A	94 U		95 V	96 D	97 K	98 O		99 S	100 W
101 P	102 M		103 A	104 Y	105 J	106 R	107 I		108 U	109 X	110 Q		111 E	112 S	113 H	114 C	115 W	116 P	117 M	118 L	119 Z	120 B	121 A
122 O	123 J		124 X	125 Q		126 S	127 Y	128 D		129 R	130 I	131 H	132 K	133 F	134 L	135 Q	136 N	137 C	138 E		139 J	140 O	
141 D	142 H	143 R		144 I	145 U	146 X		147 S	148 E	149 Z	150 T	151 P	152 H	153 V	154 A	155 Y	156 W		157 G	158 Q	159 R	160 E	161 F
162 Z	163 B		164 O	165 T	166 N		167 K	168 U	169 X	170 Q	171 G	172 L	173 C	174 O		175 Y	176 F	177 D		178 S	179 B	180 K	
181 M	182 I		183 R	184 J	185 Z	186 V	187 Q	188 G		189 W	190 L	191 T	192 K		193 B	194 P	195 U	196 C	197 O		198 R	199 D	
200 N	201 H	202 E	203 V	204 S	205 D	206 P	207 Q	208 T	209 J	210 X		211 A	212 G	213 I	214 L	215 U		216 M		217 W	218 R	219 B	220 V

Solution for September Acrostic: _Life insurance companies are going down because of asset defaults ... Guaranty funds come in too late to do any good ... Here_s my plan: Each day, call the guaranty corporation with the list of investments that have gone sour since the previous day. The fund would buy at the company_s book value. Without asset losses, companies will be able to pay whatever assessments are necessary.__(Irwin T.) Vanderhoof, _A Few Modest Proposals (Not Quite a Campaign Platform)_