



SOCIETY OF ACTUARIES

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New foundation receives first major grant

by Linda Heacox
SOA Public Relations Specialist

Lincoln National Corporation, Fort Wayne, Ind., became the first contributor to a major project of the newly formed Society of Actuaries Foundation with a \$125,000 grant. On April 20, 1995, Chairman and CEO Ian Rolland, FSA, announced the grant, which will fund 50% of the development, production, and distribution costs for a major book on financial

economic theory as it applies to the work of actuaries. Foundation Trustee Jim Hickman and the Foundation Advancement Committee, chaired by Walter Rugland, were instrumental in obtaining this grant.

"Lincoln National believes this grant is an investment in the future of the actuarial profession," said Rolland.

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Lincoln National CEO Ian Rolland (left) gives Walt Rugland (right), Foundation Advancement Committee chair, the grant that makes possible the SOA Foundation's first major project, a book on financial economic theory for actuaries.

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the Foundation trustees are Society members. The task force to explore the possibility of a foundation was comprised of Society members. The Society will provide the initial financial base for the Foundation. In addition, the Society has provided significant resources and support in the organization of the Foundation. My expectation is that there will be a

strong complementary relationship between the two organizations.

- Q.** What's your vision for what the Foundation could mean to the profession in the years ahead?
- A.** The Foundation will be important in assuring the profession remains relevant and vital. I think it will be a vehicle for sponsoring innovative

and forward-thinking research that will benefit the public through actuarial expertise. It will be involved in enhancing the education of actuaries and the public in actuarial-related matters. As a result, the horizon of job opportunities for actuaries will expand.



SOCIETY OF ACTUARIES FOUNDATION
Preparing for tomorrow's possibilities

\$125k grant is first to Foundation project (continued from page 1)

He added that Lincoln National was making the gift to assist the Foundation in developing a product that will help expand actuarial expertise to a broader range of businesses.

"The book will fill an important need for actuaries to better understand current paradigms in finance and to incorporate this knowledge in all practice areas and in nontraditional areas. The benefit to the financial service industries and, ultimately, the consumer makes this book a very worthy project," Rolland said.

The book, projected to be published in late 1996, will be widely distributed gratis, first to all U.S. and Canadian SOA members, then to libraries in all major business schools in the United States and Canada.

"We couldn't be more delighted at receiving funding from Lincoln National Corporation for the Foundation's first project," said Jim Tilley, FSA, chair of the Foundation's Board of Trustees. "This textbook will make new pricing and risk management theories, models, techniques, and tools readily available to all actuaries and better position actuaries to help safeguard the public's considerable stake in financial security programs."

Harry Panjer, Ph.D., FSA, FCIA, director of research for the Society of Actuaries, has been developing the book project. Panjer stated, "This project provides a vehicle to disseminate information about an area of research potentially affecting all practices within the financial services industries. Mathematical finance has been an important topic since the groundbreaking work of Black and Scholes in option pricing in 1973."

Panjer went on, "Studying the dynamics of interest and price movements has grown astronomically, especially in the past decade. Pricing and managing risks associated with these movements, such as options on stocks and bonds, has dominated the current research. This research is being conducted by an ever-expanding group of mathematicians, physicists, and others, including actuaries.

David Becker, Ph.D., FSA, vice chair of the SOA Investment Section and vice president and chief actuary at Lincoln National Life Insurance Company, also will play a role in the ongoing development of the project. He indicated that all actuaries will need to understand the financial economic paradigm.

"It applies to assets and is used in pricing complicated derivative instruments important for hedging risk. It can also be applied to liabilities and to the value of the insurance enterprise itself, since one person's liabilities are someone else's assets," he said.

Becker stressed that actuaries must develop a deep appreciation of the often restrictive assumptions used in developing financial economic theory to understand its appropriateness. "Those assumptions don't always hold for many of the cash streams we deal with," he said. "We deal with more complicated products and cash flows than those developed by theorists. This new book will address these issues for actuaries."

In addition to Panjer and Becker, a team of authors is being assembled, including experts from North America, Europe, and Australia. Becker will serve on the writing team.

The Lincoln National Corporation grant will be matched by one from the SOA, giving the book project a total budget of \$250,000. This arrangement honors a commitment to match contributions that the Society of Actuaries made when that Foundation was established in 1994.