



# The Actuary

## Seeking the right level

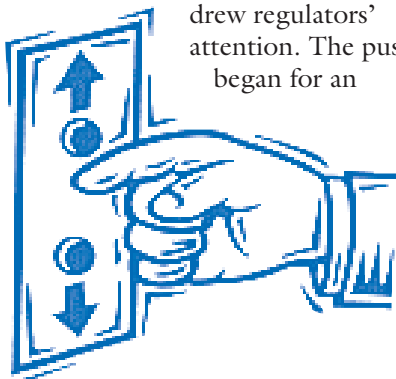
### What does today's world demand in disability reserves?

by Carl Westman

As the times go, so do economic conditions. In the 1970s and '80s, with high interest rates and a strong demand for professionals such as doctors and lawyers, issuers of disability insurance wrote policies that today would be considered liberal. For several years now, independent professionals have endured intense economic competition. Among these professionals, particularly those with rich disability plans, an unexpectedly high number have exited self-employment through disability, leading to a level of claims that issuers never expected. Meanwhile, interest rates have dropped substantially, returning less to the investments that support insurers' reserves.

This situation has led to some prominent cases of insurance company losses due to reserve strengthening.

Those instances, along with less well-publicized cases, drew regulators' attention. The push began for an



updating of the disability portion of the NAIC's existing model regulation on accident and health reserves. Final approval of the updated model could come as early as fall 2000, with the model taking effect in January 2001.

In January 1998, the NAIC's Life and Health Actuarial Task Force (LHATF) asked the Society of Actuaries to examine disability insurance reserving standards and practices. The request grew out of the NAIC's concern over reports that statutory reserves based on current morbidity tables frequently fail tests of adequacy and reasonableness.

In response, the Society created the Task Force to Recommend Statutory Morbidity Standards for Individual and Group Disability Benefits, chaired by Tom Corcoran. This task force established subcommittees, one each for individual and group insurance.

Corcoran also chairs the group insurance subcommittee, while Bob Meilander chairs the individual subcommittee.

#### Individual work completed

In May 1999, the individual subcommittee released its final report, which was based on a review of experience contributed by large writers of disability insurance. The subcommittee focused on claim reserves, reflecting the belief that, owing to various reserve tests, active life reserves were felt to be adequate.

The experience data showed that the existing morbidity standard for individual disability insurance, the 1985 CIDA table (85CIDA), was no longer appropriate in light of current experience. Claim termination rates for the first year of disability were approximately 25-50% lower than in 85CIDA, implying a need for higher reserves. Interestingly, for claims beyond the second year, recent experience shows higher termination rates than in 85CIDA (by approximately 33-50%). Overall, however, the SOA task force considers the 85CIDA table inadequate and inappropriate as a minimum valuation standard.

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# The Actuary

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Janet M. Carstens  
Editor responsible  
for this issue

#### Editor

Robert D. Shapiro, FSA  
*rshapiro@netstream.net*

#### Associate Editors

Janet M. Carstens, FSA  
*carstetj@towers.com*

Charles C. McLeod, FSA  
*ccmcleod@globalserve.net*

Jay A. Novik, FSA  
*jay\_novik@swissre.com*

Godfrey Perrott, FSA  
*godfrey.perrott@milliman.com*

Anna M. Rappaport, FSA  
*anna.rappaport@us.wmmerc.com*

#### Assistant Editors

Morris W. Chambers, FSA  
*mo.chambers@londonlife.com*

Craig S. Kalman, ASA  
*craig@kalman.net*

Prakash A. Shimpi, FSA  
*prakash\_shimpi@swissre.com*

Carl A. Westman, FSA  
*cw@actuaryoncall.com*

#### Puzzle Editors

Louise Thiessen, FSA  
*thiessen@y-wave.com*

Stephen Kinsky, FSA  
*skinsky236@jumo.com*

Gregory Dreher  
*gregory\_dreher@pbl.com>*

#### Society Staff Contacts

847/706-3500

Jacqueline Bitowt, Public Relations Manager  
*jbitowt@soa.org*

Kelly Mayo

Marketing and Public Relations Coordinator  
*kmayo@soa.org*

Linda M. Delgadillo, CAE  
Managing Director,

Marketing & Membership Services  
*ldelgadillo@soa.org*

**The Actuary welcomes articles and letters.  
Send correspondence to:**

*The Actuary*

Society of Actuaries

475 North Martingale Road, Suite 800

Schaumburg, IL 60173-2226

Web site: [www.soa.org](http://www.soa.org)

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A. Norman Crowder, III, FSA, President  
Robert M. Beuerlein, FSA, Director of Publications

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## EDITORIAL

# Grow your own drugs?

by Janet M. Carstens

**S**ince I travel quite a bit as a consultant, I get involved in some pretty interesting, albeit brief, conversations.

In September, I was on a bus operated by a rental car company. The man across the aisle struck up a conversation — the usual stuff, like “Where are you from? What do you do?” I was surprised to learn that the prescription drug company he worked for — “you know, the one that invented Viagra” also manufactures chemicals for use on plant life. Why I had not made the connection earlier is a mystery; it makes sense that one company would manufacture both.

He went on to discuss his company’s work on plant genetics. We talked about the advantages and disadvantages of organically grown vs. “manufactured” produce. He became rather excited as he started to discuss future possibilities. My mind started racing with ideas about produce that has been genetically altered with the same components used in prescription drug manufacturing. The possibilities are endless: fruits with all the recommended daily vitamin supplements, vegetables containing antidepressants, oral antihistamines in herbs. This could be the route to reducing the need for future medical care, increasing access to care, and improving the overall quality of life for individuals.

There appears to be no end in sight to the increasing cost of prescription drug coverage. Research advances continue to result in the development of new and more expensive drugs. As consumers have become active participants in determining appropriate care for themselves, they have increased

demand by insisting on active intervention by health care providers at an earlier point in the health care process. Substantial increases in the amount of direct advertising by pharmaceutical companies to the consumer create further widespread demand for the newer, more popular, and more expensive drugs. This consumer demand was virtually nonexistent a few years ago. Add to this the increasing number of elderly and the desire by many to include some type of prescription drug coverage as a part of Medicare, and soon prescription drugs could become the largest component of health care expenditures.

This dynamic market makes it very difficult to anticipate the cost of prescription drug coverage, presenting obvious challenges for the health care actuary. This is the case whether the actuary is addressing commercial, Medicare, or Medicaid populations.

There can be no argument about the benefits of prescription drugs in certain situations: they can improve the quality of life for an individual, prolong life, and help avoid more costly hospital stays. However, at some point one needs to question whether there is a diminishing return for the amount of spending on prescription drugs. Society will need to determine the acceptable costs of improving the health outcomes of individuals and also define the meaning of “improve.”

Maybe someday many health changes — including, perhaps, improved sexual stamina — will be provided through the produce we ingest on a regular basis. Maybe this will be at a lower cost than a prescription. On the other hand, maybe the cost of our produce will rise.

## Seeking the right level (continued from page 1)

The individual subcommittee recommended that, over the long term, a completely new table be developed. However, in light of the time and effort required to complete a new table, and with pressing concerns over the current valuation standard, an interim approach was adopted. This approach recommended a set of adjustment factors to be applied to the termination rates in 85CIDA.

The committee also recommended that companies be allowed to continue using their own experience in developing termination rates for the first two years of disability.

The report has been received (though not yet approved) by the LHATF. Corcoran anticipates the NAIC will consider the recommendations for adoption once the group subcommittee finishes and submits its report, so that the recommendations will proceed through the regulatory process together.

### Group work continues

The group insurance subcommittee work grew out of the 1996 SOA Group Long-Term Disability Experience Study, led by G. Nicholas Smith. This study updated LTD experience for the 1986-95 period. The subcommittee is in the process of validating the 1996 study and adding to it experience from 1997 through early 1999.

The current LTD valuation standard is the 1987 Commissioners Group Disability Table, also known as "87CGDT." This table was based on termination rates developed from Society data through 1980 and, for durations beyond 10 years, from termination rates in 85CIDA.

As with the recent individual experience, group LTD termination rate experience was found to diverge significantly from the valuation standard

currently in place. However, recent termination rate experience has been higher across all durations of LTD claims. Overall, the 1996 SOA study showed termination rates significantly higher than the 87CGDT.

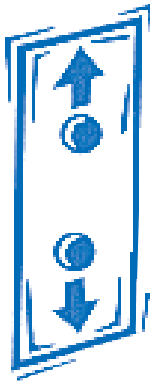
Corcoran's subcommittee is preparing an entirely new group disability table to be recommended to the NAIC. This table would permit lower statutory reserves. It is also expected to provide more parameters for claim reserve valuation by incorporating adjustments for type of disability (such as maternity or mental and nervous claims) and for definition of disability (when the definition changes from "own occupation" to "any occupation").

### Looking ahead

The SOA task force hopes to send its recommendations to the NAIC in February 2000. This would allow the regulators to discuss them at the NAIC's spring 2000 meeting for possible incorporation into the NAIC's Health Insurance Reserves Model Regulation.

If the timetable works as planned, the model regulation would be exposed this coming spring, allowing adequate time for discussion before the NAIC's summer 2000 meeting. Comments received during the exposure period would be considered at the meeting, and if no significant revisions are needed, the model would be adopted at the committee level. The final approval would come at the fall 2000 NAIC meeting, when the NAIC Executive Committee and Plenary would vote on the model regulation. The earliest possible implementation date would be January 2001.

**Carl Westman, an actuary in private practice, was an LTD actuary with Provident Companies (now UnumProvident), 1994-97, and is an assistant editor of *The Actuary*. He can be reached by e-mail at [cw@actuaryoncall.com](mailto:cw@actuaryoncall.com).**



## Retirement 2000 Conference

Approximately 20 papers will be presented at the Retirement 2000 Conference, Feb. 23-24, 2000, at the Washington Court Hotel, Washington, D.C.

As the year 2000 approaches, the world is undergoing significant demographic and economic shifts. Population aging is an issue in many countries, and the potential looms for policy changes, tax reforms, and changes in social security programs. The Society of Actuaries, in cooperation with other actuarial, employee benefits, government, and research organizations, sponsored a call for papers on issues affecting public policy on retirement in the next millennium.

Speakers from around the world will address subjects with both domestic and global impact. Topics relate to private retirement savings markets, demographics, employee contributions, small employers, public social security programs, 401k plans, bridge jobs, impact of legislation, annuities, women's issues, and more.

Watch the mail and the SOA Web site ([www.soa.org/conted/R2000.html](http://www.soa.org/conted/R2000.html)) for details and to register.

## Summary of OASDI and Medicare programs

Robert J. Myers, former chief actuary of the Social Security Administration, has completed a revision of his *Summary of the OASDI and Medicare Programs*. This 62-page document describes the programs as of January 2000. Copies may be obtained by writing to him at 9610 Wire Avenue, Silver Spring, MD, 20901, after Nov. 30 and enclosing five 33-cent stamps and a self-addressed mailing label.

# Hot advice

## A 'Sunscreen Speech' for future disability actuaries

by Paul D. Hitchcox

**M**ary Schmich of the *Chicago Tribune* wrote a column in June 1997 entitled "Advice, Like Youth, Probably Just Wasted on the Young." The column, addressed to 1997 graduates, became widely known as the "Sunscreen Speech" because of its central theme.

Schmich gave permission for me to modify excerpts for an imaginary address to the new century's first Fellowship Admissions Course. More specifically, this advice applies to actuaries working in — or who will work in — pricing and reserving for group disability insurance. (Schmich's original advice is in italics.)

### The speech

Ladies and gentlemen of the 2000 Fellowship Admissions Course:

*Wear sunscreen.*

*If I could offer you only one tip for the future, sunscreen would be it. The long-term benefits of sunscreen have been proved by scientists, whereas the rest of my advice has no basis more reliable than my own meandering experience. I will dispense this advice now.*

*Don't worry about the future. Or worry, but know that worrying is as effective as trying to solve an algebra equation by chewing bubble gum. The real troubles in your life are apt to be things that never crossed your worried mind, the kind that blindsides you at 4 p.m. on some idle Tuesday.*

Don't worry about reserves and pricing. Profits for the group disability product are below five-year T-bill yields for the past five years, and worrying never helped. Monitoring experience, the economy, risk trends, competitors, claims, and contracts will help you keep from being blindsided on some idle quarter end.

*Do one thing every day that scares you.*

Write a disability policy for a group of blue-collar workers. Convince the vice president of product development that the latest contract revisions aren't worth a 20% discount. Take a sales representative to lunch.

*Sing. Go ahead, but never at lunch.*

*Don't be reckless with other people's hearts. Don't put up with people who are reckless with yours.*

Know that the reserves you calculate are your responsibility. Don't be reckless. Don't put up with people who are reckless with the English language. Standard valuation law does not let you change reserve assumptions midway through a claim. Regulators intend a level of redundancy in statutory reserves; actuaries should not be reckless with their intent.

*Stretch.*

Stretch your mind and be aggressive with pricing, since the risk of being too conservative is to write no business. But be careful with acquisition pricing. Actively acquiring, monitoring, and re-underwriting business is the sound basis of acquisition pricing. Freely discounting rates for unsubstantiated "early intervention" and "managed disability" savings does not work.

*Get plenty of calcium. Be kind to your knees. You'll miss them when they're gone. Enjoy your body. Use it every way you can. Don't be afraid of it or of what other people think of it. It's the greatest instrument you'll ever own.*

Hold plenty of reserve margin. Play fair and earn profits through strong operations, not weak reserves. Don't be bullied by management into holding less. Redundant reserves may be the greatest financial instrument you'll ever have.

*Dance, even if you have nowhere to do it but your living room. But never in your office.*



*Read the directions, even if you don't follow them.*

*Do not read beauty magazines. They will only make you feel ugly.*

Study for your actuarial exams but realize that there are product innovations and new ideas that won't be found in books. Do not read marketing magazines. They will only make you feel ugly.

*Understand that friends come and go, but with a precious few you should hold on. Work hard to bridge the gaps in geography and lifestyle, because the older you get, the more you need the people who knew you when you were young.*

There are fundamental differences in the training and education of actuaries, underwriters, sales representatives, claims adjudicators, and brokers. Bridge the gap and improve communication, because the older you get, the less you will like repeating yourself.

*Accept certain inalienable truths: Prices will rise. Politicians will philander. You, too, will get old. And when you do, you'll fantasize that when you were young, prices were reasonable, politicians were noble, and children respected their elders.*

*Respect your elders.*

Accept certain inalienable truths:

sales reps will force prices lower, high replacement levels will generate more claims, and someone else will offer a rate 30% below yours. And when you grow old, you will remember the cases you sold at the right rate, based on sound plan design, with the competitive advantage that justified a higher rate.

*Be careful whose advice you buy, but be patient with those who supply it. Advice is a form of nostalgia.*

*Dispensing it is a way of fishing the past from the disposal, wiping it off, painting over the ugly parts, and recycling it for more than it's worth.*

Be careful of consultants and advice columns like this. *But trust me on the sunscreen.*

**Paul D. Hitchcox, senior vice president, Smith Group, South Portland, Maine, is a member of the SOA's and American Academy of Actuaries' Joint Committee for Communications on Health Issues. He can be reached by e-mail at [phitchcox@smithgroupre.com](mailto:phitchcox@smithgroupre.com).**

## Retirement research grant program includes actuarial science

**T**he Center for Retirement Research at Boston College is soliciting proposals for the Steven H. Sandell Grant Program for Junior Scholars in Retirement Research.

The program promotes research on retirement issues by junior scholars in a wide variety of academic disciplines, including actuarial science, demography, economics, finance, gerontology, political science, public administration, public policy, sociology, social work, and statistics. Grants of up to \$25,000 will be awarded for each successful applicant.

Funding comes from the U.S. Social Security Administration (SSA). Successful applicants will be eligible to apply for access to restricted data sets and will present their results to the SSA.

The deadline for proposals is Jan. 31, 2000. Awards will be made in March, and final projects are due March 31, 2001. Information is available on the Web at [www.bc.edu/crr](http://www.bc.edu/crr) and from Annika Sunden, the center's associate director for research (phone: 617/552-1459; e-mail: [sundena@bc.edu](mailto:sundena@bc.edu)).

## New TF to study next evolution of education

**A** new SOA Task Force on Education and Qualification 2005 will study the basic education and qualification issues that surround preparing future actuaries to practice in the dynamic financial services industry. Past President Steve Radcliffe will chair the task force, which will have liaisons from the CAS, CIA, Institute of Actuaries in the United Kingdom, and the Institute of Actuaries of Australia. The task force was formed by the SOA board in September to provide "further refinements to the new 2000 education and examination system" and to prepare for the "next generation of an evolving system."

Some issues the new task force will

study include the skill sets needed by future actuaries and possible changes to the SOA's education and qualification process. Among other matters, the task force will study how universities can be better used in actuarial basic education, whether accreditation of university actuarial science programs is feasible, and whether a single, comprehensive exam option to obtain credit for the joint CAS/SOA exams should be available to students.

"No decisions have been made," said SOA President Norman Crowder, "nor will there be any recommendations made until these matters have been studied carefully, various options have been considered, and member input has been sought. Only then

will the board of governors consider possible actions."

In a related matter, the CAS/CIA/SOA Joint Task Force on Academic Relations plans to release a white paper this February for member comment on a broad range of educational issues. This task force will then dissolve, and a new Joint CAS/CIA/SOA Committee on Academic Relations will continue looking for a stronger academic/actuarial science partnership in broader areas such as research and continuing education. Member feedback on the issues under study by both the task force and the new committee will be sought and welcomed.

# Study time

## New Courses 3, 4 may require longer preparation

by Linda Heacox

SOA Manager of Marketing Communications

Some actuarial educators observe that Courses 3 and 4 in the SOA's new education and examination system will demand more study time from students than the former courses did — and, therefore, will call for more help and understanding from the students' employers.

Of the eight courses and exams in the new system, probably none have inspired as much discussion among actuarial educators as Course 3 ("Actuarial Models") and Course 4 ("Actuarial Modeling"). These courses will cover material previously covered on SOA 120, 150, 151, and 160 and CAS 3A, 4A, 4B, and 5A. They will teach and examine the application of certain models and techniques applied to business problems and applying statistical methods to sample data to calibrate and evaluate models. Specifically examined are models involving contingent payments, survival, frequency and severity of claims, compound distribution, stochastic processes, and ruin.

Actuarial educators have been teaching material covered on these exams for some time in both university settings and independent seminars. At the Actuarial Research Conference in Des Moines this past August, an afternoon session was held for professors seeking guidance on how to prepare students for just these two exams.

### University views

While Canadian actuarial science students at universities should find they can learn the material in the course of their university careers, it is likely that many U.S. candidates will be out of college and in the work force before they will take 3 and 4.

Michel Jacques, ASA, of Laval University's school of actuarial science, said he expects students to be prepared for the first four exams by the time they leave Laval. The Quebec university instituted a new, three-year actuarial science program in September. "We tried to organize it so students take exam 1 after the first year, 2 after the second, and 3 after the third. As for content, students will have preparation for exam 4 and even beyond by the time they graduate from the program. I think we will see our best students try exam 3 in the November session during their third year."

James W. Daniel, ASA, director of the actuarial program at the University of Texas, Austin, teaches both university courses and an independent seminar on the current SOA 150 exam and is preparing to offer university courses and a seminar on the new Course 3. He does not plan to teach a Course 4 seminar but will teach the material in the university setting.

"Course 3 is appreciably more sophisticated mathematically than 150. It is also bigger than the old exam," Daniel said. "It's going to be harder to learn the material. That doesn't necessarily mean it will be a more difficult exam, but having seen the sample exam available at the SOA's Web site, I think it probably will be."

Jacques said, "My impression was that it was not that different from before. The individual questions look like they have been taken from 150 and 151. I do think the statistics portion of the exam may be more sophisticated than in the past. On the other hand,



the probability questions look about the same.

"I would like to say that we are convinced that the exam system is much better now. In the past, the exams were testing more of what I call 'kitchen recipes' for problem solving than true understanding of the material. That is going to be tested better with the new system, but it's going to be a couple of years before we can really assess anything."

### Employers, students, and new study needs

Daniel thinks most candidates will find it hard to pass these exams with no preparation other than self-study. He believes most will need some kind of structured learning, be it in a classroom or a seminar. However, he said, "There have always been people who do it all by themselves, and that will continue."

According to Daniel, a seminar on the courses will be neither brief nor inexpensive. "This is not going to be a two-day, \$200-\$300 seminar to pass Courses 3 and 4. Companies sending their actuarial students through this process need to be aware of this," he said. He added that some of the larger actuarial employers are already looking

for ways to help student employees pass 3 and 4. Some will bring in educators to teach seminars in the workplace, and others will be willing to let employees attend off-site seminars for a week or more. In Canada, independent seminars for the first four exams are not common.

Students learning the material in a university setting will also be investing a significant amount of time in mastering the material. "At UT, the material covered on exam 3 takes two four-hour courses and one three-hour course over three semesters," Daniel said. He added that master's candidates at universities will certainly cover the material in the course of their graduate education.

At the United States' largest actuarial science program, Georgia State University's, professors are readying for both classroom preparation and a seminar to replace the previous seminar on current SOA Course 150. "There's just a lot of material on these exams, and the material is more sophisticated," said Donald Behan, FSA, Ph.D., of GSU's actuarial science program. "We have designed our curriculum to include three to four three-hour courses per exam."

"I feel it is going to take more time to pass than the previous exams. Students used to be able to start studying in March to pass the May exams. With this one, they need to start in the

fall to pass the May exams.

"We are definitely going to offer a seminar, but it's very difficult to design. Right now, our 150 seminar is seven-and-a-half days. We are thinking of a nine-day seminar for exams 3 and 4. We will cover all the material, but subjects that require reading retention won't get a lot of treatment. We will have to concentrate on problem solving."

He said employers should remember, when deciding whether to send student employees to seminars, that although the study time commitment is great, overall travel time will be reduced. "I think we are down to really eight exams from what, 25?"

## New exposure draft coming for revised U.S. code

**A** second exposure draft of the revised Code of Professional Conduct for the U.S. profession is currently being developed. The new draft will be forwarded to members of the five U.S.-domiciled actuarial organizations next year for comment.

Jack Turnquist, chairperson of the Joint Committee on the Code of Professional Conduct, said committee members have been considering comments submitted by members on the first exposure draft. The deadline for members' comments was Aug. 1.

The existing code is published in the "Actuarial Professionalism Annual Reports 1998" and the *SOA Yearbook*. The 1999 professionalism reports are scheduled for release in March 2000.

### Professionalism report

Each year, the American Academy of Actuaries publishes the joint report of three important groups that work to maintain the current high standards of professionalism of U.S. actuaries. The booklet combines the annual reports of the Academy Committee on

Qualifications and of two independent bodies administered through the Academy, the Actuarial Board for Counseling and Discipline and the Actuarial Standards Board.

The Committee on Qualifications establishes the basic education, experience, and continuing education qualification requirements of those who perform publicly required actuarial functions. The 1998 report details changes made to the Qualification Standards for Prescribed Statements of Actuarial Opinion (qualification standards), changes which took effect Jan. 1, 1999, after more than three years' work.

The Actuarial Standards Board (ASB) sets actuarial standards of practice and ensures that they keep pace with the rapid changes in today's world. The ASB adopted one new Actuarial Standard of Practice (ASOP) in 1998, ASOP 32, "Social Insurance." The board also worked on revising standards for topics ranging from actuarial communications to actuarial principles and practices.

The Actuarial Board for Counseling and Discipline (ABCD) helps enforce actuarial standards. The ABCD offers guidance to help actuaries comply with the profession's Code of Professional Conduct and investigates complaints against actuaries. Because most actuaries have little contact with the ABCD, the board's 1998 report reviews the ABCD's background and describes its procedures. The ABCD's report also explains changes to its two guiding documents: the revised Article X of the Academy's bylaws, which took effect Nov. 25, 1998, and the ABCD Rules of Procedure, which became effective Jan. 1, 1999.

Copies of the 33-page booklet, "Actuarial Professionalism Annual Reports 1998," published by the Academy this past June, were sent to all members of the U.S.-based organizations. Additional copies are available from Rita Winkel at the Academy (fax: 202/847-1948; e-mail: [winkel@actuary.org](mailto:winkel@actuary.org)).

## Mexico will be site of 2002 ICA

by Luis Huerta

The 27<sup>th</sup> International Congress of Actuaries (ICA) will be held March 17-22, 2002, in Cancun, Mexico, a country where the actuarial profession is increasing in significance.

The ICA is sponsored by the International Actuarial Association (IAA) and is held every four years. Many leading authorities in actuarial science from around the world find the ICA an excellent platform to discuss and exchange ideas.

The first ICA was convened in 1895 in Brussels, and it has grown in relevance and distinction over the years. The last ICA was held in Birmingham, England, in 1998 and was attended by actuaries from 53 countries. The last

ICA held in North America took place in Montreal in 1992.

The IAA is a prestigious organization that serves as a link between actuarial associations worldwide and brings together actuaries in their respective countries. It is dedicated to the research, education, and development of the profession and of actuarial associations around the world.

To best organize the numerous ICA 2002 events, the ICA Organizing Committee needs to gather firsthand, detailed information. Actuaries can help by completing a survey form; responses will help organize the congress according to the interests of potential attendees. The survey can be

accessed on the Internet ([www.applicationfarm.com/soasurvey](http://www.applicationfarm.com/soasurvey); click *Submit Form* when finished).

Meanwhile, an ICA 2002 brochure is being mailed to SOA members with this issue of *The Actuary*. It outlines the tentative program and special events, including a field trip offering an excellent view of the equinox. Plan now to attend ICA 2002 to keep current with global actuarial developments and network with actuaries from all corners of the globe.

**Luis Huerta chairs the ICA 2002 Organizing Committee. Questions about the ICA can be directed to [mail@ica.2002.com](mailto:mail@ica.2002.com).**

## Volunteers sought for managed care project

The SOA Research Project Oversight Subcommittee is looking for volunteers to oversee projects addressing the concept of open access in man-aged care plans. The open access approach removes the referral requirement from plans, allowing plan members to see

network providers without first obtaining a referral from their primary care physicians.

Tony Hammond will chair a formal project oversight group (POG). He also is establishing an e-mail discussion group of about a dozen actuaries to review ideas

related to the POG's work. Actuaries interested in serving on either group should contact Hammond at his *Directory* address (e-mail: [greenwoodconsultants@csi.com](mailto:greenwoodconsultants@csi.com) or [tony.hammond@excellus.com](mailto:tony.hammond@excellus.com)).

## SOA board nominations due Dec. 1

The Committee on Elections is beginning to prepare for the 2000 SOA board election's first ballot. On that ballot, Fellows are asked to nominate FSAs for SOA Board of Governors' positions. To aid them, a list is provided of those who are eligible for election and who have met specific

criteria for committee and other service to the profession.

Fellows may submit for consideration the name of any Fellow, including one's own name. To assist the committee, please summarize her, his, or your accomplishments and service in a letter to Anna Rappaport, chairperson of the

Committee on Elections, and send it to the SOA office by Dec. 1 (475 N. Martingale Road, Suite 800, Schaumburg, IL 60173). Questions may be directed to Lois Chinnock at the SOA office (phone: 847/706-3524; fax: 847/706-3599; e-mail: [lchinnock@soa.org](mailto:lchinnock@soa.org)).



## Grand prize winners named in 50<sup>th</sup> anniversary card contest

Colorful artwork greeted visitors to the SOA's historical booth in the exhibit hall of the 1999 SOA Annual Meeting. The winning entries in the "Happy Birthday, SOA!" card contest, created by members' children and grandchildren, were on display as part of the SOA's 50<sup>th</sup> Anniversary Celebration.



The contest was conducted through the SOA Web site, with six monthly winners in three age categories posted to a special page from April through September. Monthly winners received Tony Bennett's children's CD, "The Playground," part of the Sony Wonder Family Artist Series, which has been honored by several parenting groups.

Monthly winners through August were announced in earlier editions of *The Actuary*. September's winners were:

- 6-9-year-old category: Joanna Sadler, daughter of Anna May Sadler
- 10-12-year-old category: Audrey Tran, daughter of Van N. Tran



*Drawing by Audrey Tran.*

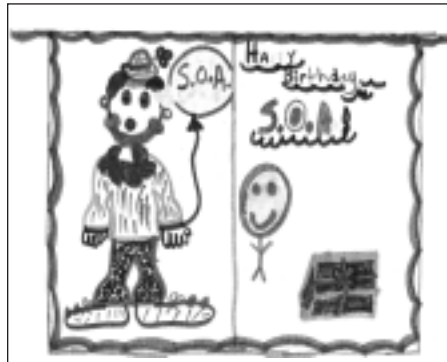
(There was no winner in the 3-to-5-year-old category.)

The creators of the grand prize-winning artwork were:

- 3-to-5-year-old category: Falak Koreshi, granddaughter of Samee-Ul-Hasan
- 6-to-9-year-old category: Amber Torelli, daughter of Anthony Torelli
- 10-to-12-year-old category: Audrey Tran

Each grand prize winner received a \$50 U.S. savings bond and the framed card as a memento. The independent panel of judges included:

- Amy Elfenbaum, art director, and Bill Hafeman, principal, ARC



*Drawing by Amber Torelli.*

Group Ltd., the Chicago firm that designed the SOA's new history book, *The First 50 Years: Society of Actuaries 1949-1999*, to be mailed to all members who attended the 50<sup>th</sup> Anniversary Celebration. The book will also be for sale beginning in December.

- Richard Greb, a Chicago independent writer and former journalist for Reuters, the *Chicago Tribune*, and Associated Press, who wrote the SOA history book, *The First 50 Years*
- Erica Hartman, director of public relations for Bluemountain.com, a



*Drawing by Falak Koreshi.*

Boulder, Colo., firm that offers more than 25,000 free electronic greeting cards for every occasion on the Internet

- Ahdee Meitus, executive producer of Astropolitan Pictures, a Chicago production company that has produced award-winning TV and film projects, including "In My Shoes," a children's anti-violence video shown in Chicago Public Schools
- Brian Pauly, sales representative for ABS Graphics in Addison, Ill., a design, printing, and mailing firm that has printed much of the SOA's 50<sup>th</sup> anniversary materials
- Joanna Pineda, managing partner at Matrix Group International in Alexandria, Va. Her firm created the new CAS/SOA career site, [www.BeAnActuary.org](http://www.BeAnActuary.org).

# RESEARCH CORNER

## Finance news

Tillinghast-Towers Perrin has been selected to conduct the Risk Position Report Survey research project. The study is intended to increase awareness about the kinds of risk measurement reports currently in use in the insurance industry. Project objectives are:

- To determine what risk position reports insurance companies are currently using and what additional information would be helpful
- Based on the results of the survey, to provide a summary and commentary on the current state of the art in risk reporting
- To familiarize companies with the types of risks that can affect them as well as spur insurers to consider various ways to monitor and manage these risks

The project is expected to be completed in April 2000.

A notice in Finance Corner in the October edition of *The Actuary* neglected to mention Sarah Christiansen as a member of a new SOA group formed to address questions related to the NAIC's unified valuation system initiative.

## Life insurance news

The report from the research project, Long Term Bond Yields of Life Companies with Junk Bond Portfolios, is now available. The report, "Life Insurance Companies Investing in High-Yield Bonds," incorporates data from a similar study for the years 1986 through 1992 and extends the results with data through 1995. This study by Faye Albert and Paulette Johnson focuses on the extra return of high-yield bond investments after asset

losses, as well as some corollary items such as relative growth rates of high-yield bond companies, emphasizing life insurance company results. The report is available free on the SOA Web site ([www.soa.org](http://www.soa.org), *Research Library*) and from the SOA Books Department for \$10 (see below).

The final report has been issued for the 1990-91 Individual Life Experience Study. It is posted on the SOA Web site ([www.soa.org](http://www.soa.org), *Research Library*).

## Pension news

The exposure draft of the RP2000 Mortality Tables is now available for review and comment. Copies can be downloaded from the SOA Web site ([www.soa.org](http://www.soa.org), *Research*). The deadline for comments is Dec. 31.

Papers from last December's Retirement Needs Framework Conference have been published in monograph form. The monograph is available for \$40 from the SOA Books Department (see below).

## AERF awards

The board of the Actuarial Education and Research Fund recently announced several awards.

The annual David Garrick Halmstad prize, in memory of his significant contributions to actuarial science and research, was awarded to a paper by Edward Frees, FSA; Yueh-Chuan Kung, Ph.D.; Marjorie Rosenberg, FSA; Virginia Young, FSA; and Siu-Wai Lai, ASA. The paper, "Forecasting Social Security Actuarial Assumptions," was published in the October 1997 issue of the *North American Actuarial Journal*.

The John Hanson Memorial Prize for a paper on employee benefits was presented to Robert Rietz, FSA, for "Early Retirement Subsidies — A Plan Design Whose Time Has Passed" at the Conference of Consulting Actuaries Annual Meeting in Boca Raton, Fla., in October.

The Everett Curtis Huntington Prize is awarded to the best research

paper receiving Associateship or Fellowship credit under the Society's educational program for research papers. The 1999 prize was awarded to Dorothy Andrews, ASA, for the paper "Simplified Cash-Flow Testing of Traditional Participating Whole Life Insurance."

Hans Buhlmann was awarded the James C. H. Anderson Memorial award for outstanding contribution to the actuarial profession during the last 50 years. The prize, a one-time \$10,000 scholarship, has been awarded in Buhlmann's name to his alma mater, the Swiss Federal Institute of Technology, Zurich. The institution will select the scholarship recipient subject to guidelines on the nature and scope of studies to be funded. The award was presented at the Society of Actuaries 50<sup>th</sup> Anniversary Celebration and Annual Meeting.

## Paper by Shiu, Gerber to be published in NAAJ

The paper from the project that won the latest Edward A. Lew Award for Hans Gerber and Elias Shiu, "Investing for Retirement: Optimal Capital Growth and Dynamic Asset Allocation," has been accepted for publication in a future issue of the *North American Actuarial Journal*.

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The "Resources from Research" brochure and other information about Society research projects may be obtained from the SOA office. Research reports often are available through the SOA Books Department. Contact the Society of Actuaries, 475 N. Martingale Road, Suite 800, Schaumburg, IL 60173; phone: 847/706-3500; fax: 847/706-3599; e-mail: [mrockuskie@soa.org](mailto:mrockuskie@soa.org) (Research Department questions) and [bhaynes@soa.org](mailto:bhaynes@soa.org) (Books Department).



## on the lighter side

### Does spotlight shine on actuaries?

by Jacqueline Bitowt  
SOA Public Relations Manager

**F**ame is not something actuaries usually think about. But actuary Dave Bennett, editor of Staple Inn's publication (also called *The Actuary*) couldn't help but wonder which actuaries rated as famous among his constituency. So last March, *The Actuary* (U.K.) e-mailed a questionnaire on this topic to 600 members of the Institute and Faculty of Actuaries.

It's no surprise that Chris Daykin took first place. He has wide influence

as the United Kingdom's chief government actuary, and he's a visible presence at many meetings.

Other members of the top 10 were: David Wilkie (second), Frank Redington (third), Paul Thornton (fourth), Duncan Ferguson (seventh), Anthony Asher (eighth), James Crosby (ninth), and Alistair Neill (tenth).

A surprise, though, were the fifth and sixth largest vote-getters: "There aren't any" and "Don't know," respectively. Wrote editor Bennett in the September article reporting the survey's results, "Many of (those respondents) were trying to think of people well known outside the actuarial world."

#### Who's your choice?

Just for fun, editors of *The Actuary* invite your nominations for famous actuaries. Indicate whether you consider your nominee well-known within the profession, outside the profession, in multiple countries, or in just one. Nominations should be received by Dec. 31 (Kelly Mayo, Society of Actuaries, Suite 800, 475 N. Martingale Road, Schaumburg, IL 60173; fax: 847/706-3599; e-mail: [kmayo@soa.org](mailto:kmayo@soa.org).)

### Florida university announces 2 openings

**Position:** Two assistant professor positions to start August 2000 in the University of Central Florida's Department of Statistics.

**Duties:** Teach two courses per semester, conduct research, help supervise students, and provide service to the department, college, and university.

**Qualifications:** Doctorate by date of hire and demonstrated or potential for excellence in both teaching and research. Preference will be given to those specializing in actuarial science, statistical computing, survival analysis, or statistical genetics.

**Deadline:** Applications should be postmarked by Dec. 31.

**Applications:** Applicants should provide a letter of interest, resume, and transcript. They also should arrange for three letters of reference to be sent. All materials should go to: Search Committee, Department of Statistics, University of Central Florida, Orlando, FL 32816-2370. Questions should be directed to Dr. Ibrahim Ahmad, Chair, Department of Statistics (phone: 407/823-2289; fax: 407/823-3930; e-mail: [iahmad@mail.ucf.edu](mailto:iahmad@mail.ucf.edu)).

## IN MEMORIAM

Donald Anderson  
FSA 1960, FCIA 1965

Bradley C. Bergman  
FSA 1989, MAAA 1987

Carroll H. Brown  
FSA 1962, MAAA 1965

George L. Holmes  
FSA 1924

Jeffrey E. McGill  
ASA 1998

William E. Moody  
ASA 1959, MAAA 1967,  
FCIA 1969, MSPA, 1993

Charles G. Groeschell, FSA 1951, MAAA 1965, died in September at the age of 84 in Milwaukee. Puzzle fans from 1979 to 1991 will recall his stint as *The Actuary* competitions editor, in which he authored many of the Actucrostics and graded every Actucrossword returned to him so he could recognize the "100% solvers." One of his first competitions in 1979 was for epitaphs for actuaries; Groeschell's contribution was, "He was much alive and on the run, but his  $q_{65}$  became equal to one."

### Update on Bowles symposium

Those working toward SOA Fellowship may receive nine units of professional development credits for attending the 1999 Bowles symposium. More information is posted on the SOA Web site at [www.soa.org/eande/prodev.html](http://www.soa.org/eande/prodev.html).

Also, the symposium's informational Web page has moved. The new URL is [www.rmi.gsu.edu/bowles/nextsym.htm](http://www.rmi.gsu.edu/bowles/nextsym.htm). Information is available as well from Anne Chamberlain Shaw, conference manager (phone: 404/651-0931; e-mail: [achamberlain@gsu.edu](mailto:achamberlain@gsu.edu)).