Article from:

The Actuary

October 1999 – volume 33 - Issue 08

The Actuary

The Newsletter of the Society of Actuaries

Vol. 33, No. 8 • October 1999

Jay A. Novik
Editor responsible for this issue

***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*

The Actuary is published monthly
(except July and August).
Howard J. Bolnick, FSA, President
Bradley M. Smith, FSA, Director of Publications

Nonmember subscriptions: students, $10; others, $25. Send subscriptions to: Society of Actuaries, P.O. Box 95668, Chicago, IL 60694.

EDITORIAL

Q: Is change nonstop and permanent? A: 'Whatever'

by Jay A. Novik

As they say in France, *plus ca change, plus c'est la meme chose.* This translates, "The more things change, the more they stay the same." Then again, as they say in California, "Whatever." This translates to, "Maybe yes, maybe no."

I confess that I am not, by nature, a futurist. I listen with admiration to actuaries who have a vision of where the profession, and the insurance industry, should be heading. I see cycles. I see many of the same basic issues confronting us as I did years ago. But now, I am convinced some things really are changing, as evidenced by articles in this issue of *The Actuary.*

As an example, modern insurance regulation, as discussed in Texas Insurance Commissioner Jose Montemayor's article, bears little resemblance to the regulation that I encountered early in my career. International competition, not a significant force in life insurance in years past, now adds to the pressure to revamp our federal laws governing financial services companies. These same international forces add to the motivation to modify our professional accreditation process (see story, "Getting in step with education worldwide," page 8).

The rapid pace of demutualization is changing the U.S. life insurance business from one dominated by mutuals to one dominated by stock financial conglomerates, ending some wonderful stock/mutual confrontations. Times indeed are a-changin'. Or are they?

- The modernization of our financial service laws primarily involves the reversal of Glass-Steagall and other Depression-era restrictions.
- Many of the mutuals that are now demutualizing were stock companies earlier in the century.
- Even with modernized state regulation, many insurance company problems seem to arise from the same old causes.

Supporting the last point are two very separate situations connected only by timing: General American and Martin Frankel.

General American, a well-respected St. Louis company, lost its independence due to a mismatch of assets, combined with a failure to reflect the potential impact of options in its contracts. These are not new problems for actuaries who lived through the '80s.

Very separately, Martin Frankel reportedly left home with at least $200 million of policyholder money from six insurers in various states of domicile. Fortunately, he continued to call home and is now under arrest in Germany. I recommend a series of recent articles from *The Wall Street Journal* about his flight and capture if you like black humor. Or rent Woody Allen's film "Take the Money and Run."

So I think I'll continue chanting *plus ca change* as my mantra. If only I could pronounce it.

Editor's note: *With this issue of* The Actuary, *we welcome Jay A. Novik as a new associate editor. He is retired vice chairman of Swiss Re America Holding Corp. and Swiss Re New Markets, New York. Earlier, he was president and CEO of Atrium Corporation and European International Reinsurance, both subsidiaries of Swiss Re Insurance. He*