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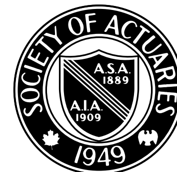

Convergence of financial organizations

by Rich Murphy and Rod Rohda

Financial organizations developing out of the convergence activities of today will not be successful unless they are centered on satisfying the needs of a defined consumer; needs looked at in a holistic manner, considering both consumer desire for trusted relationships and consumer requirements for financial products. If we accept this premise, then we might best understand what future successful organizations will look like and how they will develop by starting with an examination of financial needs.

In which of these age cohort/market segments will the consumer need for broad centralized financial focus be most apparent?

Consumers' financial needs	What's going on in the rest of their lives
Ages 20's & 30's	
Casualty insurance	Career choice
Mortgage for home purchase	Marriage & children
Term life to protect income	
Debt management	
Ages 40's & 50's	
Asset accumulation vehicles	Career development
Asset allocation advice	Earnings peak
College financing	Launching the kids
Retirement planning	Search for personal life stability
Ages 60's & 70's	
Asset preservation	Seeking immortality
Asset utilization	Health & life concerns
Asset transfer	Managing accumulated wealth
	Defining & managing income sources
	Generational wealth transfer

To answer that question and get a glimpse of what the consumer thinks of "convergence," let's look at a few examples of questionable success. In the 1970's, some casualty and life insurance companies aggressively moved their casualty distribution to the sale of life insurance and estate planning. In the 1980's, mortgage companies talked of reverse mortgages and the potential large demand. In the 1990's, a few large upscale investment companies offered mortgage and home purchase assistance to consumers.

More successful today are banks that offer other investment products, such as mutual funds and annuities, and stockbrokers that offer an entire array of investment vehicles.

The common weakness of many earlier efforts involved a company diversifying from a product offering with a greater appeal in one age group to a new product often manufactured in the same family of companies, but with appeal primarily to a different age/market group.

While large umbrella conglomerates may be successful in their ownership of diverse financial organizations, true success comes from integration of products/services to meet the needs of a market. The likely road of future success starts with understanding consumers, their goals, and ways to satisfy them. If investment management or asset accumulation is the goal, successful organizations will have knowledge of, and access to, all products and methods that can accomplish these goals.

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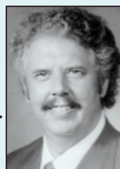
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editorial

Financial convergence: fact or fiction?

by Godfrey Perrott

We keep hearing about financial convergence, both consolidation of insurance companies and creation of combinations across traditional lines. Is it real, or is it a rerun of the Sears one-stop financial supermarket strategy that appeared to fail in the 1980's?

Financial convergence appears to be real, although, to date, it has moved slower than some people feared. The major milestones in this progress are as follows:

- Merger of Nationale-Nederlanden and NMB Postbank Groep to form ING in 1991.
- The Travelers/Citibank merger in 1998.
- Passage of the Graham–Leach–Bailey bill, which repealed the rigid separation of financial intermediaries encapsulated in the Glass/Steigel Act.
- Endorsement of a single world–wide financial accounting standard by the International Organization of Securities Commissions (IOSCO) in 2000. The SEC is a member of IOSCO, and voted for this resolution.

Other than that, not much has happened so far. But under the surface, things are moving. A significant indicator is the way in which the model of a top–tier U.S. insurance company has changed.

Twenty years ago, it was widely believed that an insurance company had to be a supermarket of insurance products (and insurance products only) to be in the top tier. It had to offer individual life, individual annuities, individual disability, group life, group health, group disability and pension to its field force and policyholders. This has been replaced by the concept of core competency.

In the recent past, companies have participated in substantial transactions to rationalize their lines of business to their core competencies. Some companies have clearly positioned themselves as asset managers, others as risk takers, and others as health intermediaries.

The operating management paradigm is to form companies that make economic sense and depend on the company's core competency—whether or not they fit the mold of what we expect—rather than continue to do business in the commonly accepted model. There is nothing that stops this rationalization either at national borders or at types of companies. (This can already be seen by the fact that the insurance companies that have focused on asset management also offer families of mutual funds within their corporate structure.)

This move towards rationalization and consolidation of the financial services industry will continue to accelerate. Recently in London, I asked which investment bankers were most involved in insurance transactions, and the answer was Citicorp and Chase. Neither of these names jumps to mind in the United States as an investment bank; but each of them has acquired a major player, and the consolidation goes on.

This edition of *The Actuary* contains excellent articles on aspects of financial consolidation by Rich Murphy and Rod Rohda, Cathy Shires, and Trish Guinn. I owe them a particular debt of gratitude, as they wrote these articles on very short notice because I had let the recruiting deadline slip. An excellent article on risks of the elderly by Neil Parmenter and Judy Anderson also appears in this issue.

Financial organizations

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Success is, of course, more likely if the focus is on the market with the money. Demographic and asset distribution analysis suggests that the greatest opportunity for financial organizations will be found in the year 2010 by satisfying the needs of those in their 50's and 60's.

Success with this market/age cohort may be easier to achieve, since in many ways its financial needs may be less diverse—casualty insurance relationships were long ago established; medical insurance may come from Medicare or retirement supplements, homes are often paid for, and college expenses may be a need of the past. But converting assets to income, properly investing assets, structuring methods to pass assets to heirs, or protecting those assets against sudden losses are significant, and at times, overwhelming needs for this segment.

In years past, we might have said that members of this group need much guidance and assistance, but as with the rest of society, they are increasingly sophisticated about financial matters. Many categorize themselves as self-directed investors who want access to advice in order to make their own decisions.

As members of this group age, they will prefer someone else to make decisions in their best interest, as many of them do today. Opportunities abound. Successful "convergent" organizations will provide integrated communication and product support to this market. Advice is essential to their success. They will often facilitate needed advice even when their organization will not directly provide it.

Recently, our company conducted focus group discussions with high net worth members of this market. This included clients with more than $500,000 of assets in our parent company. What emerged is a description of their needs and wants. A few quotes from participants will help illustrate their concerns.

"It's key that they listen to you—'what is your goal, what are you trying to do?' I value a consultative approach regarding what I'm trying to accomplish and my general plan. I certainly resist a sales approach."

"I'm looking for a relationship I can rely on that has a basis of research, the ability to outsource questions, and can bring in the information and guidance I need to help me interpret some of the information I have."

"I guess the question would be, what are they going to do for us? I don't see how a 'product' expert can be any help to you without knowing the rest of your portfolio."

"There are some of us around this table who want contact and some who don't—but we want the information when and how we want it, even if we don't want the personal contact."

"It's so important that the company doesn't have a large turnover in employees. If people are satisfied in their work, they're going to seek excellence, and the products are going to be better. It all boils down to the people."

"With the good one, their employees have learned to go far beyond just the academic needs and into knowing the social needs and the all-around needs of the individual. They've been taught that the customer is the sole judge of what it takes to satisfy them."

From these sources and other research in the area, we recognize specific needs of the aging consumer:

- A relationship of trust with an informed source.
- A consolidation of information about goals and financial resources—"one view" of the client
- Asset allocation advice
- Asset protection
  - Long-term care
  - Health insurance supplemental to Medicare
- Asset transfer advice to minimize taxes
  - Trusts
  - Permanent life insurance
  - Charitable giving
- Income management and development
  - Lifetime income
  - Maximum withdrawal capability
  - Inflation protection advice

As we have looked at these needs, we know that we cannot and we do not want to manufacture or take the risk associated with all these products. No one company can effectively provide products for all these needs because of:

- knowledge—no one company possesses superior knowledge of all the opportunities/risks
- people—training in one specialty or in customer relationship is itself an ongoing/expensive task
- money—companies have limited capital and will focus it to best avail
- focus—successful companies will focus on their areas of strength

A few years ago, various regulations made it difficult to even communicate effectively with a customer about all these needs. Financial product industries were segregated. These barriers are breaking down; but even today, trusts officers are well advised to refer all questions and needs for insurance elsewhere.

Though in younger age segments we do not perceive that the customer is demanding this "convergence" of financial services, for this older segment, our research suggests a greater need for aggregation of information and a more consolidated relationship. In this convergence of needs, one company or person is likely to better control the customer relationship and become the primary provider to the customer. That company/person will have:

- brand identification—as a financial resource capable of addressing diverse financial needs and opportunities. This

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Players in a changing financial services industry

by Patricia L. Guinn

The convergence of previously distinct financial services businesses has been underway for the better part of two decades. The development pace has been fairly slow, although it is accelerating. Deregulation is rendering market opportunities and success requirements more transparent. Financial services reform is not a magic bullet—it is following market and competitive developments. The basic underlying capabilities that banks, investment management firms, and insurers bring to the retail financial services marketplace will be the drivers of their success or failure.

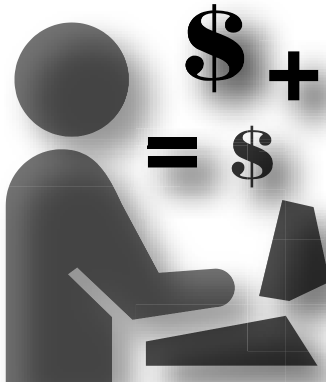
Many traditional business models clearly require modification—if not fundamental change—to enable future success. The consumer marketplace encompasses extensive needs and diverse behaviors. There will be room for varied business approaches, with innovation playing an increasing role.

Each financial service sector brings a different history, varied "baggage," and rather distinct capabilities to the marketplace. As each individual company develops and deploys its capabilities to capitalize on target market opportunities, the industry will continue to experience a very dynamic, opportunity– filled, and threatening environment.

Banks challenged

Banks are feeling the heat of competition like never before. E-brokers, mutual fund companies, and other asset mangers are stealing today's most valuable customers and the core relationship of tomorrow's most promising prospects. Banks are struggling to make themselves relevant in exciting growth businesses like retirement savings. They must do this while making money with traditional checking and savings accounts in brick and mortar branches.

To be effective, banks need economies of scale, dominant brands, and integrated information management systems—a challenge for the behemoth, let alone the average community bank, which has driven substantial consolidation in the industry over the past decade. Meanwhile, the market for traditional bank products is shrinking, and the new entrants are adding banking to their portfolio of offerings.



Bank customer loyalty is weakening in an era of increased consumerism, where power has shifted from the bank to the customer. Customers control the time, place, and means of access by which they do business. Competing on a product–only basis encourages commoditization and an ever–increasing spiral of new features and faster delivery just to maintain market share. A relationship strategy requires delivering value across a relationship life cycle and multiple touch points. This enormous challenge requires traditional "silo" businesses to share information and work together to deliver an integrated service package.

Distribution challenges remain large for banks—changing to a retailer mindset, consistent delivery of the brand promise, smooth integration of channels and products, customer relationship development and management, and competing on the Internet. The challenge of delivering a seamless integrated customer experience over the Internet has caused banks to rethink their entire delivery vision and struggle to deliver the same level of customized customer experiences across all channels. These challenges are complicated by a new set of requirements—making the bank's value proposition more competitive and transforming the business infrastructure to leverage technology more effectively while delivering consistent revenue growth and quarterly earnings.

Increasing credit product revenue and running efficient processing shops will not be enough in the future. Banks must truly understand the needs and buying preferences of consumers and attend to their interests. Finally, they must redesign and rebuild distribution (including e-commerce) as a business in which banks must excel.

Investment management firms evolving

A seismic shift in the investment management business has been under way for the better part of two decades, and it will continue to shape the marketplace winners and losers. The mutual fund industry has evolved from a fast growing "boutique" financial services sector to become the largest financial services intermediary, with an estimated 45% of total investable household assets.

As investment management firms make the transition from this sustained period of spectacular growth and profitability, they face many of the issues confronting companies in the more mature financial services sectors:

- Product proliferation and commoditization

- Ongoing (and expensive) battle for distributor shelf space and customer access
- Insatiable demand for new technology
- Imperative to build brand franchise

The increasing complexity of the distribution landscape coupled with the shift in power from product manufacturers to distributors make effective management of distribution a strategic and economic imperative. As retailers extract higher tolls for access to their systems and as new distribution outlets emerge with radically different characteristics, the ability of investment managers to manage channels, distributors, and customers on an economic–value–added basis becomes more critical to ultimate success.

Information technology remains a critical weapon. Investment managers will continue to invest in all aspects of technology to improve back–office operations, investment management processes, distributor linkages, the customer experience and, most important, the quality of management information.

The future looks promising for investment management firms. Consumers and employers continue to focus on individual retirement saving. The broader shift to variable insurance products will also continue to benefit investment managers.

While this business still provides growth opportunities, the future requirements for success will be more daunting because competition is increasing. The Internet will likely make the consumer more knowledgeable and fickle. And distribution is not likely to get any less complex. Succeeding in the future will require delivering the basics (right products, right performance, right channels, at the right cost) in a flawlessly executed manner.

Insurance companies facing competition

As the insurance industry continues to contract and consolidate, with market power concentrating in fewer and larger companies, the walls that have kept banks

and securities firms at bay have largely disappeared. Competition will include significant new entrants from across the financial services industry—many of whom are large, have deep pockets, have proven capabilities in consumer marketing, and are not encumbered with decades of traditional thought and overhead expenses, principally from antiquated legacy systems.

Demographic trends favor the growth of financial products oriented to long–term savings, retirement and the protection of income. Serving these needs has been the traditional strength of the life industry, so this should be a positive development. However, sales of traditional insurance products are generally flat, and many companies are struggling to retool agency distribution systems that are proving to be comparatively expensive and difficult to grow.

A disproportionate amount of the overall financial services business growth has gone to investment management firms, with much of the distribution of such products being handled through securities firms and financial planners/ independent broker–dealers. Although variable life insurance and annuities have grown, these products have moved the life industry onto the playing field of investment management and securities brokerage firms—whose distribution approaches are typically less expensive, albeit without such deep experience at consultative selling. In addition, these firms do not have the long–term guarantees and capital requirements of life insurers and are, therefore, able to provide higher returns on investment.

In response to their desire for growth, many insurers are diversifying their distribution approaches—overcoming concerns about channel conflict—to obtain new business through as many channels as practical. The number one challenge is to integrate multiple channels of distribution, to cost effectively market a breadth of financial service products to ever more demanding consumers. Insurers must also re-engineer the role of the agent to shift them from "owning the customer" to merely being a sales force. Insurers are looking to technology to help them get closer to the customer by learning more about customers, exercising more control over marketing and distribution and better developing the customer relationship. The Internet is becoming a key distribution resource for many insurers as well as an important tool for educating and servicing customers and intermediaries.

If insurers are to succeed, they are going to have to make careful judgments about how to deploy capital. It is likely that the best use of capital is not going to be in trying to be all things to all people—even when it comes to distribution. They must allocate capital to developing those channels, target customers and product offerings whose risks they understand and whose returns will exceed the risk–adjusted costs.

Insurers are exploring and are at various stages of committing themselves to distinct business strategies and operating models. They are no longer "following the herd." Some companies are narrowing their product lines and business activities. Others are adopting radically new strategies, such as transforming into full–fledged financial services companies or "true financial planning" businesses that concentrate on asset accumulation. As insurers are confronted with the challenge of navigating unique paths through the evolving financial services landscape, a clear strategy and disciplined execution supported by a realistic appreciation of company capabilities are essential for success.

What the future holds

The fundamental demographic and public policy shifts that are occurring now will result in significant growth opportunities in the retail financial services industry. Companies will aggressively pursue these opportunities, leading to continued globalization, consolidation, and convergence. While there will still be room for niche players focused on narrow markets or specialty products, the overall

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Why fair value?

by Catherine Shires

NAIC Statutory reporting, GAAP, Canadian GAAP, International Accounting Standards—how many sets of books does your company currently report under?

For companies that are listed on multiple stock exchanges and have subsidiaries in numerous countries, financial reporting can be a nightmare, and it doesn't end there. With all the advances in financial risk management, globalization of capital markets, and the complex financial instruments in use today, it has become apparent that traditional concepts for the recognition and cost–based measurement of financial instruments need to be rethought.

Accounting standard–setting bodies around the world are at different stages in considering and addressing the issues. It appears to be virtually unstoppable that fair value standards will be a part of our future. If these standards are going to be thrust upon us, it behooves us to know as much as possible and be involved as much as possible in how the standards are set.

Fair value defined

"Fair value" is defined as an estimate of the price an entity would have realized if it had sold an asset or had been relieved of a liability on the reporting date in an arm's–length exchange motivated by normal business considerations. Basically, fair value is the market value where there is a wide field of players and numerous transactions of the specific type being valued.

The International Accounting Standards Commission (IASC) has proposed the concept that all financial contracts regardless of the financial entities (banks, insurance companies—both life and nonlife—thrifts, stock brokers) report their results under fair value accounting. Its objective is to have consistent financial reporting across products, entities, and countries. Fair value reporting is focused on measurement of the balance sheet rather than matching revenue and expense. The proposed fair value standard reports virtually all gains and losses resulting from changes in fair value in the income statement in the period in which they arise.

The proposed standards are based on current market value or an appropriate proxy, which is, in effect, a prospective measure. Most current reporting bases have a historical cost view (book value).

If fair value standards are an inevitable part of our future, we must be involved as much as possible in how the standards are set.

Estimating fair value of insurance liabilities is a difficult exercise. While there is some market in insurance liabilities and reinsurance of blocks of business and viatical sales of individual policies, the market is neither wide nor numerous as normally defined by economists. Transactions are few, and each transaction has its own peculiarities, so averages are hard to draw. Thus, fair value of insurance liabilities has to be estimated by models whose construction and assumptions can create much debate.

Given the practical difficulty of implementing this "fair value of liabilities," is there any risk of being faced with fair value reporting? Yes, there is.

Setting standards

Just before 2000 expired, an organization called the Joint Working Group (JWG) of standard setters with representatives from Australia, Canada, France, Germany, Japan, New Zealand, five Nordic countries, the United Kingdom, the United States, and the International Accounting Standards Committee (IASC) published a draft standard of practice for preparing financial statements involving financial instruments requiring fair value treatment. While this proposed standard covered all financial assets, it had a specific exclusion for those financial liabilities that are insurance contracts.

But the IASC has a separate insurance accounting project for insurance contracts that is considering fair value reporting. And the JWG report recommends that, for contracts that are not subject to fair value reporting, any embedded options in those contracts must still be subject to fair value reporting. If the JWG recommendations were to be adopted, they would have the effect of requiring insurance companies to report assets as well as embedded options in insurance contracts at fair value. This could possibly be the worst-case scenario.

Well, all of this is just of theoretical interest isn't it? After all, you don't have to make any reports using IASC standards.

Maybe not. But there seems to be a lot of momentum behind the IASC proposals. The International Association of Insurance Supervisors (IAIS) which includes representatives of the NAIC and Canada's OSFI has opened a high priority project to see if a new internationally uniform statutory regime can be developed based on IASC standards. The International Organization of Securities Commissions (IOSCO) has recommended that its members, which include the SEC in the United States and the OSC in Canada, allow financial reporting on IASC Standards in place of current national standards. And the European Union has recommended that financial reporting follow IASC standards in all countries after 2005.

Even central bankers (in the person of the Governor of the Bank of England) have joined in the endorsement of requiring

financial institutions to report publicly on a fair value basis.

So, the train is coming and you want to be on it. We're not that well equipped to be a player currently. We only have about seven representative actuaries working on the standards from an international basis. It is difficult for nationally focused groups to have people volunteer to handle this type of an international problem. We need to be able to be heard to ensure that acceptable measurements will be used to determine the fair value of liabilities.

The plus side is that we have some outstanding players, and we are well equipped to deal with the types of prospective algorithms that will be needed to determine the fair value of liabilities. The learning curve is steep, but there is a lot of material out there. Check the IASC, IAA, AAA, or CIA Web sites for information. We are specialist outsiders at this point in the process. We need to make sure we get heard.

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Players *continued from page 5*

market will be dominated by complex financial services conglomerates. These conglomerates will offer a broad range of products, designed in the most capital– efficient manner, to their chosen market/ customers. This should lead to interesting times. Happy hunting!

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Financial organizations *continued from page 3*

"brand identification' may be a locally–based individual advisor

- trust of the customer
- information about virtually all of the customer's assets, financial goals and needs
- communication infrastructure able to respond anywhere, anytime—call, click, or stop by
- solutions and the capability to deliver products that address needs/opportunities
- trained employees who have an investment knowledge and understanding of the appropriate use of various investment products

Years ago, that "communications controller" had to have a local presence. Today with the technologies that allow "call," "click," or "stop by," the geographic presence, while preferable, is not essential. The "communications controller" is the convergent financial services company of the future, be it a company or advisor. It must:

- effectively use technology to communicate with the customer and compile the "one view" of assets and resources
- employ those who focus on satisfying the customer's need for product and for relationship
- partner with companies who can deliver the expertise and products providing good value to the client while recognizing the role of the "communications controller"

Past and present efforts to sell financial plans have met with mixed success. The consumer wants this "communications controller" and the relationship it brings but wants it for free. He wants product/ service advice, but he does not want the sales approach and is reluctant to trust those who appear compensated only if they sell a product.

What kind of culture and business relationship can be successful in this environment? A consultative relationship with compensation dependent on continuing client contact and management of assets. To generate this revenue, the organization must directly manage the assets or product or share in the asset management/product revenue. Successful growth of assets will increase organizational revenue and client assets. The organization's expenses will be high. The technology to respond anytime, anywhere will require scale. The cost of the technology in the "convergent" organization may be the reason individual, unaffiliated, financial planners may not be able to fully service all the client needs.

Technology costs will also be high for organizations that partner with communications controllers. Policy values, illustrations, and needs analysis need to be at the advisor's fingertips, and that will require a heavy technological investment by all partners.

It is not so much different than it has always been. The most successful "convergent" organization will be the one most knowledgeable about consumer needs, most trusted by consumers, and most capable of orchestrating satisfaction of these needs.

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SOA gives actuaries ways to address risks of elderly

by Neil Parmenter and Judy Anderson

The variety of risks to which the growing elderly population is exposed was thoroughly examined in the September 2000 issue of *The Actuary.* The Society of Actuaries is actively pursuing a variety of initiatives to help actuaries deal effectively with these risks.

Retirement implications of demographic and family change

The Committee on Social Security–Retirement and Disability Income has sponsored a call for papers and symposium (planned for November 2001) on retirement implications of demographic and family change. The symposium will address issues related to benefit security for widows and divorced spouses.

Too frequently these benefits are inadequate. Current benefits could be at risk, given the possible shift to defined contribution plans and possible privatization of Social Security. It will also consider the issues facing our aging population as retirement patterns are changing, and many people are thinking about phased and partial retirement.

The SOA is partnering with 17 other government, employee benefit, and research organizations on this project. These organizations represent academics and professionals who provide a broad spectrum of perspectives on the risks faced in retirement.

Watch for the autumn 2001 symposium announcement. It will be a valuable program.

Retirement Needs Framework and survey

The Retirement Needs Framework is an ongoing project designed to raise awareness of the risks that occur after retirement. As pointed out in the September issue of *The Actuary*, these risks include:

- health-related issues, such as progressive disability
- financial issues, such as inflation and outliving assets
- family-related issues, such as widowhood and divorce

The project began with a call for papers and conference, which was held in December 1998. Since that time, the project oversight group has looked into sources of data on post-retirement risks. Links to these sources have been posted on a special page on the SOA Web site *(www.soa.org)*.

Now the project oversight group is seeking to capture information on how retirees and those near retirement view financial risks in retirement. We are planning to work with researchers currently surveying these target populations. This could include the American Association of Retired Persons (AARP) and the producers of the Health and Retirement Survey (HRS).

The working group is also interested in available and emerging methods to manage these risks (e.g., innovative annuity policies, long term care). They are contacting domestic provider organizations and will also be looking at alternatives being considered internationally.

Retirement 2000

The Retirement 2000 Symposium took place in February 2000. Papers presented at the symposium addressed public policy issues that will arise as the demographics of our society change. The papers addressed issues such as benefit portability, lump sum versus annuity distributions, and the ability of existing financial security systems to manage the risks. We encourage you to review the papers and summaries that appear in the January 2001 special issue of the *North American Actuarial Journal.* Complete versions of most papers are on a CD-ROM, "Retirement 2000" available from the SOA Bookstore at *www.soa.org/bookstore/cdrom.html.*

Public education on annuities

The Actuarial Foundation has also been addressing the risks that face those in retirement. The Foundation has partnered with the Women's Institute for a Secure Retirement (WISER) to produce a public education brochure, "Getting Ready for Retirement: What You Need to Know about Annuities." This booklet discusses the advantages and disadvantages of annuities for securing retirement income. Copies of this brochure can be obtained through the Foundation Web site at *www.actuarialfoundation.org.*

Other projects in the planning stages

- **Demography and rates of return—**This project will begin with a literature search on how rates of return are affected by demographic shifts.
- **Financial planning software—**This project will look into the issues that should be considered when choosing a financial planning software program. Specific products and companies would not be mentioned or endorsed.

◗ **Social Security privatization, international experience—**What can we learn from the experience that other countries have had with privatizing social security programs? What issues arise in implementing this kind of change in a program? This project will address these questions.

◗ **Social Security replacement ratios—** This project would consider appropriate levels for Social Security benefits. In particular, it would look at assessing measures of poverty.

Continuing education programs

In addition to the research projects listed here, SOA seminars and many of the meeting sessions at the Spring and Annual SOA meetings address the risks posed by the aging of society and those in retirement. Subjects of these sessions have included mortality improvement, Social Security stability, and lump sum distributions.

***Neil Parmenter is a consulting actuary and a Vice President of the SOA. He can be reached at* parmentern@aol.com. *Judy Anderson, SOA Staff Fellow (Retirement Systems), can be reached at* janderson@soa.org.**

Symposium to address insurance accounting revolution

"The Coming Revolution in Insurance Accounting" is the title of the 5th Bowles Symposium scheduled for May 16-17, 2001.

Hosted by the Department of Risk Management and Insurance at Georgia State University in Atlanta, the symposium will be led by Bowles Distinguished Lecturer Sam Gutterman, FSA, FCAS.

The two-day program will host an interdisciplinary array of experts.

◗ **Sam Gutterman**, director and consulting actuary at PricewaterhouseCoopers, will provide an overview of future financial reporting by insurers, focusing on the valuation of insurance liabilities. These issues include the desire for increased transparency in financial statements, the importance of capital markets and risk, worldwide convergence of accounting standards and financial services industry's products, and the globalization of business.

◗ **Craig Merrill**, associate professor of finance at Brigham Young University, will provide an overall conceptual framework for the discussion of many of these issues, from the perspective of a simple Guaranteed Investment Contract.

◗ **Luke Girard**, director of risk management with Delaware Lincoln Investment Advisors, will discuss the two major approaches advocated—direct and indirect methods, as they are affected by risk adjustment, discount rates, and the cost of capital.

◗ **Kim Balls**, manager of product development at Allianz Life, will address a model incorporating replicating portfolios which decomposes the insurance liability into its risk components.

◗ **Henk van Broekhoven**, actuary with ING Group, will explore the practical problem of reflecting risk adjustments using mortality risk as an example

◗ **Mark Tenney,** president of Mathematical Finance Company, will present a survey of European and U.S. research on the subject of how to reflect the correlation of both life and property/casualty insurance–specific variables and economic variables such as interest rates and stock prices.

◗ **Marsha Wallace**, vice president of asset/liability management at Transamerica/Aegon, will discuss the presentation of financial results in a fair value environment.

◗ **Allan Brender**, senior director of the Actuarial Division at the Office of the Superintendent of Financial Institutions Canada, will look at new approaches to regulatory oversight of bank and insurer financial condition through use of monitoring internal risk management modeling systems used.

Case studies

Models resulting from applied research being conducted by several actuarial organizations from the U.S., the U.K., and Australia will be presented. These models have been used to explore the practical implications of fair value approaches. The Australian model also will be used to contrast differences between those and embedded value approaches. The status of a research project sponsored by the International Actuarial Association on risk–based capital measures will also be presented.

The Financial Reporting Section is a co-sponsor of this program. Section members receive a $50 discount on registration fees. Regular registration fees for the symposium are $550. For more information, contact conference manager Anne Chamberlain Shaw at 404/651–0931 or by e–mail at *achamberlain@gsu.edu*, or visit the Bowles Chair Web site at: *http:// www.rmi.gsu.edu/ bowles/nextsym.htm.*

A conversation with the President

At the mid-point of his presidency, Rob Brown talks about his agenda and the new SOA strategic plan.

by Donna Steigerwald, SOA Public Relations Manager

To ensure long-term success for its members and itself in an environment that demands higher responsiveness and efficiency, the Society of Actuaries recognizes the need to change the way it operates. It also needs to more clearly define its role in light of the profession's growing globalization. With this in mind, the Society has begun development of a strategy management process and has drafted a strategic plan.

SOA President Rob Brown recently talked about some of the implications of the new strategic plan, as well as how it ties in with his presidential agenda. Here are his comments.

Q. Do you have some thoughts that you'd like to share on the development of the strategic plan, along with how it relates to your presidential agenda?

A. One of the major policy changes in the proposed strategic plan is that the SOA President won't set the strategic direction in the future. Instead, it will be under the auspices of the Board of Governors. Historically, we have had instances where a president would take the ship on a very different course, but being president for only a year, couldn't get all the way to the finish line. In those instances, presidential agendas tend to have been subsequently dropped. They ended up being an expenditure of a whole lot of energy without much to show for it at the end of the day. That's why in our long-range strategic plan, one of the key words is "long."

I think the Society has been fortunate to have three presidents, and now a president-elect, who have agreed on the same basic agenda. It started with Howard Bolnick and the Big Tent. Norm Crowder continued with that direction, as am I, and so will Jim MacGinnitie. We've been consistent in our philosophy.

What I've been trying to do during my term is to find the achievables in Howard's original Big Tent agenda. We now realize that some of the things Howard talked about originally probably are not immediately achievable—either because the membership thinks it goes too far, or because other constituencies that would have to buy into the idea have shown no interest. Right now, financial engineers and risk professionals don't seem to see much advantage in discussing the Big Tent initiative. Our own membership has made it abundantly clear that nobody's going to get a "free" FSA. That's a closed matter.

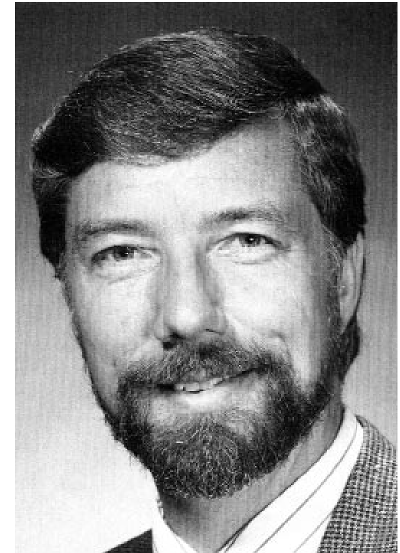
Q. Would you comment on the points in your agenda and/or the strategic plan that you are particularly focused on?

A. The key points in my platform that I've put more time and energy into are the items identified as "QRS" and the "alternative route." Both are also mentioned in the strategic plan, but more by implication than explicitly.

Q. Could you elaborate on what QRS is and how it would work?

A. QRS is a system whereby we would identify the core skill set common to actuaries, financial engineers, and risk professionals. We would create a syllabus and exam process that would lead to an earlier credential than we now offer. That credential could be called "quantitative risk specialist" (QRS). The word "quantitative" is particularly important because there are a lot of programs in risk and insurance, including some MBA programs, but those people aren't as quantitatively sophisticated as the early actuarial exam candidates would be.

So, what we're trying to do is look at the material in our existing courses 1, 2, 3, 4 and 6 and identify content relevant to the



Robert L. Brown, SOA President

QRS, but excluding the pure high level actuarial sciences. Courses 1 and 2 might remain relatively unchanged. But we would have to reshuffle Courses 3 and 4 so as to keep in the QRS subjects such as core statistics, statistical models and modeling, stochastic processes and simulation. But we would have a later exam to cover and test purely actuarial techniques, such as multiple decrement theory, pension mathematics, and credibility theory. We would then probably have what would look like a new Course 4 that would cover some of our existing Course 6, which is investments and asset liability management.

So the QRS syllabus would cover the following topics: probability, risk and insurance, micro and macro economics, compound interest theory, introduction to mathematics and finance, statistics, statistical models and modeling, investments and some asset liability management.

The other exciting aspect to QRS is not only that it is common to many disciplines, including actuaries and non-actuaries, but that core skill set is also common around the world. It's no different in Sydney,

Australia, than it is in Schaumburg, Illinois, than it is in Shanghai, China. So in fact, we're already working with several other actuarial organizations to create an international syllabus that will lead to an international QRS credential.

At the moment we have a task force made up of representatives of England, Scotland, Canada, the United States, and Australia. That task force is building the QRS international syllabus leading to an international credential. I find that extremely exciting.

Q. What caused you to consider the possibility of an "alternative route?"

A. The work of the international education task force has led us to realize that our single system to qualification is not the norm in the rest of the world. The SOA for the last 112 years has used a correspondence course and examination process and has never really provided any alternative.

The rest of the world uses and recognizes university-based education to a great extent. In much of Europe, your total education and qualification process is through the university. There are no professionally set exams. You become an actuary by getting a degree in actuarial science, usually at the master's level.

In Britain, Scotland, and Australia, there are professional exams, but normally for many of those exams, you will be granted exemptions if you go to an accredited university and take a course that has been reviewed and approved by an actuary of the local profession. It is also the case that the actuary, not the professor, sets the pass mark needed for the exemption.

If you combine these conditions with mutual recognition agreements, future Fellows of the SOA who may have been educated in England, Ireland, Australia, or Scotland can very easily become full–fledged FSAs. Thus, we find ourselves in the illogical position where we will be recognizing university credits in Edinburgh, London, and Melbourne, but we're not recognizing or giving credit for any university education in Toronto, Atlanta, or Madison. To me there's a significant disconnect in logic there.

The question I'm presenting to anyone who will listen is, "Do you think there could be some alternative route that would allow students from university–based QRS programs to fast track?"

Q. So there's also a concern about the length of time to qualification?

A. Yes. Median age of new fellows at the FAC is currently between 32 and 33. And we've got a lot of competition for candidates now from the financial engineering community, as well as Wall Street and Bay Street.

The model that I have proposed is as follows. (This is from the perspective of a post-QRS world where the core requirements are already in place, and at the end of something like four slightly different exams, there is a QRS credential.) My alternative is that students who can come to us and show that they have been educated in substantively all the QRS syllabus can apply for approval to write one comprehensive exam. If they pass, they would get their QRS designation and move into the traditional actuarial exams at a level approximately equivalent to the current Course 5.

This exam would not be easy. It may be that the student writing the comprehensive would be writing on more than one day. Those days might correspond to days when our own students are writing their Course 3 or 4, which would then allow us to have some questions in common. We'd therefore have the ability to measure explicitly and objectively those students who should be granted the QRS designation, whether they're doing single exams or the comprehensive.

In my mind, then, through this process, candidates who find out about the actuarial profession late in their university career would be able to fast track and enter the profession at a much younger age than they would today.

I want to quickly add that I do not think that an average student in a traditional actuarial science program would be attracted to the comprehensive exam. In particular, I would predict that none of my students at Waterloo would go that route. It makes a lot more sense in their four–year program, which is highly tied to the actuarial syllabus, that they would write the exams one at a time in smaller units as they take the courses. I would think that it would be illogical for them to put all of their eggs in one basket and take a chance on a very difficult comprehensive exam at the end of their university degree.

So those are my two main areas of concern—QRS and some university–based alternative to the present single route of self-study education and exactly eight examinations.

Q. How do you think employers will react to the QRS idea?

A. If QRS has no market value, it will be a failure. We believe that QRS ***will*** have market value. We see a world that is far more attuned to the need for quantitative risk analysis; accountants, CFAs, financial engineers, risk professionals are now doing it. As the world becomes more sophisticated, we think there will be market value for the QRS designation. In fact, there will be enough demand for people with QRS backgrounds that we believe a number of universities will be very interested in having full undergraduate QRS programs or QRS MBA quantitative programs.

We would hope to expand our candidate pool measurably by having the QRS. Not all QRS certificate holders will go on to become actuaries, but employers will be able to identify a much broader base of people who have the core skill set through the QRS qualification process than now exists.

One thing we have done is to identify both undergraduate and MBA programs that could now qualify for QRS. We see that, with just a minor change in emphasis on the quantitative side, they could have full-blown QRS programs almost immediately. There are about a dozen

continued on page 12

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such programs in the United States in schools that have no actuarial science program. We're quite thrilled with that prospect.

Q. In your experience so far, what has been the membership's reaction to QRS?

A. When I've presented the QRS idea to actuarial clubs, I've gotten very positive response. Once in a while, I will sense some hesitation from new Fellows and near Fellows who are concerned that any route to qualification that isn't the way we've always done it must by definition be easier. I don't agree.

One thing I want to state clearly and emphatically is that QRS and alternative route are two separate and independent issues. You can have QRS with no alternative route and alternative route with no QRS. It's dangerous for me to have them on the same agenda sheet, because people may be strongly opposed to a university-based alternative but would be very happy with QRS.

Anytime I've presented it at clubs, the QRS idea has met with 90%+ approval. In fact, a lot of people are really excited about it, particularly because it is a world-wide credential. They're going to have something that's exactly the same—same syllabus, same exam, same day, and recognized all over the world.

Q. How does this all fit in with the strategic plan?

A. QRS and the alternative route are both in the strategic plan. The concerns that led us to the ideas of QRS are points of emphasis in the strategic plan. We've got competition for candidates, internationalization of our employer firms, of the consulting firms, and of the pension plans that we evaluate. We often have employees in more than one country. We've got mutual recognition agreements.

All those things led us to QRS and a consideration of some alternative route. Those are all huge points of emphasis in the strategic plan, so QRS is 100% consistent and compatible with the strategic plan.

Of course, the strategic plan goes beyond QRS and contains a lot of internal strategies, as well. Most of my agenda is external. The only internal point concerns the practice areas, which is also in the strategic plan. We realize that there's a disconnect between the Board of Governors and the Sections. I think communications between the grass roots and the leadership through the practice advancement councils may have failed, and the strategic plan is trying to find a new way to connect the Sections to the leadership.

Q. It seems as though some of the issues in your agenda are so pressing that they bubbled up as a big component of the strategic plan. Perhaps we could examine your agenda point by point and see how it is being accomplished and where it coincides with the strategic plan.

A. Here's my six–point agenda.

1 Work in a totally cooperative manner to strengthen the actuarial profession in the United States. In the strategic plan, it appears as: "Change the culture of the SOA so that the strength of the profession is more important than the strength of the SOA."

2. Start what will probably be a five–year program to get QRS up and running around the world. This is also part of the strategic plan.

3. Adopt a university–based alternative to the present single route of self–study education and eight examinations. This also appears in the strategic plan, plus the whole idea of multiple credentials—not just FSA, ASA, but at least QRS, and maybe some specialist certificates as they have in Britain.

4. Establish a "Talk to the President" chat line on the SOA Web site. This has been done.

5. Provide more autonomy and independence to the practice areas. This is in the strategic plan in terms of improving dialogue and communication with the Sections.

6. Find a broader selection of continuing education delivery systems and be willing to buy when a quality product exists. That's in the strategic plan. We also need to do more electronically.

So there's absolutely no conflict between my agenda and the strategic plan. But the strategic plan goes further.

Q. At the halfway point of your presidency, do you see anything else you hope to accomplish?

A. I haven't taken on anything new. What I really want to do is see my agenda through to a positive conclusion. I'm very upbeat on QRS. It's happening. I think someone would have to go out of his or her way to derail it now, and I don't see the prospect of that. We're working with the entire English–speaking world.

Regarding the university–based alternative, I will have a motion to the Board of Governors before the end of my term. I don't know the exact wording yet, but the more I talk to people at clubs, the less resistance I feel to the concept of a comprehensive alternative, and that's my preferred route. We may also consider exam waivers for some of the QRS material. That remains to be seen.

Q. How do you see the profession and SOA members benefiting as a result of these plans?

A. There are many obvious benefits if we succeed with the QRS concept. First, we're going to have more universities creating actuarial candidates, even though they might not have actuarial science programs. They'll be doing quantitative risk. That's a good start, and it's a better source than some of the programs that our employers now use to find candidates.

I think we have to recognize that the ultimate judge of the QRS will be the marketplace. If it says that QRS is not a valued–added credential, then we will have failed, and QRS will disappear.

I strongly believe from talking to other professionals and employers that quantitative risk analysis will be

extremely important in many jobs in the years to come. That's just the way of the world—that you have to be able to analyze and manage risk and variance. The accountants are talking about doing it. We now have the Global Association of Risk Professionals. It's a growing area. I don't think there's any denying it. So right now, if we've got about 3,000 candidates coming into the actuarial profession, I'd like to think we could have as many as 9,000 coming into QRS.

That means that there would be three times as many people for employers to draw from. We will have identified much more clearly a candidate pool with the skill set that employers want that will be three to four times larger than it is today.

Secondly, if we have the potential for 9,000 candidates, then universities are going to start up QRS programs or modify the MBA or risk and insurance programs they now have to fit the QRS.

If we go to a university today and ask them to set up an actuarial program, their immediate question is "how many students?" The honest answer is maybe a handful, maybe 20 to 25 in the first year, maybe 12 to 15 when they get their degree. Well, a university is not going to start a program for a group that won't even total 100 students in all of the years combined. But for QRS, if we could use three and four times the numbers, then we could go to campuses, and they would say, "Yes, we'll do a quantitative QRS program or MBA."

Those are the benefits, and I think I need to repeat that the ultimate judge will be the marketplace. If QRS is seen to have value, and salaries rise and candidates are identified, we will have been successful.

To review the text of the strategic plan, visit the SOA Web site at* www.soa.org. *The complete text of Rob Brown's presidential address can also be found at the SOA Web site under Yearbook, Presidential Address.

Consolidated strategic initiatives

1. Promote life-long learning and continuing education to all members.
2. Define and maintain a core skill set that provides tools for modeling and managing economic consequences of contingent events. Provide certification and SOA membership to those who master the specified core skill set.
3. Identify and execute a research strategy that advances current state and anticipates future state of practice.
4. Increase awareness of the value actuaries add and stimulate demand for actuaries.
5. Offer certification of a variety of accomplishments while preserving FSA and ASA designations for those demonstrating commensurate depth and breadth.
6. Actively encourage development of new fields of practice.
7. Change SOA's philosophical culture so that the actuarial profession's strength is more important than the Society's.
8. Build an effective global actuarial community that supports the needs of members, regulators, and students.
9. Adopt and integrate a customer-centric philosophy and approach for all programs, products, and services.
10. Change SOA's organizational culture toward more collaboration, clearer communication, increased dialog, strategic continuity, and organizational effectiveness.
11. Build effective partnerships between volunteers and staff.
12. Create a new structure that leverages section strengths, incorporates the long-term perspective of the Practice areas, and is directly linked to the governing body.

Spring meetings bring fresh learning opportunities

An abundance of continuing education and professional contact opportunities will be available at this year's SOA spring meetings in Dallas, Texas, and Toronto, Ontario.

The Dallas meeting is scheduled for May 30–June 1 at the Wyndham Anatole Hotel, a 50-acre meeting site with 13 restaurants and lounges, virtual boulevards of shops, three swimming pools, and fitness center.

June 20–22 are the dates for the Toronto meeting, which will take place at the Royal York Hotel near the city's theatre and business districts. The ornately furnished Royal York features 10 restaurants and lounges, health club and pool.

The focus of the Dallas meeting will be health, long-term care, and pension topics. Toronto's meeting, co-sponsored by the Canadian Institute of Actuaries, will concentrate on financial reporting, investment, and product development.

For registration information or to learn more about meeting sessions and other details, visit the SOA Web site *(www.soa.org)* and click on meetings/seminars. Or phone SOA headquarters at 847/706-3500.

research corner

Finance

The Committee on Finance Research is seeking a researcher for a project on Retirement Methodology and Software. This project is a survey to see how various software packages, books, and Web site software handle retirement and post-retirement risks. The committee has also released a call for papers on Capital Allocation and Management for Insurance Companies. For more information on either subject, please contact Joanne Temperly at *jtemperly@soa.org*.

Health

The SOA has contracted with Kyle Grazier of the University of Michigan to prepare a database from contributed data and complete the analysis for the Medical Large Claims Experience Study. If your firm has not yet contributed data, please contact Korrel Crawford *(kcrawford @soa.org)* for information on how to contribute.

Life

"An Economic Analysis of Life Insurance Company Expenses" by Dan Segal is now available. This paper estimates the acquisition and maintenance costs associated with life policies as a function of the amount of insurance and number of policies of an insurer by estimating a cost function for a large sample of insurers. The report has been submitted to the *NAAJ* for publication consideration. Advance photocopies may be ordered from the SOA Books Department by calling Beverly Haynes at 847/706-3526.

Now available on the SOA Web site *(www.soa.org)* is the Laboratory Testing Survey Report recently completed by a subcommittee of the Society of Actuaries' Committee on Life Insurance Mortality and Underwriting Surveys. From the home page, click on "Bookstore." From there, click on "Actuarial Library." Under "Areas," click on "Research." Then, type "laboratory testing" in the "Look for" box, and click on the "Search" button. This survey asked questions about companies' internal practices as to how laboratory tests become part of the underwriting paradigm—in particular, how changes were made, who the decision-makers are, and what support is necessary to add a test.

"Living to 100 and Beyond: Mortality at Advanced Ages," an international symposium to bring together actuaries, demographers, gerontologists, and others interested in advanced age mortality, will be held on January 17-18, 2002, at the Walt Disney World Swan hotel in Lake Buena Vista, Florida.

Retirement systems

The Society of Actuaries' Group Annuity Experience Committee has completed their 1995-96 report, which presents the 1995 and 1996 calendar year experience of retired individuals in the United States who are covered under group pension contracts. This report can be found on the SOA web site *(www.soa.org)*. From the home page, click on "Bookstore." From there, click on "Actuarial Library." Under "Areas," click on "Research." Then, type "group annuity" in the "Look for" box and click on the "Search" button.

CKER grants

Health Services and Outcomes Research Methodology Journal will publish a paper, "Statistical Methods for Monitoring Health Care Process Measurements," resulting from Marjorie Rosenberg's research project,

A paper resulting from Jacques Janssen's CKER project, "Interaction between Asset Liability Management and Risk Theory," has been published in *Applied Stochastic Models and Data Analysis.*

Nikolai Kolev's paper, "Inflated-Parameter Family of Generalized Power Series Distributions and their Application in Analysis of Overdispersed Insurance Data," will be published in the *Actuarial Research Clearing House (ARCH).*

Victor Korolev published the results of his research project, "Asymptotic Behavior of Non-Homogeneous Risk Processes and Ruin Probabilities," in a series of papers in the *Journal of Mathematical Sciences and Theory of Probability and its Applications.*

In Memoriam

Frank Ball
MAAA 1969

Fred DeBartolo
ASA 1954, ACA 1961

Kenneth R. Campbell
FSA 1955, MAAA 1965

Nathanial Gaines
FSA 1962, MAAA 1965, FCA 1963, ACAS 1954, EA-I 1976

Bertha Harris
FSA 1948, MAAA 1965

George Kensit
ASA FIA, FIAA 1939

Michael Krosky
FSA 1967, MAAA 1968, ACA 1977, EA 1976, MSPA 1990

Norton Masterson
FCAS 1927, MAAA 1965

Gregory Nazarian
ACA 1954, MAAA 1966, EA-I 1976

Abraham Olshen
FCA 1959, MAAA 1965

Edward J. Porto
FSA 1965, MAAA 1965

Henry Schneiker
ACAS 1957, MAAA 1966

O. Conrad Stewart
FSA 1971, MAAA 1966

David Yanis
FSA 1966, MAAA 1966, FCA 1972, EA-I 1976

J. Arnold Yates
MAAA 1966

Board of Governors approves common principles for revised education system

When the Task Force on Education and Qualification 2005 began its work in the early part of 2000, the first step was to develop a set of principles for defining a revised education system. Great progress has been made since then, especially in the area of partnering with the Casualty Actuarial Society (CAS), Faculty and Institute of Actuaries (F&IoA), and The Institute of Actuaries of Australia (IoAAust) to pursue joint principles and explore the idea of defining a common syllabus.

A tribute to the value of collaboration, the members of the joint meeting were able to agree on a set of common principles at their meeting in November 2000. The governors of the respective organizations are being asked to approve these principles.

In a December 2000 meeting, the Task Force on Education and Qualification 2005 discussed and unanimously approved the common principles. The task force was pleased to present the common principles at the Board of Governors meeting held in January 2001 for final board approval. The SOA Board approved the common principles as follows:

"To preserve and enhance the public perception of the profession and to encourage and reflect the advancement of actuarial science, the actuarial education process will:

- Develop actuaries who are able to deliver a service of quality and high standard to meet the current and projected future needs of clients, customers, and the public.
- Attract the best and brightest candidates from a range of numerate backgrounds.
- Ensure coverage of core topics common to all disciplines, as well as specialty requirements and the emerging needs of the profession so as to prepare members to take on a variety of different roles.
- Provide a balance among theoretical concepts, practical applications, business acumen, and professionalism.
- Develop actuaries who demonstrate key characteristics of the profession such as attention to rigor and a long–term perspective.
- Emphasize quality of learning to foster deep understanding by using the best educational opportunities available and appropriate assessment methods.
    - It is up to individual organizations to determine their own combinations of learning and assessment.
- Recognize the international educational guidelines of the IAA and contribute to the globalization of the profession."

In addition to these common principles, the SOA has retained the following principle from the earlier work of the task force, as it is specifically related to the role of the SOA with respect to the other actuarial organizations in North America:

"Primarily serve the function of education, leaving the function of qualification to practice in certain areas to the Canadian Institute of Actuaries, American Academy of Actuaries, and other appropriate bodies."

dear editor

Another milestone or millstone for Social Security?

Robert J. Myers ("Dear Editor," *The Actuary,* January 2001) assures us that the Old-Age, Survivors, and Disability Insurance program is in good financial condition because its Trust Funds now hold over $1 trillion in U.S. Treasury Bonds. He calls this "another significant milestone," and goes on to explain what a good investment these bonds are because they pay interest, have prescribed maturity dates, and can be redeemed on demand at par.

He does not explain, however, that before this $1 trillion in Treasury Bonds can be used to pay benefits, the government must redeem the bonds by doing one of two things: (1) collecting $1 trillion in future general revenue from taxpayers, or (2) borrowing $1 trillion from the public to refinance the bonds. These bonds represent nothing more than the government's formal obligation to collect more taxes or borrow more money in the future.

It makes one wonder about the financial design of a program that: (1) requires participants to pay more in taxes than is needed to pay current benefits, (2) lends the excess taxes to the government to spend, and (3) relies on the government to collect additional taxes or borrow more money from the public to repay these loans. This financing procedure appears to satisfy the government's need for funds, rather than the OASDI participants' need for benefit security. If the government needs money, maybe it would be more appropriate to borrow it directly from the public instead of indirectly from the unsuspecting Social Security taxpayer, all the while bragging about what a sound investment the Trust Funds have made.

Haeworth Robertson