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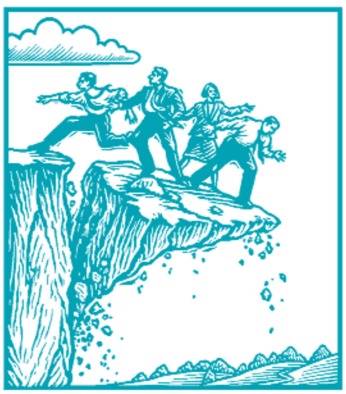
the newsletter of the Society of Actuaries

# Financial convergence is happening, but is the playing field level?

Retirement savings and estate protection are areas where financial institutions from different industries compete. In particular banks, life insurance companies and mutual funds offer similar products to serve these needs. We often hear that the playing field is not level, but it always seems to be tilted against the person commenting, whether he or she works for a bank, insurance company or mutual fund.



We thought it would be informative to have a moderated discussion between three individuals who each work for one of these institutions. We are fortunate that the following three gentlemen agreed to participate:

*Keith Hartstein* is executive vice president of retail sales and marketing for John Hancock Funds and is responsible for all aspects of John Hancock's retail mutual fund sales and marketing efforts. He has been involved directly or indirectly with the securities industry since 1982, including a 10-year stretch from 1986 to 1995 as a wholesaler calling on financial professionals, first in the Pacific Northwest and, later, in the Southeastern U.S. He has been with John Hancock Funds since September of 1990 and has served in his current capacity since 1999.

*Dick Robertson* is a retired executive vice president of Lincoln National Corporation. There, he had been chief financial officer as well as chief risk management officer. He is a past president of the American Academy of Actuaries and a past president of the Society of Actuaries.

*Dr. Michael D. White* is chairman and CEO of Michael White Associates, LLC (MWA), headquartered in Radnor, PA, and at BankInsurance.com on the Web. Dr. White has written several columns for leading insurance publications and published several books. He has been a member of the Editorial Advisory Board of Banks in Insurance Report since the late 1980s. MWA senior consultants are the instructors for the bank insurance educational seminars sponsored by the Independent Community Bankers of America (ICBA).

### In what respects does the playing field favor your competitors?

**Perrott:** I can identify three major areas in which there are differences in the way the three institutions are treated:

1. Regulation—Product design and particularly its effect on time to market, solvency, and distribution channels.

2. Capital requirements (both as to the level of capital required to be a suitably rated participant and also what counts as capital).

3. Tax treatment of both companies and their products.

There may be more which will come out in our discussion.

### Regulation

**Perrott:** I would like each of you to address regulation as it affects your institution.

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Godfrey Perrott
*Editor responsible for this issue*



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Society of Actuaries
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# The choice is ours

*by Godfrey Perrott*

[Editor's Note: The editorial space in *The Actuary* is usually reserved for a discussion of the current issue and its theme. Due to the events of September 11th, we are making an exception in order for our editor to express his thoughts on this tragedy that has affected us all.]

This is a difficult editorial to write. I am writing it two weeks after the terrorist attacks on the World Trade Center and the Pentagon, but you are reading it two months after those attacks and much may have changed in the interim. However, there are things I feel I must say. These views are my own and are not intended to represent *The Actuary,* The Society of Actuaries, or Milliman USA, my employer.

I'm sure that all of you, like me, have gone through many different emotional states in the past few weeks: shock, paralysis, anger, fear, concern. The first time I drafted this editorial it reflected some of those states and was, to quote one of the people I asked to review it, "current and cathartic." This is my second attempt; it is the last I have time for, and, hopefully, it is more timeless.

On Sunday, September 23rd, I was fortunate to listen to (in effect) a sermon on the Book of Jonah. That's not what it was called; it was the program "Sound and Spirit" by Ellen Kirschner on PRI, but it was in fact a sermon. Ellen eloquently drew a differentiation between vengeance and justice. She defined vengeance as "the desire to hit back to make the person who hurt us suffer pain." She defined justice as "the desire to modify behavior so that the same terrible action would not happen again." Jonah carried God's message to Nineveh that if they did not repent and cease their evil ways; he would destroy them. Jonah carried the message; they repented; God did not destroy them; and Jonah was infuriated. Jonah wanted vengeance. He did not want justice.

In our anger at the attacks on the World Trade Center and the Pentagon, many of us have cried out for vengeance. If we are really to achieve change in the world, we need to put the demand for vengeance behind us and worry about justice. I am sure that we are proceeding or have proceeded with activities that serve the cause of both vengeance and justice. We need to strongly discourage any state from harboring terrorists or facilitating their activities. We need to do all that can to cut off the flow of money to the terrorist organizations.

We also need to do other things which will be harder to do and take longer. We need to be engaged as citizens of the world and not arrogantly go our own way (such as we did with the Kyoto Protocols). We need to treat all human life with respect, whether it be U.S. citizens on U.S. soil, or Serbs in Belgrade, or Iraqis in Baghdad.

We need to use our resources wisely, but well. We must shine the spotlight on the despicable conditions that generate recruits for bin Laden and other fanatics. Refugee camps are a necessary evil in the short-term to accommodate people displaced by conflict. Refugee camps that have existed for over 40 years (such as the Palestinian refugee camps) are an abomination that cannot be tolerated by a civilized world

So why does Yom Kippur matter? It is the Jewish Day of Atonement, the day when almost all Jews, observant or not, look inward to find and root out their faults. As a gentile I find this a useful exercise. If we act to secure justice, rather than to achieve revenge, we will have nothing to fear from this self-examination. The choice is ours.

***Godfrey Perrott, FSA, MAAA, is a consulting actuary at Milliman USA in Wakefield, MA. He can be reached at* godfrey.perrott@milliman.com.**

**Financial convergence is happening, but is the playing field level?**
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**Robertson:** We can talk about the level playing field in two different ways. First, and I think probably the way you are most interested in, is talking about what happens when you try to write particular types of programs in regulated insurance companies, as opposed to other types of financial institutions. Second, with financial deregulation, an insurance company is generally free to form and/or own another financial institution where such other ownership is better suited for the particular coverage. Similarly, another financial institution can form and own an insurance company. That doesn't remove all of the non-level-playing-field aspects.

**Perrott:** Can you address the tension that exists between a free-standing bank, insurance company, and a mutual fund company, in either addressing a retirement savings product or an estate planning product? I think that those are the primary areas of overlap, as opposed to, for example, the question of whether an insurance company can buy or build a bank, or whether a bank can buy or build an insurance company.

**Robertson:** If you're dealing with a product that involves significant guarantees of any kind, especially guarantees involving life contingencies (or any risk contingencies), then the insurance company is the organization that is structured to deal with, manage, and provide those guarantees. As such, it has a significant advantage relative to other organizations; it may be that it is impossible for the other organizations to compete directly. For example, if you're talking about estate planning, or those elements that relate to providing funds in the event of death, you must be an insurance company to do that. From a regulatory perspective, the playing field is more than level for insurance companies. Similarly, if you're talking about a life annuity, or an annuity that has life elements, again, you need an insurance company to provide that for very good reasons. They can carve out those types of coverages and identify them as insurance company coverages; that's what they do best, what they're set up to provide.

Once you get outside of programs that involve risk contingencies, then we begin to talk about things that may be easier to do outside the insurance company. At the extreme, I would put accumulation products where there are not significant tax implications. If insurance companies were to try to provide those kinds of programs, we would carry with us all the baggage that our regulatory environment gives us. We have a regulatory environment set up to manage the types of guarantees we provide. To the extent we're competing with organizations not providing these guarantees, we have a serious competitive disadvantage. I can't argue that's not how it should be. That's the price we pay for being organized to provide guarantees.

Where the issue gets cloudier is in the middle where you have what I'll characterize as "limited guarantees," not involving life insurance or life annuities, or where the product is primarily not utilizing those guaranties. Here our regulatory and other environments can be both an advantage and a disadvantage. It makes it harder for us to be as flexible as other organizations. That's a disadvantage. But at the same time, it makes it easier for us to provide those kinds of products that maybe someone else cannot. In the final analysis, part of the price we pay for being organized to provide insurance products is that we get into some difficulty providing products that are not strictly insurance products. That means that we'll probably have to give up part of the marketplace to other organizations because of all the constraints we carry.

**Second, with financial deregulation, an insurance company is generally free to form and/or own another financial institution where such other ownership is better suited for the particular coverage.**

**Hartstein:** There are multiple ways to attack the subject. From the standpoint of product creation, I can get a mutual fund product to market in 90 days from concept, to regulatory filing, and to the sales force.

**Perrott:** That would be a huge challenge for an insurance company.

**Hartstein:** Having had some experience on the insurance side building annuity products, I'd have to agree. The regulatory process is considerably longer with insurance products than with investment products, largely because of the individual state regulations.

In addition, Dick mentioned "guarantee." I can't even utter the word "guarantee" in a product, which is certainly a disadvantage. On the sales side, there's substantial regulation on how things get sold and what we can and cannot do from a distributor's standpoint, in addition to the restrictions placed on the salespeople in the field. Let me offer an example: recently, we wanted to bring together individuals from the home offices of brokerage firms—these are the people who run the mutual fund departments—down to Newport, Rhode Island. But, because it's more than a cab ride away from our home office in Boston, it's not allowed by NASD rules. And, if we bring them to Boston, we can't take them to a ballgame or out to play golf because of those NASD regulations. It's getting to the point of being ridiculous, but those are the things we

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have to live with. On the insurance side, at least from that standpoint, I don't know what the regulations are. I've seen some things from the field that would seem to indicate that, at least from a certain standpoint, it's a little bit less constricted, but that's just from a manufacturing and distribution standpoint.

**White:** I'd like to speak relative to insurance and investment products. In theory, Gramm-Leach-Bliley was designed to provide us with a framework of functional regulation. From the manufacturing standpoint (in terms of insurance), any banking organization that wanted to manufacture insurance products would have to be, or form, a bank holding company, and then convert it to a financial holding company. Then it would have to acquire or establish an insurance company that would have to function just like Dick's has to function. I think it's more of a problem, as Keith was saying, on the sales side.

From the banking perspective, the bank agents (or the licensed bank employees, the life specialists or the registered reps) are all subject to the same things that traditional insurance agents (captive, independent, broker, Series 6, or Series 7 reps), distributing both Dick's and Keith's products, would be. But they also have an additional layer of regulation, which I've found surprises many of the traditional sales folk. They also have consumer disclosures imposed on them, beyond any other required disclosures by the SEC, the NASD Fair Practices, or state insurance regulators. In fact, there are consumer protection rules that went into effect on October 1st, implementing Section 305 of Gramm-Leach-Bliley. These rules create an added burden of disclosure at the federal level. Then, at the state level, some states have clearly differing bank insurance laws, specifically pertaining to the sale, distribution, and solicitation of insurance products by a financial institution, and some of those state laws are very onerous. You might live and work in a state, where, in fact, not only do you have to disclose and cannot solicit the product until after, say, a loan has been approved, the loan approval must be provided to the customer in writing before you can solicit for the sale of the product. And in some cases, you even have to go so far as to say: "You understand you can buy this product anywhere. You don't have to buy it from us." There is this added burden in a number of states in terms of disclosures and confirmations in writing that go even beyond the federal rules that are being implemented under Gramm-Leach-Bliley. On top of that, you have the 13 safe harbors that are included in Gramm-Leach-Bliley, which basically say the rules in the G-L-B are a floor, and if the state so wishes, it can impose a higher set of standards on the distributors of insurance products. I think that all salespeople, in both traditional and non-traditional settings, are suffering from an overwhelming burden of disclosures. You would have difficulty using a simile or a metaphor to describe how a product works these days. That's how bad it's become.

**Robertson:** Of course, we in the insurance business are subject to the very same regulatory restraints that you are. There is a difference in that we have had them for so long that we are perhaps more adept at working with them and through them and managing them.

**White:** I would say that not only do the banks have to deal with the same regulatory constraints that you have in terms of distribution, but there is also an added burden relative to the fact that they are financial institutions distributing insurance. There are some very specific rules that pertain to the banks themselves or even to a third party that sells on behalf of a financial institution. And that's both at the federal and state level. That's not to say that we've got it worse than you guys, though in some respects we probably do. I think it's pretty terrible for all of us.

**Robertson:** I certainly don't want to be in a position to try to defend the level of regulation we have. It is a problem, and the insurance industry is working very hard to alleviate this, not just for competitive reasons. It makes it difficult for us to efficiently do what we do.

**White:** And you have, Dick, a more difficult problem in bringing new concepts and products to market, as Keith acknowledged.

**Perrott:** Mike, Keith pointed out that he can get a product from concept to the street in 90 days. What kinds of time frames do banks deal with?

**White:** Most banks aren't participating directly in the underwriting of product, so it still really remains an insurance company's problem. The banks have to suffer with the timing on the approvals, the filings that their insurance company providers have to deal with.

**Perrott:** I was thinking of not only an insurance product. Dick talked about a gray area where there are some guarantees, but not life guarantees. For example, if a bank comes out with a new series of CDs or something, how quickly can it get the concept to market?

**White:** That's not my specialty area, but I believe fairly quickly. You don't have the same kind of burden.

**Robertson:** Normally an insurance company has its own internal burdens which are more common than other institutions (partly because the time constraints are not as critical for so much of what we do). We don't have the processes to cut through internal roadblocks which other institutions might.

**White:** I might just add one thing: as I said, I think that hardly any banks are participating directly in the underwriting. Most banks in this country don't want to underwrite; they won't underwrite. They're more interested in distribution. The P&C side has become extremely dim in the wake of the past week's events, as has even workers' compensation and many life products to the upscale market. To the degree that banks will participate in underwriting, it's usually through the development of something like a proprietary annuity, whereby the bank shares in the investment management; or consequently, it can augment its fee income through that participation, or it may be through reinsurance. For instance, banks can establish a captive reinsurer for mortgage guarantee insurance. The direct writers come in and they offer the product, but the banks are able to negotiate a reinsurance deal through their own captive and take down some profits in that regard. They're basically not the direct writers, except for Citigroup, really.

**Robertson:** You're now talking about the other arena of competition. Can a bank more efficiently or effectively underwrite insurance?

**White:** I don't know that I would agree with that. In my mind, that wouldn't be a reason for going into the business. Quite frankly, I've marveled at some of the big bank CEOs who some time ago said they wanted to get into the insurance business when clearly that industry's ROEs were lower than that of their banking peer group.

**Robertson:** There's no question that for a long time, and certainly in the current environment, return on equity from insurance is significantly less than from banking activities. That's a reason why you would not want to get into our business. Although if you did, it would mean that at least temporarily your cost of capital would be less than ours.

**White:** Actually, the ROEs are not stellar these days in banking. If you look at the banking organizations with greater than $10 billion in assets, for instance, in 2000, their ROE was 14.4%.

**Robertson:** That's not very exciting.

**White:** No, it's not. It's slightly better than the recent results of the insurance industry.

**Robertson:** We'd be delighted to get that consistently, but it's something to strive for. I do have some concern to the extent that financial institutions begin to cross lines: if your industry were to get much more intensive in insurance, or conversely, if insurance companies were to move into banking. Your risk management skills, processes, and activities are organized to manage your risks very well. We don't have those skills. We have a different set of risk management skills. The result is that when insurance companies try to get out of our area of expertise and into yours, we're asking for trouble and have gotten into trouble from time to time. Conversely, when people outside of the insurance industry get into our industry without building their insurance risk management skills, they get their heads handed to them pretty regularly.

**White:** Wouldn't you agree that, to the extent a company is going to go outside its normal boundaries, the only way they can do it is to recruit the professionals from that industry sector they wish to enter?

**Robertson:** Well that's the first place. They also have to take care to respect the things they have to do to do it right. That's where they get into trouble more often.

**White:** Management has an idea about the banking business or the insurance business that doesn't match reality.

**Robertson:** I'm not just saying that it's the people outside the insurance industry. We sure screwed things up ourselves from time to time. There are some horrible stories of failures resulting from insurance companies trying to do something and not doing it right: guaranteed investment contracts, as one example.

**White:** I'll just throw this out to you. I remember before Gramm-Leach-Bliley, when the Insurance Commissioner of Puerto Rico approved Banco Popular's sale of variable annuities, and the agents came back and pointed to the mortality guarantee in the contract, whereupon he reversed himself, and said, no, this is insurance. He no longer would permit the bank distribution of variable annuities. You can't win. Somebody is going to lose, no matter what. But yes, you also have the problem because of those guarantees.

## Capital requirements

**Perrott:** Dick, I know capital is an area that you've thought about a lot. Do you want to comment on the difference in capital structure both in required capital (capital that's required to have an acceptable rating, not necessarily required by law), and what is counted as capital?

**Robertson:** Well, any product that's written in an insurance company is going to increase the capital that the insurance company is going to be required to carry in order to satisfy its constituencies: rating agencies and to some extent state regulators. In both cases, I'm reasonably certain those requirements are in excess of those someone might require outside the insurance company. Obviously, in a mutual fund company, there is no capital supporting it other than the fund itself. In banks, you do have capital constraints, but you tend to look at this as fee income, which doesn't have very heavy capital requirements. To the extent there is any additional capital requirement in an insurance company, there is a cost. It is aggravated by the fact that, at least in today's environment, I tend to believe the cost of capital for most insurance companies is higher than the cost of capital for other institutions; that adds to the burden.

**Perrott:** Is that driven by what you can count as capital?

**Robertson:** I'm not sure that I know that. What you can count as capital is elusive. In some cases, it almost depends on the particular time, and what the levels of

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**Sample Capital Ratios For Representative Banks (June 30, 2001)**

| | Jumbo bank | Large bank | Large bank | Small bank |
|---|---|---|---|---|
| Assets ($billions) | >400 | ~100 | ~100 | 3 |
| Equity Capital/ Assets | 12.16% | 10.33% | 6.90% | 9.11% |
| Tier 1 RBC Ratio | .7.52% | 8.44% | .7.32% | 9.07% |
| Total RBC ratio | 12.49% | 12.07% | 11.14% | 10.36% |

concern are out there. These are not regulatory capital requirements, or, if they are, the regulatory requirements are not the major constraint. For certain rating agencies, the perceptions of the public and the government count, and these conditions vary.

**White:** It's pretty capital-intensive in the banking business. Like the insurance industry, it has risk-based capital rules. They need just to be adequately capitalized. Recently, I saw a bank in trouble—Superior Thrift out in Illinois where we were about to have congressional hearings last week. It was required to have in excess of the amount for adequate capitalization, which is 8%; well capitalized is 10%.

**White:** Pertaining to the insurance and investment product distribution, I think Dick is right, those are not as capital-intensive activities; those are essentially agency functions. They are not without risk, but have far less risk than the underwriting of products. I think that that, in fact, is part of the attraction, as he said: fee-income-generating activities that require far less capital.

The industry as a whole is well capitalized. The bigger they are, the less well capitalized they are, but certainly well capitalized. That's probably also a sign as to why the larger banks that possess in excess of $10 billion in assets have a higher ROE. They're deploying their capital better, and they're basically not sitting on it or parking it. If you compare those very large banks, for instance, to community banks under $100 million (the smallest group), the last two years' ROE was less than 9.1%. It's been in decline for eight years; this will probably will be the ninth year. Conversely, their total risk-based capital at that size bank averages 17.4%, which is more than twice what is required for an adequately capitalized bank.

**Robertson:** Are the returns low because they are more highly capitalized, or is something else going on?

**White:** Well, they are very highly capitalized and I don't think they are distributing their capital to many of its more productive ends. What were you thinking?

**Robertson:** Basically, I was thinking that's more a problem than a favorable aspect. I think that's what you're saying, and it's why your industry is seeing a lot of consolidation.

**White:** Exactly.

**Perrott:** The percentages Mike is quoting are percentages of Risk Adjusted Value. The Basel Accord specifies the calculation of Risk Adjusted Value for each class of assets and liabilities. It is 0% for treasuries and 100% for commercial loans. It is best viewed as a type of "Value at Risk" measurement.

***Please refer to the Sample Capital Ratios table at the top of this page.*** *The difference between the Tier 1 and Total ratios indicates differences in capital structure; the larger the difference between the Total ratio and the Equity Capital/Assets ratio, the less risk the bank is assuming.*

**Robertson:** How reasonable are the risk-based capital requirements relative to what a knowledgeable person would say is reasonable?

**White:** When the requirements first came out (in the wake of the thrift crisis), a lot of institutions felt that some of them were onerous. They've learned to live with them and accept them. I know there's talk about redoing them and arriving at other standards. To me, they're not unreasonable, but to others they may be.

They're still out there. It's a capital-intensive business like insurance is, unlike, more so, the mutual funds business, which has its own problems.

**Robertson:** Clearly, in terms of strictly an investment activity, to the extent that we have to take those assets into our balance sheet, it's going to have a significant capital burden relative to an organization that doesn't. Of course, we can both enter the mutual fund business and conduct that with whatever capital it takes to run a mutual fund business.

**White:** There was a time when that's where the money was going, into Fed funds and government treasuries, bills or bonds. Under the risk-based capital rules, for instance, T-bills have a risk-weight of zero under BIS capital requirements. In other words, there are investments that banks can make/have made that are less capital-intensive. They are equally often less productive. In the immediate wake of the thrift crisis, banks put enormous sums of money into U.S. government instruments, rather than other assets, because they were deemed without risk. This is why Greenspan gets credit for saving the banking industry during the thrift crisis. He raised and stabilized interest rates in the late 1980s and early 1990s, giving banks a safe place to invest assets that produced a higher yield than other potential investments or loans at that time.

**Robertson:** It also means that a mutual fund should not or probably cannot be offering very much in the way of guarantees. There isn't anything to support it.

**White:** Have you seen any discussion about starting to package guarantees of some sort in mutual funds?

**Robertson:** I don't have any direct experience, but I've heard it's being considered, possibly being done in some places. But, of course, you can at least conceptually do this; you can find someone who would underwrite a guarantee outside a mutual fund. The biggest challenge that I see there is that it's difficult to price those adequately; therefore, it doesn't get done much.

**White:** Are you seeing more questioning about the death benefit within the annuity in the pricing and mortality experience?

**Robertson:** I think there is an issue as to whether the product is being appropriately priced within the insurance industry, or the extent to which we may or may not be subsidizing that guarantee from other elements in the pricing process. The pricing formula is not closely related to the risk or to the cost of the product. You can find certain situations where the pricing may well be inadequate in situations or maybe redundant, both among different products and over time. So far, that hasn't been an issue, but it could become one.

**White:** Could I just ask one other question related to that, in terms of products that are offering some new features to protect against risk like involuntary unemployment? I'm thinking specifically about annuities. I know that some carriers have been coming out with this, and it's probably to be expected dealing with lifestyle issues and overcoming sales objections, like what if I have to go into a nursing home, what if I'm laid off at work? Are you seeing anything about those features relative to the price?

**Robertson:** I'm not close enough to that part of our business to give you an answer as to how pervasive they are. My first impression is that it sounds like an area where an insurance company can get in trouble, if it's not careful. We have a history of mispricing or mismanaging things where there is a significant economic environment risk. Health or disability benefits are the most substantial examples, but there are others. It sounds like all those problems and more may exist with unemployment coverages.

## Tax treatment

**Hartstein:** Something that's always plagued the mutual fund industry is the way that capital gains and dividends get treated within funds. First, a company with outstanding stock gets taxed on its earnings. Then the company distributes a dividend to all its stockholders including mutual funds that hold shares of the company in their portfolios. This is a taxable event for stockholders. In turn, the mutual fund typically passes these gains along to its fund shareholders. Those shareholders who hold the mutual fund in a taxable account are then taxed on this distributed capital gain. In essence, the same money is being taxed twice.

**Perrott:** You might want to explain just how they're treated. I think there's a segment of our readership that's not that familiar with the mutual fund tax treatment.

**Hartstein:** First, the companies we invest in get taxed on their income and pay dividends from after-tax income. Second, if we (as the shareholder) sell those shares and realize a gain, we have to pay out 98–99% of our capital gains every year, just to maintain our registration status as a mutual fund company. The shareholder in the fund company gets hit with the taxable consequences. Last year was a particularly nasty year in which a lot of mutual funds had capital gains in a down year because they were harvesting gains from 1999 in 2000. That put many of them in the unenviable position of having to declare capital gains in a down year. I don't think that will be the case this year. I think everybody has plenty of capital losses this year to carry forward.

**Perrott:** Is your point that a mutual fund is in the peculiar position of reporting capital gains to its holders at the same time that their net equity value has decreased?

**Hartstein:** Correct. And then the holders may or may not have a gain in their position. They may have bought the fund more recently and end up having to pay taxes on what in essence are somebody else's gains. And they don't get the chance to realize their personal gain or loss until they exit the fund and sell their shares, at which time they end up hit with another tax bill.

**Robertson:** Of course, these are problems only when the fund is held outside a qualified pension plan. If you have qualified pension plans, including IRAs, it's not a concern. But with a non-qualified plan, it certainly is.

**Hartstein:** Something like 60–65% of industry assets are held outside qualified plans. If Congress comes up with a way to alleviate some of the tax burden on mutual fund shareholders, it would be much to our delight in the industry.

**Robertson:** It is true that an annuity holder has taxes on investment income deferred, although they're taxed at ordinary rates when taken out of the annuity. The deferral can be very long, depending on what is held and why it is held. From a tax perspective, in an unqualified environment, an annuity held for the long term has significant advantages over a mutual fund. If it's held for a shorter period of time, those advantages are offset by the disadvantages.

**White:** Your point about the taxation, for instance, of annuities, in terms of capital gains versus mutual funds, isn't always quite so obvious to many of the distributors, particularly those working in wire houses who have a widespread prejudice against annuities, by virtue of the fact that capital gains inside an annuity are deferred, but effectively converted into ordinary income when realized and taxed at a higher rate. I don't buy that myself, but it's common.

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**Robertson:** If the purpose of the investment is relatively short-term, that can become a serious disadvantage of an annuity. In fact, I think most would agree that it's inappropriate to use an annuity where the holding period is expected to be only a few years. On the other hand, for a longer term holding, the tax benefits can easily offset the higher rate paid. In a sense, I prefer to defend that kind of difference.

**White:** I'm in absolute agreement with you. I think it's the unseasoned investment rep that will hold that prejudice.

**Robertson:** It is an area in which the insurance company has an advantage, although you get offsetting costs in regulation and the expense structure. I think the expense structure exists for more than just to carry that kind of product long-term. Each product is more effective in certain situations. As long as you have someone who's managing that properly, it works out well. I agree there are far too many situations where it's not being managed properly.

**White:** And to the extent it's a variable annuity, it's not part of the general obligations of the insurance company. Thus, the risk attending the product is really the annuity holder's investment risk.

### What are the effects of these differences on the consumer?

**Perrott:** The one other place I'd like to go is to talk about how these impact the consumers of your products. Clearly there are differences. You could make the argument that the differences lead to an efficient market, and so the consumer is well served. Or you could argue that the differences introduce unnecessary expenses into the system, and the consumer is ill served.

**Robertson:** I'm sure there are examples of both. In general, on the banking side you have federal guarantees. Where they apply can represent a significantly higher level of consumer protection than any insurance operations can provide. But that comes with a cost, the cost of the federal guarantees. In the insurance environment, the customer guarantees are also there but they're weaker and generally have more limitations, and they aren't as well understood. Of course, it comes with a cost there as well. I think I'd make a general statement that in most cases the market sorts it out pretty well. But there are undoubtedly situations where the market doesn't and the wrong kind of product is sold under the wrong circumstances or even misrepresented.

**White:** Obviously, regulation has its cost. The differences in these product features, in terms of their taxation and capital requirements and regulation, affect what it is they offer. At the very least, one could argue that they afford choice. Choice is not free. A benefit comes with a cost, and if you want a mutual fund, instead of a variable annuity, well, this is what you pay for it. I would say this, though: one area where I'm concerned, and I know many other people are, has to do with long-term care, where there is not significant experience, where the federal government has come in and probably more than muddied the waters by offering tax-qualified versus non-qualified rules. A product whose delivery of benefits is really contingent upon local, regional, community facilities, health-care delivery capabilities. You have these companies that have come in, some of which have requested 4,000% increases in their long-term care premiums, which is of concern. I'm worried, for instance, how the NAIC is going to react to this. They're considering model legislation, and I suspect that they probably look at the whole issue. They tend to look at the whole issue from a consumer protection, don't get ripped-off by paying an expensive premium and not having it locked in point of view.

**Robertson:** That's a product that can be difficult. It is impossible to forecast the costs of long-term care accurately. Therefore, it is critical that you have a product that allows the insurer to adjust the price as costs emerge. If you don't do that, you can break the company and that won't do anybody any good.

**White:** Or they'll just withdraw from the marketplace and the need won't be met.

**Robertson:** The problem is that, as you suggested, this can lead to abuses, so there's a very important need for the regulators to encourage proper management of the product pricing while at the same time avoiding the abuses. This is a problem that exists with a number of coverages—the health and disability areas are examples. They have a lot of experience with this sort of regulation, but it's not an easy thing to do. It's not an easy thing to manage. It's one of the reasons why we have a heavy regulatory burden. We have to support the regulatory environment to deal with things like this. One aspect is that it's regulated on a state-by-state level and that adds to our burden. But I'm a defender of that process because the issues in different parts of the country are different. In some, the costs can be significantly different; in others, the culture can be significantly different. How you control abuses can be different.

**White:** I certainly agree in terms of long-term care. For example, look at costs of coverage in the Northeast versus the Southwest. The cost of the coverage reflects the cost of the healthcare.

**Robertson:** It means that we have to be attuned to local conditions.

### Wrap up

**Perrott:** This discussion has been very helpful. Thank you for each taking time from your schedules to participate in this discussion. It is particularly helpful to get the views of people outside the insurance industry. Thank you on behalf of *The Actuary.*

## 1998-99 Redington Prize Awarded

To promote investment research, the Investment Section sponsors a biennial prize of $2,000. The prize is named after F. M. Redington, the eminent British actuary who coined the term "immunization" in a 1952 paper in the Journal of the Institute of Actuaries. This is the sixth award since the prize was first established.

The Council would like to thank all those who took the time to send in nominations. The Prize Committee received a total of 11 nominations. Many worthy papers were submitted, and, therefore, the Committee's decision was not an easy one. For the 1998–99 publication period, the Prize has been awarded to: "Term Structure Models: A Perspective from the Long Rate" by Yong Yao (A.S.A.) in *NAAJ,* Vol. 3, No. 3 (July 1999).

The paper responds to an important need in the actuarial profession, which is the valuation of long-term insurance or pension plan cash flows where the yield curve, as measured by prices of traded securities, does not exist. The paper partially answers two questions: in frictionless markets having no arbitrage, what should the behavior be; and, in known term structure models, what *can* the behavior be. In frictionless markets having no arbitrage, yields of all maturities *should* be positive and uniformly bounded from above. The yield curve should level out as term to maturity increases. Slopes with large absolute values occur only in the early maturities.

The paper goes on to show how the long rate behaves in well known term structure models. Practitioners using these models at these longer durations should be aware of their behavior.

On behalf of the Investment Section, the Council would like to congratulate and thank Mr. Yao for the exceptional work he has accomplished. The Council also expresses its gratitude to the members of the Prize Committee. These are Nino Boezio, Luke Girard, Jeremy Gold, David Li, John Manistre, Robert Reitano, Michael Sherris, Elias Shiu, Ken Seng Tan and Richard Wendt.

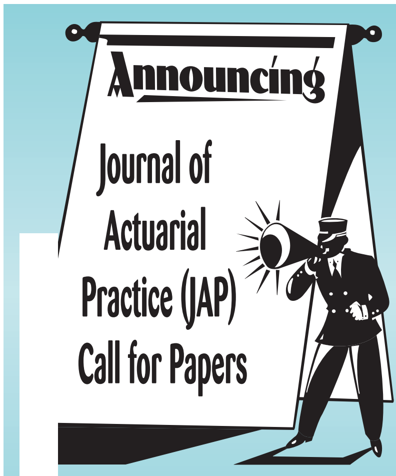
The next Redington Prize will be awarded in 2003 for papers published in 2000–01.

## Your input is needed by the SOA for upcoming Annual Member Satisfaction Survey

Is SOA meeting your expectations? What do you value as an SOA member, student or employer? How can SOA programs, products and services best prepare you for the future? If you have asked such questions, be prepared to participate in SOA's annual Member Satisfaction Survey, which will be conducted during the month of November.

In an effort to increase the value for your dues and to ensure that SOA continuously offers the best value through relevant and meaningful products, services and programs, SOA will conduct member satisfaction surveys on an annual basis. Starting in November and continuing through mid-December, members will be randomly selected and contacted over the phone by Marketprobe, a Milwaukee-based market research firm that specializes in both association and industry research. Results of the research will be used to guide any needed changes in programs and improve processes within SOA.

SOA would like to ensure we are meeting your needs and expectations and can only improve if we receive your feedback. Please take the time to provide your input if you are randomly selected by Marketprobe to conduct a satisfaction survey. Marketprobe will be flexible to your time schedule. If you have any questions or comments about the survey, please contact Meredith Lego, Marketing Manager, at *mlego@soa.org.*




Papers may be on any subject related to actuarial science or insurance. Papers do not have to contain original ideas.

Preference will be given to practical or pedagogical papers that explain some aspect of current actuarial practice. JAP also accepts technical papers, commentaries and book reviews. As an international journal, JAP welcomes papers pertaining to actuarial practice outside North America. Papers may be submitted electronically via e-mail in Microsoft Word, Word Perfect or LaTex. All papers are subject to a peer referee (review) process. E-mail abstract by December 1, 2001 and paper by February 1, 2002 to the Editor.

Colin M. Ramsay, Editor

Journal of Actuarial Practice

P.O. Box 22098

Lincoln NE 68542-2098, USA

Phone: (402) 421-8149

Fax: (402) 421-8149

**E-mail:** *absalompress@neb.rr.com*

**Web:** *http://www.absalompress.com*

## Call for Papers:

### American Risk and Insurance Association 2002 Annual Meeting, August 11-14, 2002, Montreal Canada

You are encouraged to submit a proposal to present research findings at the 2002 meeting of the American Risk and Insurance Association (ARIA). Papers on any risk or insurance related topic are welcome. Specific subject areas include, but are not limited to, insurance law or regulation, public policy, economics, finance, health care, international issues, employee benefits or risk management.

*Place de La Dauversière, a public garden across from City Hall, opened in 1997.*

Executive summaries (not exceeding three pages) that focus on the purpose, expected results and importance of the research are preferred. The names and affiliations of all co-authors, with telephone and fax numbers and e-mail address of the designated contact person, should be provided on a separate cover page attached to the proposal. Proposals from doctoral students are encouraged. The deadline for submission is February 15, 2002. This deadline will not be extended.

Proposals may be submitted via regular mail or e-mail. If you decide to submit your proposal via regular mail, mail four copies to the ARIA Vice President and 2002 Program Chair: Robert E. Hoyt, University of Georgia, Terry College of Business, Brooks Hall 206, Athens, GA 30602-6255, USA

**Telephone:** (706) 542-4290

**Fax:** (706) 542-4295

**E-mail:** *t-aria@terry.uga.edu*

Proposals may be submitted electronically either in the body of an e-mail message or as a file attachment. File attachments written in Word or Wordperfect are preferred.

Questions or suggestions concerning the program can be directed to Dr. Hoyt. Other questions about the meeting should be directed to the ARIA office by phone at (610) 640-1997, fax at (610) 725-1007, or e-mail at *aria@cpcuiia.org.*

For more information about ARIA, visit ARIA's Web site at *http://www.aria.org.*

# research corner

## Retirement Systems

The SOA has contracted with Victor Modugno and Ryan Labs, Inc. to conduct two different 30-Year Treasury studies to identify one or more indices designed to approximate the interest component underlying annuity rates that might be found in "close out" quotations for a terminating plan.

The SOA has contracted with Mathew Greenwald & Associates to conduct a survey of working persons and retired persons to assess their attitudes and activities related to the various financial risks faced during retirement.

The SOA has contracted with Robert L. Brown, of the University of Waterloo, to conduct a literature review phase of the research project, "Factors Affecting Retirement Mortality." This investigation will probe the impact on mortality of various risk characteristics, such as education and income.

Now available on the SOA Web site (*www.soa.org*) is the draft report, "Models for Retirement Policy Analysis" by Joseph M. Anderson, Capital Research Associates. This draft report describes existing models and data sources for projecting the effects in the financial environment and public policy on the design and cost of retirement benefit plans. It is a living document and will keep changing based on comments sent to the SOA and continuing work of the researcher. The report may be found at the following internet address: *http://www.soa.org/research/macrodemographic/macrodemographic.html.*

The Retirement Plans Experience Committee (RPEC) is requesting data for the Society of Actuaries' current quinquennial uninsured pension plan mortality study. The most recent study helped us to prepare and publish the RP-2000 Mortality Tables Reports. This table, available on the Internet at *http://www.soa.org/research/rp2000.html,* is currently being considered by the Secretary of the Treasury for Current Liability calculations. A new study is needed to monitor recent mortality experience and follow up on areas cited in the RP-2000 Report for further study. If your firm would like to contribute data, please contact Julie Rogers (*jrogers@soa.org*) for information.

## Health Benefit Systems

The SOA has contracted with Suzanne Resnick, a technical writer, to bring the HEDIS 3.0 Measures project to completion.

## Experience Studies Life Insurance

A subcommittee of the Society of Actuaries' Committee on Life Insurance Mortality and Underwriting Surveys has completed its "Older Age Underwriting Practices Survey Report" and it is now available on the SOA Web site (http://www.soa.org/research/rarchive/oaupsr.htm). From the home page, click on Research. Then, click on the "Older Age Underwriting Practices Survey Report." This survey investigated how underwriting practices differ for the older age insurance market.

## CKER Update

### 2002 Individual Grants Competition

CKER has recently made some changes to the process of applying for Individual Grants. To facilitate the process for both researchers and reviewers, preliminary letters of intent for the 2002 Individual Grants Competition will be due by November 30, 2001. The deadline for submitting proposals is January 15, 2002. Grant awards will be announced by March 30, 2002. Additional information and guidelines can be found on the Research page of the SOA Web site (*www.soa.org*).

### Statistical Methods for Monitoring Health Care Process Measurements

Marjorie Rosenberg's research, "A Statistical Method for Monitoring a Change in the Rate of Non-Acceptable Inpatient Claims," has been accepted for publication in the October 2001 issue of the *North American Actuarial Journal.* The paper, an extension of her earlier work, presents a statistical control model to inexpensively supplement current efforts to track and reduce unnecessary expenditures.

## AERF Activity

### Wooddy Scholarships

AERF is pleased to announce the five recipients of Wooddy Scholarships for the 2001–02 academic year.

- Kelly Baluta, Drake University
- Paul Houchens, Ball State University
- Katherine Karius, Robert Morris College
- Michael Lai, University of Waterloo
- Tamara Schlauch, Massachusetts Institute of Technology

### David Garrick Halmstad Memorial Prize

The 2001 Halmstad Prize for the best contribution to actuarial literature published in 1999 has been awarded to Uwe Schmock for his paper, "Estimating the Value of the Wincat Coupons of the Winterthur Insurance Convertible Bond: A Study of the Model Risk," published in the *ASTIN Bulletin*, Vol. 29, No. 1, 1999.

### James C. H. Anderson Memorial Award

The James C. H. Anderson Memorial Award is being given for outstanding papers submitted for presentation at the 27th International Congress of Actuaries (ICA) being held from March 18–22, 2002, in Cancun, Mexico. The ICA Scientific Committee is administering this award on behalf of the Actuarial Education and Research Fund. Three prizes will be presented: one $10,000 (U.S.) award and two $5,000 (U.S.) awards.

Contact Oliva Sanchez, chair of the ICA Scientific Committee (*scientific@ica2002.com*), for additional information.

E&E corner

## Rescheduled Valuation Actuary Symposium begins "Powerful" week of continuing education

*by John Riley, SOA Managing Director of Continuing Education*

The Valuation Actuary Symposium, originally scheduled for September 13–14 in Boston, has been rescheduled for November 29–30, 2001 at the Walt Disney World Dolphin/Swan Resort in Orlando, Florida. The symposium is followed by a "Power Week" of 10 seminars covering topics in the life, financial reporting and pension areas held at the same location from December 3–7.

The events of September 11 made conducting ValAct during that week impossible, but the overwhelming sentiment of registrants was to have the event—even in a reduced format if necessary—before December. The Boston hotel could not accommodate it in October or November, leaving SOA with the option of placing the meeting either after the Annual Meeting in New Orleans or prior to Power Week in Orlando. The registrants and presenters were surveyed via e-mail and they picked Orlando by a sizable margin.

The plan is to keep the ValAct program intact as much as possible. Sessions scheduled on Thursday morning in Boston will occur at the same time on Thursday morning, November 29, in Orlando. Some sessions will have to be cancelled due to the inability of presenters to attend at a different venue and the lack of time to recruit new speakers. The revised schedule of sessions is available at www.soa.org.

Several courses offered during Power Week provide a very good complement to the ValAct program. In particular, the Impact of Codification on Statutory Accounting (December 3), A Layman's Guide to Building Capital Market Scenario Generators (December 3–4), Tying Together Profitability Measures (December 5), and Introduction to Life Reinsurance (December 6–7) are excellent offerings for actuaries involved in pricing, product development, investment and financial reporting. Complete descriptions and registration information for all Power Week seminars can be found on the SOA Web site.

## Early 2002 Symposia to focus on advanced age mortality and long-term care insurance

SOA Continuing Education begins 2002 with an exploration of the challenges and opportunities created by extended longevity and an interdisciplinary approach to long-term care insurance. These two major conferences are:

Living to 100 and Beyond: Survival at Advanced Ages

Walt Disney World Swan — Orlando, FL

January 17–18, 2002

Second Annual Intercompany LTCI Conference

The Beverly Hilton — Beverly Hills, CA

January 27–30, 2002

Over 25 presentations at the "Living to 100" symposium will look at the underlying factors causing the increase in supercentenarians and examine new methods to project advanced age mortality. Experiences from other countries will have a prominent place in the program, which provides useful information to demographers and gerontologists as well as actuaries.

The LTCI conference features 45 sessions in six tracks covering actuarial, claims, compliance, management, marketing and underwriting considerations. Over 25 companies involved in LTCI services will be exhibiting at the three-day event. The inaugural conference drew over 400 attendees.

Visit the SOA Web site at *www.soa.org* and click on the "Meetings/Seminars" button in the left-hand column for agenda and registration information.

# Actuarial Positions Available

**ASSISTANT PROFESSOR: PCN 00246**

The Department of Mathematics at the University of Louisville invites applications for one tenure track Assistant Professor position in actuarial science and applied mathematics, to begin July 1, 2002.

Preference will be given to candidates whose research interests lie in actuarial science, financial mathematics, or applied analysis, who have passed at least one actuarial exam, and are interested in continuing the development of an existing actuarial science program. A Ph.D. in mathematics or a related area is required. Candidates must show strong potential in research and teaching and have effective communications skills. Applications should include: (1) the American Mathematical Society's standard cover sheet, (2) curriculum vitae, (3) summary of research interests, (4) statement of teaching qualifications, and (5) at least four letters of recommendation, including letters which discuss, in some detail, the candidate's teaching qualifications and interest in actuarial science. Applications should be sent to: Search Committee, Department of Mathematics, University of Louisville, Louisville, KY 40292. Review of applications will begin January 14, 2002 and continue until the position is filled. E-mail questions to *math@louisville.edu.*

The University of Louisville is an Affirmative Action/Equal Opportunity Employer and encourages women and underrepresented minorities to apply. Applicants must comply with the provisions of the Immigration Reform and Control Act.

The Mathematics Department at Illinois State University is seeking applications for a tenure-track faculty position in Actuarial Science beginning August 16, 2002.

Qualifications: A Ph.D. in Mathematics, Actuarial Science,Statistics, or an Actuarial-Science-related area is required.

Actuarial certification by the Casualty Actuarial Society or the Society of Actuaries is desirable, but not required. Pursuit of such a certification is expected.

Responsibilities: The person selected will be expected to work with the Actuarial Program Director in the administration and service areas, teach courses related to actuarial science, pursue research and professional involvement in actuarial science, and otherwise contribute to the life of the department. Refereed research publications, quality teaching and professional service are required for tenure.

Rank and Salary: Rank is at Assistant or Associate Professor. Salary will commensurate with qualification and experience.

To Apply: Send an application, curriculum vitae, official transcripts, and three letters of recommendation to: Illinois State University: Actuarial Science Position, Dr. Catherine Konsky, Chairperson, Department of Mathematics, Campus Box 4520, Normal, IL 61790-4520.

For additional information on the position contact: Dr. Krzysztof Ostaszewski, FSA, CFA, MAAA, Actuarial Program Director, E-mail: *krzysio@ilstu.edu,* or consult the program Web site: *www.math.ilstu.edu/krzysio/actprog.html.*

To ensure full consideration, application materials should be received by December 23, 2001. However, later submissions may be considered if the position remains unfilled.

Illinois State University is an Equal Opportunity/Affirmative Action employer encouraging diversity.

University of Wisconsin-Eau Claire has a tenure-track position in mathematics to provide leadership in enhancing actuarial science programs. Either 1) an earned doctorate in mathematics or a related discipline or 2) an earned masters in mathematics or a related discipline and a senior level certification in actuarial science is required. Must present evidence of teaching excellence, have a commitment to undergraduate teaching for both majors and non-majors and demonstrate potential for sustained scholarly activity.

A desire and ability to engage in student/faculty collaborative research will be considered an asset. Responsibilities include teaching undergraduate mathematics courses, scholarly activity, academic advising, and service including providing leadership in actuarial science programs. Individuals are encouraged to visit our Web site at www.uwec.edu for information about the University and further details about the position.

Send a letter of application, vitae, complete transcripts (official transcripts will be required for appointment), and three recent letters of recommendation, including at least one addressing teaching effectiveness, to Tom Wineinger, Mathematics Department, UW-Eau Claire, Eau Claire, WI 54702-4004. E-mail *wineintw@uwec.edu.* To ensure consideration a completed application should be received by December 3, 2001. Screening will continue until position is filled.

*UW-Eau Claire is an EO/AA Employer.*

# soa web report

## *Record* update

Visit the SOA Web site (*www.soa.org*) for sessions from the Chicago Annual Meeting, October 15-18, 2000. All Chicago sessions available for release to the public are now on-line. Some sessions from the Dallas Spring Meeting are now also available on the Web site. The session transcripts and Tables of Contents can be found by clicking on The Actuarial Library Search from the SOA home page and then selecting the *Record* and performing a search from there.

## New on-line directory

Coming in December 2001, the Society of Actuaries' new on-line directory will feature enhancements such as improved search capabilities, additional member information, secured member area for submitting changes, and real-time updates of submitted changes. Be sure to visit the SOA Web site at *www.soa.org* for future updates.

## Task Force on Education and Qualification 2005

Check out the Report of the Task Force on Education and Qualification 2005 on the SOA Web site (*www.soa.org*). This report has been generating a significant amount of interest and discussion. Visit the SOA Web site for the full text of the report (available in PDF format), and then visit our Discussion Forum and look for the topic "Education 2005" to give us your feedback.

# Joint Board extends deadlines for Continuing Professional Education and for Renewal of Enrollment

Many enrolled actuaries work in the New York metropolitan area and their lives have been disrupted in this time of national emergency. A number of professional meetings have been postponed or cancelled due to travel disruptions resulting from the terrorist attacks on September 11, 2001. These disruptions may well prevent a number of enrolled actuaries from completing their continuing professional education credits by December 31, 2001. In light of these circumstances, the Joint Board for the Enrollment of Actuaries is extending the dates for both Continuing Professional Education and submitting the Application for Renewal of Enrollment. These extensions will apply to all enrolled actuaries.

## Continuing Professional Education (CPE)

The Joint Board is extending the period by six months through June 30, 2002, during which the CPE requirement must be fulfilled for the current cycle. Enrolled actuaries will have a choice whether hours earned from January 1, 2002 through June 30, 2002, will count for the current enrollment cycle or the subsequent enrollment cycle.

Enrolled actuaries are required by the regulations to retain, for a period of three years after the end of an enrollment cycle, the following supporting documentation regarding CPE:

1) The name of the sponsoring organization
2) The location of the program
3) The title of the program and description of its content
4) The dates attended
5) The name of the instructor, discussion leader or speaker
6) The certificate of completion and/or signed statement of the hours of attendance from the sponsor
7) The total core and noncore credit hours

Enrolled actuaries whose records were destroyed or are inaccessible as a result of the terrorist acts should try to reconstruct their records as completely as possible, establishing each of the items above. The Joint Board will be liberal in waiving this requirement for any affected enrolled actuary if supporting documentation for some or all of CPE courses taken in the last three years are unavailable.

## Extension for Use of the "99-" Prefix — Application for Renewal of Enrollment

The Joint Board will soon begin mailing out the Application for Renewal of Enrollment (Form 5434-A). The Joint Board is extending the date by which the Application for Renewal of Enrollment is due to July 31, 2002. The Joint Board will continue to process applications as they are received, and applicants are urged to complete the form and mail it in as soon as all CPE requirements are met. Once you receive written confirmation of your re-enrollment, you should begin using the "02-" prefix. The Internal Revenue Service and Department of Labor will not reject the "99-" prefix on a document with a signature dated before September 1, 2002.

# Market research planned

*by Meredith Lego, SOA Marketing Manager*

You know all too well that the profession faces critical challenges. Both the environment in which actuaries operate and the needs of the marketplace are changing dramatically. For example, the convergence of the insurance and financial service markets within regions and across the world suggests the need for skills that are transferable and global. Employers desire not only a large pool of talent, but also a talent pool that includes candidates with more diversified skills. And while actuaries have the knowledge to make important contributions to national and global issues, they aren't always consulted or utilized by many industries that need solutions for risk-related business problems due to increased competition by other professionals and low awareness.

As a result, SOA is taking steps to ensure actuaries remain vital resources in solving key business problems. To begin, under the guidance of the Strategic Planning Committee, SOA is conducting research to more aggressively identify marketplace/employer needs. As stated by Larry Zimpleman, who is leading the Strategic Planning Committee that reports to the Board of Governors, "I see our need for market research as living out the motto of the SOA—that is, we need to substitute facts for appearances and demonstrations for impressions." Volunteers overseeing the research effort include Larry Zimpleman, Howard Bolnick, Norm Crowder, Chris Desrocher, Stuart Klugman, and Jim MacGinnite. Leading Solutions Group, a management consulting firm, is conducting the market research on behalf of SOA.

The research will cover both the traditional practice markets and the financial service markets. While there are other new markets within enterprise risk management that have yet to be explored, researching more "known" markets first will provide a basis to define how other sectors can be approached in the future.

The research will:

- Identify the most important skill set required by the employers
- Determine perceptions in the marketplace of actuaries and their skill sets
- Identify changes to the existing education and qualifications to ensure actuary skill sets meet marketplace requirements
- Identify new markets in which there exists demand for actuarial skills, but in which actuaries are not currently employed
- Determine potential opportunities for actuaries

SOA wants to ensure that your profession remains valued in the market. Our success, however, relies on our ability to add value to you. Please tell us what you think. If you have questions about this research, contact Meredith Lego, Marketing Manager, at *mlego@soa.org*.

## Correction

Paragraph three of Arthur A. Windecker's Letter to the Editor "OASDI financing problems" (*The Actuary,* October 2001) should have read as follows:

"With regard to Problem Number 2—the misunderstanding, disagreement and confusion—articles have been published from time to time to help arrive at a solution. One of these articles by Michael Kinsley was in the October 18, 1999 issue of *Time Magazine* under the title "The $150 Billion Shell Game." Another article by Mark Weisbrot was in the March 15, 2000 issue of *The Washington Spectator* newsletter entitled "The Sky Isn't Falling—It's a Phony Crisis." The most recent such article which has come to my attention was credited to Michael Duffy in the August 6, 2001 issue of *Time Magazine;* it was headed "The Sky Will Fall in 2016." The recent letters to The Editors of *The Actuary* by Bob Myers and Haeworth Robertson, mentioned above, as well as the present letter by myself, could be said to fall in the same category."