



SOCIETY OF ACTUARIES

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RESEARCH CORNER

Task force formed

A task force advocated by Immediate Past President Sam Gutterman has been formed to assess the effectiveness of current SOA research projects. This assessment will take into account the SOA's strategic objectives and financial resources and the impact of research activity on members' professional activities.

Specifically, the evaluation will seek to determine:

- Whether the SOA research structure is well aligned to systematically identify and initiate sound projects consistent with SOA strategic directives and strategic and tactical issues
- How well these projects are conducted and completed, in light of defined study objectives and timing
- Whether SOA staff, volunteers, and funds are used effectively in the process.

The task force met January 31 and finalized a work plan. An integral part of that plan is interaction with members through surveys and interviews. To provide input, please contact Norm Crowder, SOA research vice president and chair of the task force (phone: 941/514-3921; fax: 941/514-2784) or Warren Luckner (phone: 847/706-3572; fax: 847/706-3599; e-mail: wluckner@soa.org).

News from CKER

Twenty-eight applications were submitted in response to the research grants competition announced last fall by the Committee on Knowledge Extension Research. Committee members are completing their final review of proposals. Awards will be announced in April.

Several projects have been completed or are nearing completion.

- “Statistical Methods — Count Data”: This project develops a method for combining count data from different sources, using maximum likelihood procedures. The methods will be implemented in SAS code.
- “Random Mortality Rates and the Analysis of Selective Lapsation”: This research assesses the suitability of various models in analyzing insured life mortality and develops ideas for modeling the relationship between mortality and lapse rates.
- “Credibility Using a Loss Function from Spline Theory: Practical Considerations”: This research provides a method to balance the sometimes conflicting goals of linearity and accuracy when using credibility methods to estimate expected claims.

Initial reports for the following projects have been submitted and are being reviewed by the project oversight groups (POGs).

- “Interaction Between Asset Liability Management and Risk Theory”: The researcher is studying the relationship between asset liability management and risk theory.
- “Is Social Security a Regressive System?”: The researcher is conducting a literature review to identify research addressing this issue with respect to both the Canadian and U.S. social security programs.
- “Bounding and Asymptotic Behavior of Ruin Probabilities in Collective Risk Theory”: The researcher is developing new constructive probabilistic methods which enable obtaining two-sided bounds and investigating asymptotic behavior of ruin probabilities in collective risk theory. The intent is to derive accurate two-sided bounds for probabilities of ruin and investigate their limiting behavior by obtaining corresponding convergence rate estimates. The methods developed are

intended to be applicable to a variety of risk models and useful for both numerical calculations and simulation experiments.

Finance area update

The modeling conference “Actuarial and Financial Modeling — Towards a New Science,” held December 16-17, at Georgia State University in Atlanta, met its objectives of presenting issues and raising questions. The conference was well received by the 60 attendees, who were especially positive about the content and format. The conference was dedicated to the memory of Edward A. Lew, 1973-74 SOA President, a long-time, committed supporter of the Society's research efforts whose dedication served as inspiration for the conference. Contact Sherri Fiore for information on how to receive copies of the conference tapes and handouts (phone: 847/706-3537; fax 847/706-3599; e-mail: sfiore@soa.org). Some papers presented are expected to be published in an upcoming issue of the *North American Actuarial Journal*.

The “Value at Risk” project oversight group has expanded the scope of the project to investigate integrative approaches to risk measurement in the financial services industry. The POG plans to sponsor the publication of a VAR reader, offering a way to get up to speed on the topic. In addition, a call for papers has been developed in conjunction with the scheduling of a late fall conference on the topic.

Health benefit systems activity
The Managed Care Effectiveness Working Group has engaged Jill Schield from Northwestern University to craft a cohesive document following their proposed outline. A draft document has been circulated for comment.

A POG has been formed to study applications of credibility for health coverages.

Results of the “Group Long Term Disability” pilot study were presented at a session during the October 1996 annual meeting in Orlando. The

committee is preparing a report for publication in the next *TSA Reports*.

The Individual Disability Experience Committee expects to complete the "1986-91 Individual Disability Study Report" in the second quarter of 1997. Life insurance news
The Committee on Life Insurance Research plans to update the "Generally Recognized Expense Table for Life Insurance Sales Illustrations" for 1996 data.

The "1990-93 Structured Settlement Annuities Experience Study" is complete. It is currently available through the Books Department for a copy fee. It will be published in the 1995-96 *TSA Reports*.

Retirement systems activity
The POG for the "Macrodemographic Model Feasibility Study" expects to review the draft report submitted by Capital Research Associates in March.

A research team, led by Michael Sze, completed the "Ontario Plan Termination Study." Copies of the report are available from the SOA Books Department for a copy fee; the report will be published in the 1995-96 *TSA Reports*.

Steve Kopp of the University of Western Ontario, researcher for the "Turnover and Retirement Rates Study," is preparing the final report, incorporating the comments of the POG concerning the second interim report.

The Retirement Plans Experience Committee is preparing a set of mortality tables based on the data collected for the GATT mortality study. Subcommittees are considering graduation and projection methods. An interim report will be released in late summer.

The Safest Annuity Rule Task Force is drafting its final report describing the results of the surveys and the PBGC plan termination data analysis. The report is expected to be released this spring.

New projects include a study of mortality projections, chaired by Marilyn Oliver, and valuing embedded options in cash balance plans, chaired by Bill Torrie.

The "1991-92 Group Annuity Experience Study" report is complete. Copies are available from Karen Haywood in the Research Department (847/706-3547; khaywood@soa.org). The study will be published in the 1995-96 *TSA Reports*.
Committee updates
The Committee on Research Coordination is developing policy guidelines for the solicitation and evaluation of proposals to conduct research activities. Draft guidelines have been distributed to members of the Research Project Oversight Subcommittee and the Experience Studies Oversight Subcommittee for review and comment. Policy guidelines related to charging for research activity products and the creation and distribution of databases for public use have already been approved by the SOA Board of Governors and have been included in the *SOA Policy Manual* and *Research Volunteer Reference Manual* and have been circulated to committee chairpersons for implementation.

During a January conference call, the Research Project Oversight Subcommittee started prioritizing project activity for August 1, 1997, through December 31, 1998. Research ideas are always welcome. Please contact Judy Yore (phone: 847/706-3573; e-mail: jyore@soa.org) in the Research Department with your suggestions.

The Experience Studies Oversight Subcommittee has been working to enhance the value of the SOA's experience studies effort. One of the necessary steps identified is improved communication with experience study contributors and the need for staff to support this effort. During its January 17 meeting, the Board of Governors approved the creation of a new staff position: experience studies administrator. The primary responsibility of this position is to initiate and coordinate regular communication between current and potential future data contributors and other parties to the experience studies process. Karen Haywood, former SOA research assis-

tant, has been promoted into this new position. She assumed her new responsibilities in mid-February. SOA Monograph Series Monographs based on SOA research projects available through the SOA Books Department include:

- *A Study of Public Employee Retirement Systems*
- *A Study of Public Financial Guarantee Programs*
- *A Comparative Analysis of Methods of Health Risk Assessment*
- *Group Medical Insurance Large Claims Data Base Collection and Analysis*

The monograph *Valuation of Interest Sensitive Financial Instruments* is available through Frank Fabozzi Associates (215/598-8926).

Keep in touch with research
An updated "Resources from Research" brochure was distributed to the membership with the January issue of *The Actuary*. Additional copies are available from the SOA's Research Department. The brochure presents concise information about SOA research activity end products and how to obtain them.

Remember to check Actuaries Online, the SOA's electronic bulletin board, and the SOA's Web site (<http://www.soa.org>) for requests for proposals, calls for papers, research reports, and other research information. Comments about any SOA research activity can be directed to the Society's Research Department at 847/706-3500.

Revised notice for May Course 200 candidates

For Course 200, the *Spring 1997 Associateship and Fellowship Catalog* requires the new 1996 *Mercer Handbook of Canadian Pension and Benefit Plans* (11th Edition) by G.M. Hall, not L.E. Coward as stated in the catalog.

The title of Hall's book was incorrect in the notice to candidates in the January issue of *The Actuary*.