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GUEST EDITORIAL

ONE of the distinctions of the business world in which we all live is that we don't have any report cards. If we did, I think ten years from now the actuary who has tried to cling to his traditional role might find written across his the most damning of modern euphemisms: *Underachieving*.

The word carries with it a compliment; a compliment as to capacity. And it carries with it a criticism; a criticism as to how well the actuary is capitalizing on his abilities. I suggest that the actuary must change from the comfort of his traditional role or run the risk of becoming irrelevant.

Today the actuary tends to work in the retrospective . . . setting his rates on historical evidence. But the actuary was the pioneer . . . and the ultimate test of the pioneer is his ability to keep pace. Looking ten years from now . . . with its situations and its demands . . . we have to question whether the traditional actuary might not be subject to the following comments: He takes a precise, but limited, view of life . . . He is superbly skilled with statistics, but often fails to include all the relevant data such as social and economic trends, inflation, rising costs and other available information that is pertinent to his answers . . . He is a master of problem solving, but often abdicates the role of defining what the problems are to be solved . . . Looking in the opposite direction from the problem, he often wants to end with analysis — offering neither interpretation, projection nor management recommendation . . . The actuary, in love with exactness, has a fear of the intuitive. He lets this carry over and contain his creative ability . . . The actuary functions within a business for most of his professional life, but neglects the necessary attitudes of a businessman.

The demands of the world in which we function are forcing us to change — to redefine our roles and our relationships within the organization — as well as that of the organization within the community. The actuary is being offered alternatives. The only alternative that is not being offered is that of maintaining his traditional role. If he tries to do so, he will be relegated — quietly, subtly, but efficiently — to the function of a technician. And the actuary will be superseded by a new level of organization — the operations researchers. This would be a mistake and a waste, because the new role being offered is ideally suited to the training, background, skills and experience of the actuary.

I am suggesting to many of you that you must change. You will make mistakes, but they will be mistakes of action . . . the mistakes of achievers. You are being presented with the challenge of change, and with an opportunity.

Sterling T. Tooker

NOTE: We present as our guest editor Sterling T. Tooker, President of The Travelers Insurance Companies, who spoke at the meeting of the Casualty Actuarial Society in Hartford recently. We are grateful indeed to Mr. Tooker and to the Society for the privilege of reproducing here excerpts from his stimulating address. The full text will be published in the forthcoming Proceedings of that Society.

VARIABLE ANNUITIES TOPIC AT CHICAGO MEETING

by Malcolm MacKinnon

There has been a sharp increase in the last two years in the adoption of state laws permitting the writing of variable annuities, according to a report at the Society's Annual Meeting in Chicago.

Group variable annuities may now be written in all states except Mississippi, Missouri, North Carolina, North Dakota, Pennsylvania and South Carolina. Individual variable annuities are now permitted in 30 states and the District of Columbia.

An excellent summary of the state legislation and regulation governing variable annuities is contained in a paper presented to the recent Conference of Actuaries in Public Practice by Maximilian Wallach, Actuary of the District of Columbia Department of Insurance.

NAIC Examination

Under certain circumstances, variable annuities may be sold only by a person who has taken a special examination. This is required under the Securities Exchange Act of 1934 and also by certain states. In conjunction with the SEC, the National Association of Insurance Commissioners has developed a variable annuity examination known as the NAIC examination. This two-part examination is administered by the states. Part I satisfies SEC requirements and Part II satisfies state requirements for the sale of variable annuities. To date, about 30 states have adopted this examination.

An important development was the formation of a sub-committee of the ALC-LIAA Joint Legislative Committee to study administrative and legislative developments in connection with federal and state regulation of segregated accounts and variable annuity contracts, both individual and group, with a view to determining if there should be an industry approach to the problems involved.

The sub-committee has set up two task forces. One is dealing with the regulatory problems involved where registration under the Investment Company Act of 1940 is required. This includes consideration of possible amendments to the federal securities statutes to deal specifically with variable annuities, diffi-

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