



SOCIETY OF ACTUARIES

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Uncertainties cont'd.

dignity and respect that, in spite of all our accumulated knowledge and all our intensive efforts, the principal ingredient in our recommendations is our judgment?

Some may fear a misunderstanding by the users of our services and, therefore, conceal uncertainty with a screen of precision. Others may be afraid of using their best judgment and, therefore, try to hid behind that screen. These are futile attempts; uncertainty is here to stay.

Francisco R. Bayo is Deputy Chief Actuary in charge of long-range projections and economic and demographic research for actuarial purposes at the Social Security Administration. He has been with Social Security for 28 years. Mr. Bayo is also a former Pension Section Council member, author of several TSA papers, and winner of the Triennial Prize.

AERF Selects Monograph Author

The AERF is pleased to announce that Charles L. Trowbridge has been selected to write a monograph on the intellectual foundations of the actuarial profession. Mr. Trowbridge is the retired Senior Vice President and Chief Actuary of The Principal Financial Group.

Mr. Trowbridge's other activities during his distinguished career include service as Chief Actuary of the Social Security Administration, as Professor of Actuarial Science at the University of Michigan, as Editor of *The Actuary* and as SOA President.

The need to define fundamental actuarial concepts moved the Interim Actuarial Standards Board to promote

such a monograph under AERF sponsorship. The monograph will be a broad-brush portrait of the profession, not a textbook. One goal is to stress that actuarial science derives from certain ideas or concepts used by *all* actuaries. The monograph is intended to help unify and coordinate the profession, and be a foundation for building actuarial standards. Our profession suffers from being little known to the public. A clear statement of fundamental actuarial concepts can do much to better define the actuarial profession for others.

As the monograph is being written, a distinguished panel of reviewers will be employed to ensure that all areas of practice are appropriately covered. AERF intends to publish the monograph in time for the centenary celebration scheduled for Washington, D.C., in June 1989.

Dear Editor:

Medicine in the Year 2000

I found Harry M. Oliver, Jr.'s, article in the January 1988 *Actuary*, "What Medicine Will Look Like in the Year 2000," both interesting and thought provoking. I would like to add a few comments.

In most fields, research and improved technology lead to certain efficiencies and cost reductions. Medicine, however, is unique. Research and improved technology seem to result in additional services and improved quality of care. Just think how many routine procedures done today were virtually unheard of only a few years ago. Who knows what will be (or could be) routine medical care in the year 2000?

Obviously, one of the well recognized causes, is the third party reimbursement mechanism. Other contributing causes are the nature of doctors' training (cure the patient regardless of cost), and the fact that the traditional economic supply and demand theories do not appear to apply to health care even in the absence of the third party payor system.

With the expectation that health care will continue to grow at a faster rate than the overall economy and the continued aging of the U.S. population, it would seem that the nation will eventually need to seriously address the possibility of health care rationing in some form.

Raymond J. Marra

Travel Time

As a 1987 FSA who plans to remain close to the plight of actuarial students, I would like to challenge some of the points made by M. David R. Brown in "Travel Time Under the New Examination System" from the November 1987 issue of *The Actuary*. He states that students taking the new parts of old Part 5 in May 1987 were affected favorably overall by the introduction of FES. I contend that they were unfavorably affected.

Mr. Brown states that of the 608 students (767 - 159) who sat for all four parts in May 1987, 191 (88 + 103) would have become ASAs under the old system. This translates to a pass rate of 31.4%, which is significantly below the pass rates of the May 1986 (42.9%) and November 1986 (40.0%) Part 5 exams. It is possible the number of candidates who failed one or more of the sub-parts but would have passed the old Part 5 was underestimated. Mr. Brown does not indicate how this was calculated — were the results of all 608 candidates combined and a pass score determined on a basis consistent with prior years? It is also possible that it is indeed more difficult to pass all parts of the exam, and therefore travel time for candidates will increase considerably in the aggregate.

I would argue the latter, for the following reasons:

1. Of the 159 candidates who did not write all the exams for which they were registered, presumably, most, if not all, would have written Part 5 if it were still an all-or-nothing exam. Very likely, some of them would have passed. One cannot assume that since they did not sit for 1 or more exam(s) that they would not have at least attained a minimum standard on the part(s) in question and passed the exam as a whole.

2. It is more difficult for a candidate to be as well prepared for each of the four exams as candidates who are only taking (or taking seriously) one, two or three of them. I am concerned that candidates good enough to have passed Part 5 the first time under the old system will now require at least two exam sessions to get through the four parts, thus adding time as well as frustration to their actuarial student journey.

On the whole, I am in favor of FES. However, the concerns expressed here bother me. Perhaps the set of candidates writing all four exams should be considered separately in determining their pass mark.

Mark S. Selit