



SOCIETY OF ACTUARIES

Article from:

The Actuary

September 1988 – Volume 22, No. 8

ARIA promotes cont'd

growing segment of the ARIA membership is increasingly committed to

- i) requiring that even quantitative articles be written in a manner which facilitates understanding and
- ii) devoting a larger proportion of the *Journal* to nonquantitative topics.

D. Support for Book Awards

Each year, ARIA selects two of the best books on insurance or related matters published in the previous year and presents cash awards to their authors at the annual meeting. The purpose is to encourage high quality publications about insurance.

E. Specific Assistance to University Insurance Professors

Two recent annual meeting sessions have been designed to improve the quality of insurance teaching. The first was an annual seminar on pedagogical techniques sponsored by the Insurance Information Institute. It provided a forum for leading educators to assist members with their teaching techniques. The second is the recently instituted Pedagogical Seminar. In this seminar, leading scholars in insurance and related disciplines present summaries of cutting edge topics related to the teaching of insurance. The intent is to encourage and assist professors to incorporate these topics into their classes.

F. Encouragement of Academic/Industry Interaction

Industry leaders are encouraged to attend ARIA meetings: in some instances, personal invitations are sent to officers of industry associations and they are accorded special guest status. In addition, ARIA provides funding for its president to accept invitations to industry association meetings.

In an effort to increase communication between the two organizations, SOA staffed a round-table discussion of current research issues at ARIA's annual meeting August 14-17 in Reno.

Curtis E. Huntington is Corporate Actuary with New England Mutual Life Insurance Company, Boston. A past General Chairperson of the E&E Committee, he is now a member of the Education Policy Committee, the Research Policy Committee and the Board of Governors.

Executive Committee and Board of Governors report of significant actions

by Anthony T. Spano

Executive Committee — March 8-9, 1988 — Phoenix

For the second ballot of the Society's 1988 elections, the Committee approved a classification of candidates and continuing Board members by area of practice. Included as areas of practice would be such categories as insurance company, insurance consultant, pension consultant, health consultant, and teaching. The objective is to achieve appropriate representation from each major segment of the membership on both the Board and the Executive Committee.

Board of Governors — May 18, 1988 — Louisville

The Board accepted the final report of the Task Force to Revitalize Society Research. In accordance with Task Force recommendations and as part of additional efforts to strengthen significantly the role of research within the Society, the Board:

- Approved creation of a Research Development Fund to accept donations and grants to be used for initiating and developing research activities and programs approved by the Board.
- Approved provision of \$25,000 for specific worthwhile research projects identified by the Research Policy Committee, to be made available for expenditure on the approval of the Executive Committee.

The Board authorized the appointment of a joint committee with the Casualty Actuarial Society to articulate actuarial principles. It also received the final report of the Committee on Life Insurance Company Valuation Principles, authorized that the report be made available to the Society membership upon request, directed the Committee to turn its report over to the new Actuarial Principles Committee for its consideration, and discharged the Committee with thanks.

Anthony T. Spano is Actuary, American Council of Life Insurance. He is Secretary of the SOA.

A means of comparing unit reserves on different valuation bases

by Henry R. Ramsey, Jr.

The heightened interest and concern with respect to statutory valuation bases and the increasing emphasis on effective-management-basis financial statements have resulted in a greater need for a means to compare different reserve bases. Formula B in Table 1 enables a duration-by-duration comparison of the components of the calculation of two different valuation bases (one designated by primed values, the other by unprimed values).

(Ed. note: The 14-step derivation of the formula, not printed here, can be obtained from the author at his Yearbook address. The derivation makes use of, among others, formula A [see Table 1].)

The author explains that this is general formula, expressed in a form suitable for use with reserves on a "level-return-on-equity" [level ROE] basis. A paper describing the level ROE reserve basis was distributed to Financial Reporting Section members in February 1987.

The Generalized Comparison Formula

The generalized comparison formula (formula B — see Table 1) assumes that the unprimed reserves ignore taxes and do not take into account that the company may require a return on its invested assets that differs from the expected investment earnings rate. Thus, unprimed reserve bases could include statutory and GAAP valuation bases as currently defined.

This formula says that the difference in reserves at a given duration (using "new" for primed values and "old" for unprimed values) is equal to the present value at the new valuation rate of the following at each future duration:

- (a) the excess of the new valuation rate over the new interest rate times the new asset value at the beginning of the year
- minus (b) the excess of the new valua-