

### Article From:

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#### EDITORIAL BY THE PRESIDENT

Dwight K. Bartlett, III

#### PROFESSIONAL VALUES, SITUATIONAL OR UNCHANGING?

Your Editor has been gathering facts about actuaries who were active in North America before the Actuarial Society of America was founded in 1889, and has been getting a lot of help with this enjoyable project from many history buffs, including myself, among our members. My hope is that this will prove to be the first step in compiling a definitive history of the North American actuarial profession, in time for our centennial year, 1989.

Has this project any purpose beyond satisfying the natural curiosity we have about our history? I strongly believe it has. It should help us appreciate more thoroughly that our professional values, far from being transient, have remained unchanged and will always be fundamental to our proper conduct as professionals. Each of us might articulate these values differently, but are unlikely to differ about their substance. On my own list I would place integrity, commitment to public service, humility, excellence, courage and vision.

If the nature of these values is so obvious, why do I waste the opportunity that writing this message gives me? Because, while we might come up with strikingly similar lists if we just stopped to think about it, the accelerating pace of change that confronts us gives us too little opportunity for doing so. Hence, recognition of these values must be spontaneously and automatically basic to our professional conduct. Happily, there is clear evidence that these values have been second nature to the overwhelming majority of actuaries.

Some criticize the Society for alleged laxity in enforcing proper professional conduct, citing the rather few public disciplinary actions the Society has taken over the years. My conviction is quite the contrary; I believe the Committees on Discipline have discharged their responsibilities with distincton; therefore, the rarity of such cases affords clear evidence that our members' conduct does reflect observance of these fundamental values. Further testimony is found in the excellent record that our members have had in performing leadership roles in the organizations they serve, which in turn have by-and-large served the public ethically and well. Our record, though, is not totally free of blemish: witness the involvement of actuaries in abuses that led to the Armstrong Investigation three-quarters of a century ago, and, in modern times, in the Equity Funding Life scandal.

An important aid in maintaining our generally excellent record lies in encouraging our members to embrace these values fully. Increased awareness of our profession's history, good and bad, will surely reinforce that process. So I encourage all members to take a personal interest in the history project, both for the pleasure it offers and because of its bearing upon observance of the fundamental values that justify us in calling ours a profession.

#### LETTERS

#### A. & H. Premiums and Reserves

Sir

There has been considerable discussion among health actuaries and others about the propriety of "level premium" medical care insurance in an inflationary environment. Some consider it absurd to have adjustable premiums that inevitably rise because of inflation; I believe this not absurd but completely appropriate.

A person insured for many years should pay a lower premium than does one of the same age recently insured. But this is possible only under an issue-age premium structure which builds a reserve to support claims that increase by policy duration. Such an approach is neither anachronistic nor unrealistic. It does require close attention to disclosure and to accumulating adequate reserves, and it may require distributing at least some portion of those reserves if the company declines to renew that block of

Far from removing the reserve requir ment as John T. Gilchrist suggests (Sep. issue), regulators should enforce adequate reserve requirements so that companies will maintain and demonstrate adequate and stable price structures. To measure experienced results in combination with the anticipated future (the "lifetime" test in the NAIC Rate Filing Guidelines), net level reserves including appropriate select and ultimate assumptions and appropriate interest and persistency assumptions are essential, otherwise the aggregating of new and old business data will obscure the reality of the experience.

As to whether or not long-term inflation should be assumed in premiums and reserves, the disclosure problems and the equity problems when conditionally renewable policies are terminated by company initiative must first be solved. Clearly it is unfair to permit a company to charge and to increase premiums that contain provision for policy reserve increases, and then to recapture those reserves by non-renewal. Non-renewal should call for repayment of the policy reserves in some way.

Such repayment would be particularly appropriate when premiums and reserves include a future inflation assumption, inflation being a factor over which neither the insured nor the company has

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