



SOCIETY OF ACTUARIES

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Complete actuary cont'd

The actuary with these highly developed skills is a valuable member of the corporate management team. How can the pricing actuary (or the actuary in another area) develop the skills necessary for success at this position, or other similar senior positions? Problem-solving and technical skills result naturally from actuarial education and training. Development of other skills may require additional preparation. For example, it would be helpful to volunteer to work on projects with people from other departments, giving the actuary increased visibility in the organization and increased knowledge of functions of other areas. Another possibility would be to take a public speaking course, which will make it easier to give presentations and participate in meetings. Writing memos should be viewed as an opportunity to improve written communication skills. Many companies offer helpful courses in basic management and supervision as part of their training programs.

The type of position described above requires considerable managerial expertise from the successful candidate. However, for those possessing or willing to work hard to develop the necessary skills, a very rewarding career path is available.

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Mail alert

The First Ballots for the Society's 1990 elections were mailed to all Fellows on March 27 and should have been received prior to the arrival of this issue of *The Actuary*. To be valid, ballots must be returned to the Society office by May 1.

In memoriam

D. H. Samuel Bateman FSA 1954
Milton J. Goldberg FSA 1940
John S. McQueen ASA 1981

The 1991 Census in context of the Canadian statistical system

by Edward T. Pryor

(Foreword: This article on Statistics Canada continues the series on federal government statistical agencies sponsored by the Committee on Government Statistics.

Statistics Canada contrasts sharply with the U.S. statistical system. Canada's statistical system is centralized in Statistics Canada; in the United States, independent statistical agencies gather, analyze and report on their own areas of interest under the general direction of the Office of Management and Budget (OMB). There has been a continuing debate in the United States on adopting a centralized system like Canada's with persuasive arguments on each side. Both systems have advantages and disadvantages although in practice they are more alike than not.

*This article describes the Canadian statistical system and plans for the 1991 Census. A rereading of the article on the U.S. Bureau of the Census in *The Actuary*, September 1988, is suggested.)*

Fundamental to understanding a nation is the information it collects to tell about itself — information on its population, labor force, economic life, education of its citizens, quality of its housing, transportation networks and social and cultural life.

The collection of this information represents an enormous task that literally involves all of its citizens. As Canada's central statistical agency, Statistics Canada has to collect, analyze and publish statistical information that describes the economic and social conditions of the country and its citizens.

To accomplish this effectively, Statistics Canada has organized its programs into three broad subject areas: demographic and social, socio-economic, and economic. The demographic and social statistics program monitors the growth and composition of the population, including fertility and mortality trends, geographic distribution, ethnic composition, education, immigration and health. The program also provides information about social institutions such as schools, universities and hospitals as well as about

Canada's judicial system and cultural institutions and activities.

The socio-economic statistics program reports on the economic well-being of Canadian households and families: employment and unemployment, incomes, expenditures and the effects of rising consumer prices.

The economic program monitors the performance of the Canadian economy, providing a wealth of data on the total production of industries, the commodities they produce, inputs of production, imports and exports, prices and ownership.

To gather this information, Statistics Canada forms a partnership with all Canadians. In this partnership, every segment of Canadian society contributes and benefits. Canadians provide Statistics Canada with "raw" numbers while Statistics Canada compiles and analyzes this information.

The Census of Population every five years is the cornerstone of this national data system, providing a unique data bank of statistical information not comparable to other sources of data. In contrast to sample surveys, a census is designed to include every resident of a country. A census collects not only fundamental demographic information on everyone, but also adds considerable detail on a sample basis. The Canadian census gathers standard information on many social and economic topics such as religion and places special emphasis on language background and use. The census is unique in at least three basic dimensions:

- It provides nationally comparable standardized information for a specific point in time;
- it covers a considerable range of demographic, economic and social data; and
- it provides information at a small-area level.

This combination of characteristics makes the census a very powerful package of benchmark data applicable to a wide number of situations, policies, problems and developments.

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Canadian statistics cont'd

The paradox of census is that while statisticians and governments place high value on census data, citizens often view it with skepticism. Many Canadians view the necessity to provide detailed personal information to enumerators less as a contribution to the public good and more as an invasion of privacy to be avoided.

Statistics Canada has recognized this attitude as a potential threat to the integrity of the data base. In preparation for the decennial Census of Population in 1991, the agency prepared its most extensive ever consultation program with census data users and interested individuals on the nature and design of the questions to be asked.

Out of a total 3,657 submissions, the most significant message conveyed was a need for an unrestricted census that retained concepts and continuity of data over time. While there was no agreement regarding specific questions, topics such as knowledge of official languages, degrees and certificates and many housing questions were viewed as dubious in value or data quality.

The major issues that emerged from the consultation identified social and demographic concerns that will face Canada until the turn of the century. These include daycare, health issues (specifically as they relate to the disabled), housework, volunteer work and other nonmarket labor activities. Above all, those consulted demanded more and better information on the elderly and the aging of the population. Of course, the census cannot cover all the topics. Other means (surveys, administrative records, etc.) that often are costly will be required to assemble needed information.

In 1988 the agency conducted a National Census Test (NCT) of 56,000 households to test potential census questions for 1991. As the results of both the consultations and the NCT formed the basis of the submission of 1991 Census questions to Cabinet, the form and content of the 1991 Census should reflect a responsiveness to the needs of census data users throughout the 1990s.

Edward T. Pryor, not a member of the Society, is Director General, Census and Demographic Statistics Branch of Statistics Canada.

Primary writers and reinsurance: Sharing challenges of the 1990s

by Thomas M. West

(Ed. note: This is an edited version of an article first published in the December 1989 SOA Reinsurance Section Newsletter.)

No one ever claimed that succeeding in the life-health insurance business was smooth sailing. In fact, those of us who've been closely watching the changes of the last decade would say the waters are rough enough these days that a "small craft advisory" ought to be posted. The winds of change are blowing, and they're going to rock many companies.

As an industry, we're facing some monumental challenges. We're dealing with continuing price competition, a rapid pace of new product introductions, and low or nonexistent profit margins in many cases. Last but not least, we're marketing our products to a totally different kind of consumer — one who's extremely skeptical and distrustful of our industry.

Lincoln National, my company, invests substantial effort in learning about the issues and problems facing our clients. I want it that way, because what happens in the reinsurance marketplace is largely a reflection of what happens in the primary marketplace. Our products must support the primary market's needs — and help resolve problems.

One of the most important trends we've seen in the life and health industry is the shift away from the focus on product prevalent in the early 1980s. I see the focus moving to profit. Instead of continuing to develop a broad portfolio of products to meet market needs, companies have begun to emphasize their own need to be profitable.

The growth of America's aging population has diverse implications for our industry, too. As consumers get older, we'll need to develop new products, such as long-term-care policies, that meet a different set of needs. We'll be called upon to

develop underwriting techniques for an older population, and we'll have to do it without much experience on the books.

More and more, insurers will have to compete for their share of the pie. Banks, investment firms and brokerage houses will continue to market their own products. As deregulation occurs, insurance company partnerships may enter the market as well — especially since the success of these ventures outside the United States indicates they will fare well domestically.

One of the most important changes I expect to see in the health insurance industry is that most companies will tighten underwriting requirements. While some carriers know that profitability has dropped, they continue aggressive, liberal underwriting practices in an effort to carve out more market share. I suspect that some insurers will rack up large losses before we see them put the brakes on, but the industry will need to turn the corner on this problem in order for us all to survive.

We'll be challenged to get tighter control of expenses, too. Some companies may choose to flatten commission scales. Others will increase their focus on more effective use of automation, particularly in administrative and issue functions.

The rapid spread of AIDS will hit the life-health industry harder in the 1990s. The effect will be magnified by the failure of many companies to price and underwrite for it. As more life-prolonging drugs and medical treatments are introduced, health insurers will pay a heavier portion of the costs than ever before.

Another challenge we're facing lies with the consumer perception of the insurance business. We've seen this problem manifest itself in many ways, from the passage of California's Proposition 103 to the general insurance-bashing that often occurs in consumer media. Consumers see us as a "deep-pockets" industry with fat profit margins and as easy targets for litigation.

The problem is partially the industry's own fault. Too many insurance companies regard the agent, not the consumer, as their client. Most of their attention and marketing efforts are directed accordingly.

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