



The ACTUARIAL REVIEW

VOLUME 2, NO. 3

PUBLISHED BY THE CASUALTY ACTUARIAL SOCIETY

JUNE 1975

from the PRESIDENT

Listening to the presentations at our recent spring meeting, I was impressed by the number of panelists who challenged us, as casualty actuaries, to tackle somewhat different assignments from traditional ratemaking and actuarial analysis. We should have the training, skill, and experience to handle the traditional tasks but the panelists were reminding us, and properly, that the same training, skill and experience somewhat uniquely qualify us to perform some other badly needed tasks.

There is growing emphasis on loss reserves, and the use of actuarial techniques in testing adequacy received a lot of attention. Evaluating trends and projecting future results call for model building, ranging from simple to sophisticated. Designing systems and evaluating new projects calls for analytical skills and realistic appraisal of probabilities.

The "capacity crunch" presentation pointed up the importance of financial planning - controlling investment risk, underwriting risk, and cash flow. Mathematical skills and a full understanding of the interrelationship of these factors are qualities needed, and are qualities an actuary should have in abundance.

Many of our members have indicated a strong interest in corporate planning, and this presentation touched on many ways a trained actuary can contribute in this area - analysis of variables to understand and quantify forces at work, evaluating present trends, and projecting future trends and, very importantly, reducing plans to quantitative, bottom line results.

For actuaries who also have managerial ability, there is the potential of growing into responsible administrative assignments. For most actuaries there is the potential of growing into what one panelist termed an "internal consultant"

(continued on page 2)

Casualty Reserve Certification by Actuaries Seen as Inevitable

by Robert A. Bailey

Mr. Bailey is Actuary and Director of the NAIC Data Base. Opinions expressed below are his own and do not necessarily represent the views of his employer.

Recently the NAIC Blanks Subcommittee adopted a requirement that the actuarial reserves of a life insurer be certified by a "qualified" actuary. This follows closely on the heels of the U.S. Pension Reform Act of 1974 which requires a certification by an "enrolled" actuary that the report of a pension plan is complete and accurate and that the actuarial assumptions and methods are

Why Can't The Actuaries Learn To Speak? Why Not Express Opinions Publicly?

by Darrell W. Ehlert

The CAS Board asked Mr. Ehlert to prepare the following discussion of the "expression of actuarial opinion" issue raised by Paul Liscord in his presidential address last November, and by a subsequent editorial and letters in the ACTUARIAL REVIEW. Readers are invited to continue the discussion in these pages.

Have you ever wondered why the Casualty Actuarial Society doesn't issue professional opinions on questions of public interest? Do you wish the CAS would take more stands? Other professional organizations - accountants, statisticians, operations researchers, lawyers, insurance trade associations, regulatory bodies, etc. - seem to have an official opinion on many subjects, including those that we see as actuarial. They obviously influence legislators and legislation. Where are the actuarial opinions? How do we capture and hold our position as experts and mold public opinion in actuarial matters? This whole subject was discussed at length at a recent meeting of the CAS Board of Directors.

Article IX of the Constitution prescribes the procedures for making

(continued on page 8)

reasonable.

The life and pension actuaries, through their professional organizations are busy drafting guidelines for implementing these new requirements. As a result of the new requirements and the corresponding new guidelines, the actuarial reserves of life insurers and pension plans will be prepared with more care and with more awareness of accepted standards than ever before. The actuaries will have more work, more responsibility, more recognition and more professional independence.

The same problems that existed for life and pension actuarial reserves - improperly calculated reserves, inadequate reserves, and inability to identify the persons responsible for such shortcomings - also exist for casualty actuarial reserves. But, no certification requirements presently exist for casualty actuarial reserves. I believe it is only a matter of time before such requirements are adopted. The casualty actuaries, through our professional organizations, should give consideration to what form of certification we would prefer and what guidelines would be needed to implement such a certification, so that we will be prepared for such developments.

Some of the problems in evaluating casualty loss and loss adjustment expense reserves are: what allowance should be made for inflation, and what discount, if any, should be made for interest. These problems are easy to sweep under the rug in the absence of a carefully worded certification requirement such as the life and pension actuaries are facing, and in the absence of formally adopted guidelines.

An interest discount on loss reserves is a touchy subject because the casualty insurers enjoy a tax deferment if they do not discount their loss reserves. But whenever a casualty insurer runs low on surplus it may discount its loss reserves to help maintain its surplus without disclosing the extent of the discount, and if anyone questions the adequacy of its reserves it may then claim that they are adequate after an allowance for interest

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Who Will Certify Casualty Reserves?

The front page of this issue carries a discussion by Robert A. Bailey of the growing importance of certification of the reserves of property/liability insurance companies. Mr. Bailey points out the dimensions of the actuarial problems involved, and suggests that casualty actuaries, facing the inevitability of a certification requirement, might better try to "shape the future instead of waiting for the future to shape us."

The reserve certification problem was listed in the June 1974 issue of the ACTUARIAL REVIEW as one of today's principal challenges to actuaries. Thomas P. Bowles, Jr., President Elect of the American Academy of Actuaries, in his remarks at the CAS meeting last November, emphasized the need for attention to this problem. And at the Greenbrier in May, Robert E. Dineen, Consultant to the NAIC, reminded CAS members of their inevitable responsibilities in this area.

But even dedicated attention to these responsibilities will not produce easy solutions. For one thing, exclusive of the county mutuals, there are over 2,100 property/liability companies in the United States (2,108 are listed in the 1974 Best's Reports) and, as of now, about 625 qualified property/liability actuaries (CAS membership). About 350 of these actuaries are employed in about 80 property/liability companies. Of the remaining 275, about 110 are employed in life and health insurance companies, bureaus or company associations, or governmental departments; and about 90 are retired or otherwise inactive, and may not be willing to accept reserve valuation assignments. Thus there are roughly 75 actuaries available to serve over 2,000 companies. Many of the 2,000 do not write casualty lines, but probably many of the 75 actuaries are not ready to serve those companies who do.

So perhaps casualty actuaries will have to learn to live with the idea of qualified insurance technicians for reserve valuation purposes, "enrolled" actuaries, as Mr. Bailey mentions in connection with pension work.

But what standards will be required, and how will such standards be assessed? Written examinations? Experience records with oral interviews? Will such "enrollees" be permitted to designate themselves as actuaries on page 1 of the annual statement?

This is a sticky issue. We can set the standards for membership in our own professional society, or help to set them for membership in the American Academy, but can we tell the insurance world who is and who is not to be permitted to call himself an actuary? Obviously not. But legislatures can, and now another responsibility looms: To try to influence the standards that legislatures must set.

At the November CAS meeting Mary H. Adams, Chairman of the Committee on Guides to Professional Conduct of the American Academy, said that one of the Academy's major functions is "apprising the public that we have certain standards, what these standards are, and that we recognize our responsibility as actuaries to render service to the public." In our opinion Mrs. Adams went to the heart of the issue. It is vital that the credibility of actuaries be established in the eyes of the public.

Might such "enrollees" as we have imagined present the risk that our credibility will be weakened? To what extent can we be hurt by a mistaken or irresponsible reserve evaluation by an "enrolled" actuary?

And what of professional malpractice liability? What are the risks? It is possible to imagine enormous losses to stockholders, policyholders, and claimants alike if understated liabilities lead to an insolvency; does the burden then rest on the shoulders of the actuary, qualified or "enrolled", who signed the statement?

The CAS has work to do. Sooner is better. M.R.

HELP!

Wanted, editorial assistant for a new actuarial publication. Duties involve news and feature writing, copy editing, proofreading, headline composition, and layout. Remuneration-the heartfelt gratitude of the editors. Must be available in the New York metropolitan area. Requirements-membership in the Casualty Actuarial Society, some knowledge of and interest in newspaper work, a respect for proper syntax, unflappability under time pressure, and willingness to perform a labor of love. If interested please write the Casualty Actuarial Society at 200 East 42nd Street, New York, New York 10017, indicating qualifications.

from the PRESIDENT

(continued from page 1)
(also external!) - with the training, skill and experience to provide our employers or clients with a balanced and objective evaluation and recommendation on a wide range of problems facing insurance companies, rating bureaus, and regulators. Should we be alert and perhaps a bit more aggressive fulfilling this potential?

M. Stanley Hughey

The ACTUARIAL REVIEW

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ASSOCIATE EDITORS..... GEORGE D. MORISON
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M. STANLEY HUGHEY, PRESIDENT; ROBERT B. FOSTER, SECRETARY
The Casualty Actuarial Society is not responsible for statements or opinions expressed in the articles, criticisms, discussions, and letters printed in The ACTUARIAL REVIEW.....

A Publication of The Leader Observer

MAUNDERINGS

by Norman J. Bennett

I have been told that the Society's examinations today are considerably more difficult than they were five years ago, and that those of five years ago were in turn much harder than those given five years earlier. Obviously I derived this interesting intelligence from a current candidate, with his added observation that the sequence of diminishing rigor in standards extends back to our earliest days.

The Examination committee angrily refused to comment officially but one of its more good-natured members pointed me to the budding field of Sociobiology and maintained that the committee is inevitably testing a more educable, more intelligent candidate as each new exam period rolls around. Logically it appears then that John or Jane Doe who will attain Fellowship in 1975 with five additional years of evolution favoring the right genes will be somewhat superior to the class of 1970's Dave Flynn. All would not be lost, however, for Dave, who could condescend ever so slightly to 1965's Dale Nelson who would in turn regain his pride by snubbing 1960's Paul Simoneau.

So the chain would go, back apparently to a barely literate Bill Hazam of 1950 vintage when the exams evidently must have required a Flesch Test score of more than 120 for the candidates of that era.

The above hypothesis concerning the Doe intellects may be rejected out of hand as calumny by some of our more sensitive older members. But hardly one of them would dispute that today's candidates do enjoy one definite convenience that was generally denied their predecessors: It is very likely that both they and the people surrounding them in their companies have a fair idea of who they are and what they were hired to do.

Personnel had job specifications and salary scales for them when they were hired. Building Services automatically assigned them floor space that was attractive and in an acceptable departmental neighborhood - a neighborhood of sufficient stature that the young actuarial student would have to take only minimum care to avoid the appearance of patronizing his non-actuarial associates. The directory in the lobby proudly displayed the word ACTUARIAL, spelled correctly.

The president of the company will have long since forgotten that his first actuary was hired as a mechanical novelty and then only because the INA had one. It would never occur to a current student to wonder seriously if he had been hired as the company's token actuary. In short, today's young high draft choices believe and generally find it to be true that they are being signed for a job that is defined and needs doing.

Others have different memories. Still active and on the premises, only two short steps behind them in time, may be the man who hired the man who hired John or Jane Doe. In very many cases, he is the one who was the company's first actuary.

He will recall that his own welcome was smooth and cordial. But he also recalls the gradual strain of an unspoken conviction of his new associates that whatever needed doing in the company was already being done quite well.

The poise of the underwriter, once he had assessed his own talents vis-a-vis those of the newcomer, changed to a mood of humorless anxiety that found its release in despairing thrusts at the competence of actuarial science. It was in the joint committees of the old rating organizations that the thundering decree "You add up the numbers, we'll set the policy" was first snarled.

Make no mistake, many were intimidated. I know one still-active actuary who to this day can be effectively lobotomized by the presence of the callowest manual-toting young underwriter. Already beset by a subtle outside challenge to the legitimacy of his actuarial specialty, he simply succumbed to the direct attack from within.

As the time passed, however, most actuaries of that era discovered an interesting phenomenon. The belligerents came to regard the harassment more and more as merely initiation rites for the newcomer to a very old field which had existed so long without him. If he had something to contribute, and if he had stamina, he eventually found the place he had been seeking.

Each generation inevitably finds that the problems assigned to it are matched by its ability to respond to them. The existing generation of casualty actuaries faced its problem of seeking identity and staking out its turf rather well even if it is still groggy from the experience.

The Quarterly Review

by Robert L. Hurley

Actuarial Risk Rating For Fire Insurance?

With the near horizon seemingly bare of articles of significance for actuaries, it was suggested that the reach of this column be stretched so that other contributors thereto need not feel restricted to reviews of current publications.

The question posed—"Will the fire (property) business ever find a use for individual risk rating procedures, founded on actuarial principles?" sent me hurrying through the CAS *Proceedings*, for want of any confidence in my limited exposure to casualty rating plans. And the search turned up points of view able to stir the most tired imagination or to jolt a self-esteemed complacency.

The fire field, incidentally, is not unacquainted with individual risk rating plans. A property underwriter might well be quick to offer fire schedule rating as the genesis of all such plans. If this is not persuasive, he may draw from his archives two 1948 pamphlets from the New York Insurance Department on the "IUB [Interstate Underwriters Board] After SEUA" tracing the various fire multiple location rating plans back to the Conway IUB filings. (Conway was a New York insurance commissioner during the 1930's).

It is believed, however, that the difference between these IUB plans and the actuarially oriented individual risk rating plans familiar in casualty insurance will be apparent even in a first reading of Paul Dorweiler's 1934 paper, "A Summary of Risk Credibility in Experience Rating," thoughtfully reissued in the 1971 *Proceedings* for those without ready access to the original publication.

These fundamental concepts were re-examined in Bob Bailey's 1961 paper, "Experience Rating Reassessed" (*PCAS XLVII*), which together with the two reviews thereon (both prize-winning papers in their own right), accented the information to be gleaned on the risk's "inherent hazard" in terms of the relative predictive values of the applicable class rate and the evidence from the risk's own loss experience.

Let us apply these concepts to commercial fire insurance and see how well they fit. Whereas Dorweiler proposed that the risk's own loss experience is the one best common denominator for the numberless combinations and permutations of the many factors which underlie a risk's inherent hazard, the fire schedule rater has traditionally quantified this measure by an engineering evaluation of the physical hazards presented by the particular risk.

Maybe it will not be true forever, but in the past, class rates have been the exception, not the rule, for commercial fire insurance. And, finally, the loss experience of the typical multiple location risk, whatever its predictive value for the casualty underwriter, would hardly be accepted as trustworthy even by the tyro fire underwriter. The difference in attitudes may be ascribed solely to the imputed significance of the typical loss in the respective underwriting disciplines.

Do we seem forced into the finality that risk rating will not work, on actuarial principles, in commercial fire insurance? This may be true. There is, however, at least the tempting suspicion that such an approach might be possible, if we could only redirect our thinking along somewhat different lines.

Now, suppose one were to question whether the engineer's schedule really tested the risk's inherent hazard, as meant by Dorweiler and Bailey and his reviewers. And suppose one were to believe that underlying classification rates were, some day, not an impossible reality for commercial fire insurance. And suppose, finally, the large fire loss problem were found to have an actuarial solution. Then, maybe, as Cicero observed when confronted with possibly an analogous situation, "*Adhuc artem omnino non esse, sed aliquando futuram.*" Or, taking some liberties with the Latin, by an art not yet known, but some day to be discovered.

Jane and John Doe will need every extra superior gene they possess in the coming years. Their problem will certainly be no less. And of course the class of 1980 is only five years off.

from the READERS

FASB ruling

To the Actuarial Review:

I, for one, agreed with the FASB ruling which disallowed the accrual of a charge to income for an estimated loss that had not yet occurred. However, I take a much more tolerant attitude toward a deferred revenue approach. (See Chapter 3 in the new IASA *Property-Liability Insurance Accounting* book, page 62.) Even this approach, however, was ruled out by the statement in the FASB ruling: "Further, in the Board's view, deferral of premiums beyond the terms of policies in force is inconsistent with the concept of revenue recognition set forth in the Audit Guide and is without any conceptual basis." I question whether the deferred revenue approach for *catastrophe exposures* is without any conceptual basis, but that is the ruling.

The interesting aspect of this ruling, however, is the general statement that "deferral of premiums beyond the terms of policies in force" is inconsistent with the proper recognition of revenue. This principle would authorize the accrual of audit additional premiums (which are quantified after the end of the policy period) in those accounting periods that such policies were in force.

Ruth Salzmann

plea for compassion

To the Actuarial Review:

As the wife of a candidate who has passed five exams, I feel that I have had enough experience in living with an actuarial candidate to make the following request. Would you ever consider changing the spring exam from May to February? By the time my husband has taken the May exam the grass is too tall to get through with our mower, it is long past time to put out the garden, it is too late to plant trees, and it is nearly too late for him to begin decreasing his golf handicap. Having the exam in February would eliminate all these problems. Then the fall exam could be in August - before football season's beginning, before school starts and the many activities that accompany it, and before it is time to winterize the car and mower, and plow under the garden (that was planted late to begin with!).

It seems to me that you have little compassion for actuarial candidates by making exams impossibly difficult. The least you could do is change the exam time to make it easier for any family to live with an actuarial candidate during this trying period. It would be interesting to see the statistics of divorce among actuaries and wouldn't surprise me at all to find out that the bulk of them occur in May and November!

The March issue of ACTUARIAL REVIEW requested opinions - this is mine!

From the frustrated wife of a candidate who is relentlessly studying for #6 in May and forsaking all else -

Gail Lamb

Editor's note: Stan Hughey, President of the CAS, responded to Mrs. Lamb's letter with sympathy and compassion, but no promises.

evening sessions?

To The Actuarial Review:

I would like to commend the Sites committee members of the Society for the excellent locations they have chosen for meetings over the past several years.

At the same time, however, I would like to point to a problem that the Sites committee has created through the efficient fulfillment of its responsibilities.

The Spring meetings are being held in such attractive surroundings that the temptations to the members are such that the attendance at the various sessions is less than it should and perhaps could be.

At this point I would like to make it perfectly clear that I do not favor a relocation of Spring meeting sites in an effort to reduce the temptations! Rather, I would like to suggest that consideration be given to experimenting with the idea of holding some evening meeting sessions. The Spring meeting sites, such as the Greenbrier, offer maximum daylight hour attraction but relatively minimal evening hour attraction.

I would be interested in the reactions of other Society members to this idea.

Richard E. Munro

logo

To The Actuarial Review:

We've had our "trademark" long enough. What we still need is a "logo."

Joel S. Weiner

exam criticism

To The Actuarial Review:

Attached is a letter forwarded to the Secretary concerning the sample examination for the new part 4B. The quality of this sample as determined by our students tends to suggest that they might be considerably more knowledgeable than the individuals of the examination committee. I feel that the members of the Society should share the embarrassment I feel when students rightfully question the necessity to work for examinations which evidently have a reasonable probability of being erroneous from conception.

It is very difficult to expect the best from our aspirants when our efforts reflect general disregard for our own examination process and disdain for the emotional involvement of our students in the established procedure.

I have also attached a letter from one of our students to the Secretary concerning the accuracy of Cozzolino & Freifelder's "Underwriting Individual Drivers: A Sequential Approach," *PCAS LX 1973* which is now recommended reading for the Part 4b Examination. It is a forceful review which is unfortunately too late to be meaningfully included in the *Proceedings*. Action should be taken to insure that papers presented, which appear to have sufficient merit for possible inclusion in the exam process, receive rigorous review by other qualified members or future members to preclude articles lacking technical preciseness becoming the hallmark of our official publication.

W. Vernon Rice

Editor's note: Both letters to which Mr. Rice refers were too long to be included in the ACTUARIAL REVIEW. The first letter was signed by Jerry Miccolis, Karen Polage, Stephen Pulis, and Vincent Rowland, in addition to Mr. Rice. It pointed out errors in the answers to the sample questions for Part 4, and questioned the equity of the grading of Parts 4 and 9 of the May 1975 examinations.

The second letter was also from Jerry Miccolis and referred to a lack of rigor in the technical papers of the CAS, particularly the text mentioned by Mr. Rice above. Mr. Miccolis, who refers to himself as "a recent transferee from the Society of Actuaries," spells out in some detail several examples of errors of technique and sloppiness of notation.

A representative of the Education and Examination Committee is expected to reply to Mr. Rice in the next (October) issue of the ACTUARIAL REVIEW.

from the READERS

(continued)

of rhyme and reason

To The Actuarial Review:

Your March issue brightened a day that otherwise would have been filled with spring fever, unmade beds, and numbers puzzles. Thanks very much for the crostic, and love that Mister Bell. But whoever in the world is Dan McNary?

(Editor's note: Actuarial Wife should ask Bob Hunter.)

Perhaps I shouldn't have complained -- at least not so loudly -- about the numbers puzzles in the ACTUARIAL REVIEW. Because have you seen the January issue of *The Actuary*? Naturally, I read the back page first -- the competition page. Yikes! Mathematics in rhyme!

"More rhyme than reason," I said. "Who do they think I am? Mr. Hewitt?"

My favorite actuary looked as if he'd swallowed a lemon -- whole. "Bah!" he said. "It's all because you recognize only one kind of pie."

I should've stopped when I was winning.

But I've learned my lesson: Rule 1, make the beds and bathe the baby. Rule 2, confine those infernal puzzles to the beauty parlor, under the dryer.

And if the actuary sweetens up a bit, bake him a blueberry pi.

Actuarial Wife
(Name withheld by request)

program ideas wanted

To The Actuarial Review:

Was there something you feel was missing from the program of the last CAS meeting? Is there something the Society should include on its next program?

The Continuing Education committee provides topic ideas to the Program committee. It is interested in hearing any ideas you may have.

Please address your suggestions to:

David G. Hartman
Assistant Vice President and
Associate Actuary
Chubb & Son Inc.
51 John F. Kennedy Parkway
Short Hills, New Jersey 07078

Thanks.

David G. Hartman

CAS AFFILIATES

CALIFORNIA

The Spring meeting of SCCAC was held April 10. The featured guest was M. Stanley Hughey, President of the CAS, who discussed new developments and current problems of the Society.

Roger Bovard presented a report on the impact of inflation on the property and casualty insurance business, including observations on inflation's effects on rating and the ratemaking systems.

James Brannigan and Howard Kayton gave a presentation on pre-paid legal arrangements and other legal insurance plans.

MIDWEST

The Midwest Actuarial Forum met July 14 at State Farm headquarters in Bloomington.

The morning program included a discussion on the independence of the actuary, and a panel on solvency issues. The latter included a presentation on

Proceedings

To The Actuarial Review:

I am interested in purchasing a complete, or as near to complete as possible, set of the *Proceedings* of the Casualty Actuarial Society.

Arnold M. Rais
53 Cocksfield Avenue
Downsview, Ontario
Canada M3H 3S7

Editor's note: The office of the Casualty Actuarial Society frequently gets requests for complete sets of the Proceedings. Probably the best hope is that retired actuaries will be willing to dispose of their sets. Incidentally, the writer of the above request is a member of the CAS Invitational Program.

Another request for a set has been received from Norton E. (Doc) Masterson on behalf of Mr. Paul Johansen, one of the most prominent actuaries in Europe.

*Doc Masterson's address is:
1516 Clark Street
Stevens Point, Wisconsin 54481*

premium-to-surplus ratios, investment portfolio variations, and ruin probability theories by a guest, Dr. James E. Bachman of the St. Paul Companies; a review of problems in the application of the McKinsey early warning tests by Stephen P. D'Arcy; and a discussion of regulating for insolvencies by Charles L. McClenahan.

After lunch the meeting concentrated on catastrophe insurance developments and on tort liability problems. In the catastrophe section Dan R. Anderson, Associate Professor at the University of Wisconsin, a guest, talked on Federal programs, present and proposed; and Richard D. McClure looked at possible troubles for insurers posed by HR 1677, a Federal catastrophe reinsurance bill.

The tort liability panel took up consumer legislation, medical malpractice, products liability, reinsurance problems, and automobile no-fault. The speakers were James F. Perry, Associate Counsel of the State Farm Companies; Purser K. Sturgeon; and Rex C. Davis.

NEW YORK

CANY had its summer meeting June 18 at the Chubb Training Center in Short Hills, New Jersey.

The claims-made concept was the subject of the first panel, and was handled by Ronald E. Ferguson, guest Thomas Kellogg of the General Re, and Robert (Gus) Oien, who came out of the midwest to appear on this program. Later the trends in a changing world were discussed by Phillip N. Ben-Zvi and Michael R. Walters.

PHILADELPHIA

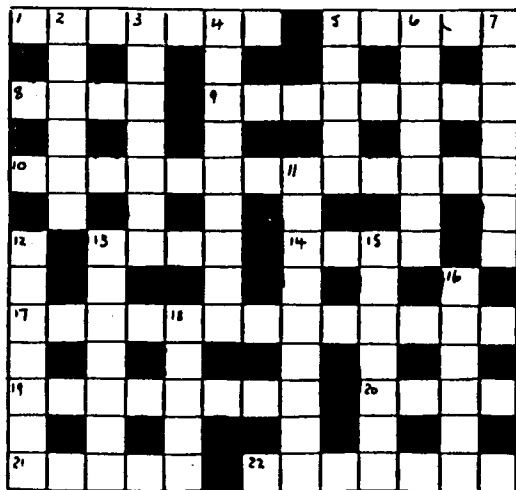
The Casualty Actuaries of Philadelphia (CAP) will meet September 23rd.

Computer Problems
Delay Year Book

Lou Tarbell, Editor of the CAS, reported at the spring meeting at Greenbrier that the printing of the 1975 Year Book had run into computer problems that had inordinately delayed its distribution. The Year Book, like the Proceedings, is produced from computer tapes. The printer changed his computer systems last winter, and Mr. Tarbell said the first proofs of the Year Book were "garbage." The entire book, with all its names and detail, had to be reset.

CAS CRYPTIC CROSSWORD

Because of an emergency just before press time, this space became available, and we are lucky to be able to fill it with an imaginative cryptic crossword. The crossword was submitted to us by James B. M. Murray of the Prudential Assurance Company, Limited, of Montreal. We had been saving it for a future "puzzlement," but are happy to use it in the present crisis.



ACROSS

DOWN

1. Fractional amnesty.
5. Hewitt's favorite function.
8. Sets about the Durhervilles?
- 9, 11 down, 12 down. Are you caustically astatic? Wrong, but you are a member.
10. Electricity reserves or operation index numerator (two wds).
13. A real king.
14. Trot out a law.
17. If you get this you will have solved the problem (two wds).
19. Tired of looking? (two wds).
- 20, 3 down. I.B.N.R.? (two wds).
21. Toys you can get endlessly transformed.
22. Grab ale for an investigation of numbers. You'll need it!
2. Initial American fuel mixture can produce good results.
3. See 20 across.
4. Circular disc off-centred on revolving shaft. Isn't it odd?
5. 19th Century German mathematician.
6. Most gentle led wildly in the mist.
7. Can you say slum around a floral border?
11. See 9 across.
12. See 9 across.
13. To a great extent all grey.
15. Determine to find 17 again.
16. The smaller of the two between eagles and 18.
18. Sea birds.

ASTIN Portugal Meeting Still on October Schedule

By LeRoy J. Simon

The 1975 ASTIN Colloquium scheduled for September 30 through October 4 is currently being reviewed by the ASTIN Council. The present political situation in Portugal raised questions as to whether we would be able to hold the meeting there as planned. Word has been received from the Organizing Committee for the Colloquium assuring us that the arrangements are coming along well and that there need be no fear for the security of the participants nor risk of trouble-brought about by any political circumstances. The final decision of the ASTIN Committee has not been reached at this time (June 30) but preparations have not been halted.

The Organizing Committee for the 1977 Colloquium in the United States is progressing on schedule. Hotel arrangements have been confirmed at the Hyatt Regency. Subjects for the Colloquium have been tentatively proposed as:

1. Theoretical and practical aspects of pricing excess reinsurance contracts (both per risk excesses and catastrophe excesses).
2. The effect of free-flowing currencies on international insurance operations and strategies connected therewith.

On April 17, the U.S. section of the Conseil de Direction of the International Actuarial Association met. It was reported that John Miller and E.J. Moorhead were proceeding with the writing of the U.S. report to the 1976 Congress. John has received contributions from Fred Kilbourne and Matt Rodermund and has forwarded some material to me to review. There are 113 U.S. registrants to the Congress and openings are still available. Group arrangements for flights are going to be proposed so that a significant saving in air fare will be possible for those attendees traveling under this arrangement.

Bailey on Certification

(continued from page 1)

discount is made. Such insurers are usually not paying income taxes anyway, so no additional taxes are incurred by discounting the reserves. An interest discount is a sticky problem because life actuaries insist that all reserves of a life insurer should be discounted for interest. It may not be easy to develop a rationale for not discounting casualty insurance reserves that jibes with the guidelines for life insurance reserves. If guidelines are established, they should deal with this problem so that at least a proper disclosure would be made of what rate of interest was assumed if other than zero, and what effect the interest discount had on surplus, net income, and reserve developments, particularly in the year in which the interest assumption is changed.

Life actuarial reserves are not generally subject to hindsight checks

except in unusual cases such as those involving insolvency. But casualty loss reserves are subject to a hindsight check. Any certification of casualty loss reserves would expose the certifier to a check on the competency of his work. Each year for the next eight years Schedule P would reveal how his estimates had stood the test of time. Some actuaries would regard this as a problem, others as an opportunity.

I have tried in this short space to review the developments which I believe portend the eventual adoption of an actuarial certification of a casualty insurer's reserves. I have tried to explore some of the problems and opportunities that such a requirement would create. I suggest that casualty actuaries would fare better under these circumstances if we plan ahead in an effort to shape the future instead of waiting for the future to shape us.

DEATHS

FREELAND R. CAMERON
April 30, 1975
FCAS 1932

JACOB MALMUTH
July 26, 1974
ACAS 1925

Computational Probability, Numerical Analysis Topics At Brown Actuarial Meeting

The tenth Actuarial Research Conference, on Computational Probability and Numerical Analysis, will be held at Brown University, Providence, Rhode Island, August 28, 29, and 30, 1975. The conference is sponsored by the division of Applied Mathematics at Brown, the Casualty Actuarial Society, and the Committee on Research, and Computer Science, Continuing Education, of the Society of Actuaries. Members of the Society of Actuaries, the Casualty Actuarial Society and others interested in the subject are invited to attend. Attendance will be limited to approximately 100 persons.

The Conference will discuss the effect of computer technology on persons, such as actuaries, whose education, training, and practice relies on probability theory, mathematical statistics and numerical methods. There will be five general sessions: Computational Probability, Numerical Methods, Analysis of Algorithms, Computational Risk Theory, and Computational Statistics. An excellent introduction to the material to be discussed is "A Short Course in Computational Probability and Statistics", by Walter Freiberger and Ulf Grenander, a paperback published by Springer-Verlag New York, 1971 (about \$7).

Participants are invited to submit presentations and discussions not already considered for the Conference. Intent to do so should be submitted to David G. Halmstad (P.O. Box 124, Ridgefield, Connecticut 06877) before the final program is arranged in July.

CAS Members Vote For Favorite Meeting Topics

Corporate planning appears today to be the subject that most members of the Casualty Actuarial Society want to hear about at Society meetings. This revelation emerged from an interest survey of the CAS membership conducted a few months ago by a committee headed by Rafal J. Balcarek. Loss reserves and operations research were the second and third choices.

To questions on the format of meetings no strong attitudes were reported. Apparently the types of programs presented are generally satisfactory.

The areas of interest in order of preference for Fellows and Associates combined are as follows:

1. Corporate planning
2. Loss reserves
3. Operations research
4. Marketing research and new products
5. Reinsurance
6. Risk theory and statistical techniques

YEAR BOOK REVISIONS

- CLARKE, JOHN W.** (Fellow) - Retired. 4955 Caballeros, San Luis Obispo, California 93401.
- FARLEY, JARVIS** (Fellow) - P.O. Box 75, Babson Park, Boston, Massachusetts 02157.
- GOULD, DONALD** (Associate) - North American Reinsurance Corporation, 245 Park Avenue, New York, N.Y. 10017.
- HAGEN, OLAF E.** (Associate) - Retired, 72 Eckerson Avenue, Closter, New Jersey 07624.
- HALL, JAMES A., III** (Fellow) - Vice President and Actuary, California Casualty Group, 1900 Alameda de las Pulgas, p.o. box M, San Mateo, California 94402.
- HEAD, THOMAS F.** (Associate) - Vice President and Actuary, Equitable General Insurance Company, 6300 Ridglea Place, Fort Worth, Texas 76116.
- HOPE, FRANCIS J.** (Fellow) - Retired, 31 Woodland Street, Apt. 6-B, Hartford, Connecticut 06105.
- KAUR, ALAN F.** (Associate) - Actuary-Risk Management Services, The Wyatt Company, One First National Plaza - Suite 4545, Chicago, Illinois 60603.
- LAMB, R. MICHAEL** (Fellow) - Insurance Division, Oregon Department of Commerce, 158 - 12th Street NE, Salem, Oregon 97310.
- LOWE, ROBERT F.** (Fellow) - Nelson and Warren, Inc., 222 South Central Avenue, St. Louis, Missouri 63105.
- MACGINNITIE, W. JAMES** (Fellow) - Tillinghast & Company, Inc. Actuaries/Consultants, 3400 Peachtree Road, N.E., Atlanta, Georgia 30326.
- PARLIN, R.W.** (Fellow) - c/o Neckura, Neckermann Versicherungs AG, 6370 Oberursel 1, Oberstedter Str., 14, Germany.
- WALTERS, MAVIS A.** (Associate) - Assistant Vice President, Government & Industry Relations Department, Insurance Services Office, 910-17th Street, N.W. Washington, D. C. 20006.
- ZEITZ, CLAUDIA** (Associate) - 155 E. 76th Street, Apt. 6K, New York, N.Y. 10021.

Board of Directors

Here are the principal actions of the Board of Directors at its May 18 meeting:

1. Approved CAS support of the concept of a joint (with other actuarial organizations) actuarial education and research fund. Appointed a subcommittee to identify research projects.
2. Ordered distribution of a questionnaire to obtain reactions to the drafts of chapters in the CAS textbook that are cited in the syllabus. Students who signed up for examination parts for which the chapters are cited will receive the questionnaire.
3. Voted to hold the 1978 Spring meeting in Texas or Arizona, the Fall meeting in New York City. Also voted to rescind the present requirement for 1 1/2 - day meetings in the Fall, and plan for 2 - day meetings in 1976 in San Diego and 1977 in Bermuda.
4. Ratified appointments to the Committee on Loss Reserves and to the Affirmative Action Committee.
5. Approved the application of the Casualty Actuaries of New England (CANE) to be a regional affiliate of the CAS.

7. Economics
8. Private passenger auto ratemaking
9. Investments
10. State and Federal regulation
11. Finance
12. Underwriting
13. Excess and deductible business ratemaking
14. Annual statement
15. Personal property ratemaking
16. Commercial property ratemaking
17. Data processing
18. Actuarial education
19. Other casualty ratemaking
20. Workmen's compensation ratemaking
21. Bureau statistics
22. A & H ratemaking

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Actuarial Expression

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public statements. To anyone's knowledge this procedure has never been used. Why not? The reasons may include:

—It's difficult to get an approval of 90% of all Fellows voting by mail ballot on any subject.

—The time needed to take a vote precludes quick action.

—There is no requirement that minority opinions be included.

On the other hand, Article IX does allow the Board or any authorized committee to express an opinion as long as they indicate that it is only the opinion of the Board or committee. Why haven't these bodies issued statements?

—Dispersal of members may again make timely action difficult.

—The required disclaimer may nullify the value of the opinion. Conversely, the disclaimer may be ignored by the public to the possible detriment of a substantial number of actuaries not agreeing with the opinion.

—Committee members do not have D. & O. liability coverage under the CAS policy.

—Article IX also gives the Board authority to determine procedures for forming and issuing opinions. Board guidelines could be constructed to provide for quicker actions by the Board or committees and for publishing contrary opinions of significant minorities and even for publishing the results of a vote of the membership. Therefore, the Constitution is not the primary reason for a lack of opinions, although Article IX could be changed to make CAS opinions easier to approve. The Constitution of the American Academy and Society of Actuaries are slightly different than ours, but probably not any more restrictive. As a matter of interest, it may be noted that the S. of A. has not issued any opinions as a body, but committees have issued statements.

If there is no constitutional bar, what then is the problem? Some suggestions:

—You cannot expect a substantial majority of actuaries to agree on any controversial subject. There are generally more than two sides to any issue.

—No one has yet defined what an "opinion" is.

IT'S A PUZZLEMENT

the commuter

The following problem was submitted by A.Z. Skelding, FCAS, now retired. Al has submitted solutions to most of the problems we have printed. He writes that this one was given to 10th grade students in a math contest in a school on Long Island. The time allotted for the solution was 6 minutes. How many of us can meet that requirement?

A commuter was accustomed to arriving at his local railroad station at 6 o'clock each evening, coincident with his wife's arrival time to drive him home. One day he arrived at the station at 5 o'clock and started to walk home. His wife left home at the usual time, met him on the road, and they drove home together, arriving 20 minutes earlier than usual. How many minutes did the commuter walk?

—What happens when your opinion conflicts with the policy of your employer?

—Opinions on rating matters might violate anti-trust laws. There may be other areas to be avoided for legal reasons.

—As professionals, we should not take positions on issues but should only clarify the alternatives and their public policy implications.

—Only those actuaries with competence in the subject of the opinion should be allowed to vote, but how could this be policed?

—The vote on an opinion could be divided along a distinct classification of membership (e.g., stock versus mutual; company versus government; small company versus large). This could damage our reputation as professionals.

—No one has the responsibility of determining the subject on which the CAS should issue opinions.

—It is too time consuming - a matter of priorities.

—Attempting to form an opinion may cause splits in the Society and reduce its effectiveness as a public voice.

In short, the question does not have a simple answer. The Board will be struggling with the issues at future meetings. Do you have an opinion on opinions? Please share it either by letter to the ACTUARIAL REVIEW or with a Board member.

actuarial crostic

For those who gave up on the crostic in the March issue, or who didn't even try, the quotation was from "[How To Succeed As] An Actuary," adapted by Matthew Rodermund from a Broadway musical and presented at the November 1973 CAS meeting in Boston:

Oh, the agents howl, the adjusters growl, the accountants scratch away; the actuaries cogitate, the underwriters pray; the premium income hums along and the music is something grand; a credit to the insurance biz is Dan McNary's band.

Actuarial Publications

Around The World

The following publications have been received by the CAS library and are available to the membership on a loan basis:

Transactions of the Actuarial Society of South Africa, 1974

Introduction to the Actuarial Theories of Credibility from the Catholic University of Louvain Institute of Actuarial Sciences

Annals of the Spanish Institute of Actuaries, Nos. 11, 12, and 13, 1970, 1971, and 1972

Mortality Studies from the Institute of Actuarial Science of Rome, Italy, 1974

Bulletin of the Royal Association of Actuaries of Belgium, 1974

Bulletin of the French Institute of Actuaries, September 1974

DOUBLE SPACE, PLEASE

Contributors to the ACTUARIAL REVIEW of news items, discussions, or other features, including letters from readers, are urgently requested to double-space their typing. Double-spacing makes it much easier for the editors to mark copy, and for the printers to set type. Indeed, some printers will refuse to accept copy that is not double-spaced.

It will be helpful also if paragraphs are indented and margins are kept fairly wide.