

Constitution, Bylaws Changes to be Voted on During 2006 Election

The CAS Board of Directors will propose a series of changes to the CAS Constitution and Bylaws for the Fellows' approval on the 2006 ballot, based on resolutions passed during the meeting of the board held here on March 9-10, 2006. The proposals, if passed, will make two important changes in the way the CAS is governed. 14

Actuarial Aspects of Alito's Confirmation Hearings

PAUL BRAITHWAITE—Once in a while the actuarial content of an event is just too good not to notice. The recent confirmation hearings of Judge Samuel Alito presented one of those. Judge Alito might as well have been an actuary defending his work. He was often asked about his views on various issues, including abortion, separation of powers, and civil liberties. In response he explained some of his relevant past decisions and, when there wasn't such a case, he explained how he would go about making his decision. The frustration among some of the questioners was palpable. They wanted to know the *results* Judge Alito would reach and Judge Alito insisted on answering by explaining the *process* he would use in arriving at his conclusions. This is precisely the point at which his testimony intersected with the actuarial paradigm. 3

Our Time to Shine

PAUL BRAITHWAITE The word is out—and chances are, you have already heard about the new CAS journal. You've probably heard about the level of excellence it expects to reach, the quality of papers it hopes to publish, and the global implications it strives to have. 7

Making the World a Better Place

There has been a great deal of discussion about other areas of the business world that could benefit from a casualty actuarial involvement: loan loss reserves for banks, for example, or pricing products on a risk-adjusted basis. While these are interesting possibilities, the end result would probably be higher interest rates on loans and increased prices for risky items (like McDonald's® coffee). How does that benefit society? 15

You Are in the Risk Management Business!

As a pricing actuary, you attempt to come up with the best estimate of the losses and expenses that your company will have to pay on its portfolio of insurance policies. The more precisely you can measure those future costs, the less risk is involved in writing those policies, the less capital that is needed, and the greater opportunity for profit. From your own experience, you know that all of the parameters underlying the losses, and possibly even the premiums and policy provisions, are not known to you. Consequently, there can be a substantial amount of uncertainty in achieving your profit objectives. This may be particularly true for some lines. 19

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CAS president Paul Braithwaite (right) signs the mutual recognition agreement with Institute of Actuaries of Australia President Andrew Gale.



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2006 Reinsurance Seminar Hosted In New York City

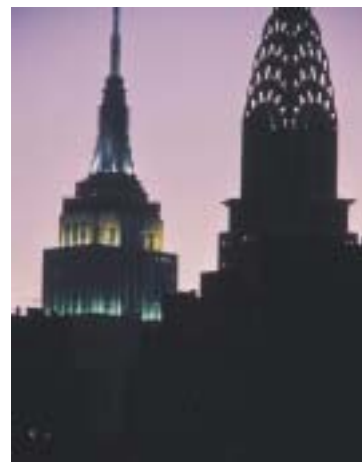
By Barry Zurbuchen, Chairperson, Joint Committee for the Reinsurance Seminar

The New York Hilton in Manhattan will host the 2006 CAS Reinsurance Seminar, June 1-2. A welcome reception will kick off the seminar on Wednesday evening, general sessions and concurrent sessions on Thursday and Friday, and a dinner Thursday evening at the famed Tavern on the Green.

One general session will include panelists who will review the tumultuous past year in the industry, with attention to the overactive hurricane season and its affects. Another general session titled "State of the Market: Rating Agencies' Views" will feature speakers from the rating agencies and a catastrophe modeling firm discussing how Hurricanes Katrina, Rita, and Wilma (KRW) have changed their views of the industry and the capital needed to support property catastrophe-exposed business. Concurrent sessions will include topics on specific lines of business such as workers compensation, E&O, environmental liability, umbrella, and marine and aviation reinsurance, as well as other topics.

The CAS Reinsurance Research Committee will host the Research Corner, a forum to present preliminary work and discuss innovative approaches to tackle problems. Anyone who would like to present his or her work is invited to contact the moderator at robingillam@earthlink.net.

A registration brochure for the seminar will be mailed to members in May. More information is posted on the CAS Web Site. 



Francis Awarded Data Management Prize




Louise A. Francis

Text: An Introduction to Text Mining." This was the fourth time Francis won the award, having also received it in 2005, 2003, and 2001. She was awarded \$1,500 and a Jefferson Cup at this year's CAS Ratemaking Seminar held in Salt Lake City last March. Francis is consulting principle with Francis Analytics & Actuarial

Louise A. Francis won the 2006 Management Data and Information Prize for her paper, "Taming

Data Mining Inc. in Philadelphia.

The paper was submitted in response to the 2006 call for data management/data quality and discussion papers conducted by the CAS Committee on Management Data and Information. Papers were judged by a specially appointed committee that examined the originality of ideas, comprehension of complex concepts, and the contribution to literature among other qualities. The winning paper was published in the 2006 Winter *Forum* and is available on the CAS Web Site at www.casact.org/pubs/forum/06wforum/06w55.pdf. 

Actuarial Aspects of Alito's Confirmation Hearings

This quarter, The Actuarial Review welcomes a column from Editor Emeritus Stan Khury. Khury is a principal of Bass & Khury, an independent actuarial consulting firm.

Once in a while the actuarial content of an event is just too good not to notice. The recent confirmation hearings of Judge Samuel Alito presented one of those. Judge Alito might as well have been an actuary defending his work. He was often asked about his views on various issues, including abortion, separation of powers, and civil liberties. In response he explained some of his relevant past decisions and, when there wasn't such a case, he explained how he would go about making his decision. The frustration among some of the questioners was palpable. They wanted to know the *results* Judge Alito would reach and Judge Alito insisted on answering by explaining the *process* he would use in arriving at his conclusions. This is precisely the point at which his testimony intersected with the actuarial paradigm.

The actuarial standards of practice are written in terms of process. For example, a key principle that underlies the reserving standards states that a loss reserve estimate is actuarially sound if it is based on appropriate methods and reasonable assumptions. This is a statement about process and says nothing about the result (the estimate) that the actuary ultimately selects. The process produces the result. It is virtually impossible to talk about an actuarial result without talking about the process. A reserve estimate is what an appropriate method and a set of reasonable assumptions combine to produce at a specific point in time.

Beneath this broad statement is the complex set of considerations and judgments an actuary makes along the way to arrive at the estimate. Any biases (since we are dealing with the alleged biases of Judge Alito) that tend

to skew the process generally lurk in this complex set of considerations and judgments.

The application of this standard to Judge Alito's situation is direct and requires little extension. Two capable and competent judges can marshal substantial arguments, and end up in direct opposition to one another, on any aspect of an issue before the court. Note in particular the numerous split decisions of the Supreme Court. In determining what law to apply, judges may or may not be influenced by their own agenda. If a decision of a lower court is biased, it can be reversed on appeal. A Supreme Court decision, for better or worse, is the law of the land. The judges who render the decision answer to no-

Actuaries and judges... have different goals: actuaries are estimating future outcomes... while judges assess past events, a process that requires an objective examination of conduct that has already occurred.

body, only to their own conscience and principles [although they have to interpret within the framework of the constitution and previous cases].

Actuaries and judges, of course, have different goals: actuaries are estimating future outcomes, which necessarily require assumptions and judgments about events that have not yet happened; while judges assess past events, a process that requires an objective examination of conduct that has already occurred. Thus an outside observer cannot know the extent to which judges and actuaries, in reaching their decisions, are influenced, consciously or unconsciously, by their personal biases.

Those who questioned Judge Alito also were concerned

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VEE Redux

Dear Editor:

I would like the opportunity to comment on two letters to the editor that appeared in the February *Actuarial Review* in response to my November opinion column regarding VEE.

Oakley E. Van Slyke and the VEE Administration Committee both state that the VEE topics (or at least “advanced aspects” thereof) are validated by later examinations. If this subsequent testing is meaningful, I suggest the VEE requirements be eliminated. We should not specify how candidates are to learn the material we test them on; it is sufficient that they prove they have learned it.

The VEE Administration Committee also appears to feel that I was attacking them for doing a shoddy job. I was actually pointing out that their job *couldn't* be done well, and arguing that it therefore should not be done at all. VEE does not validate anything, for the reasons I explained in November. The actuarial organizations force candidates to pay fees, and often tuition, and at the end of the process there is no reasonable assurance that the intended material has been learned. I believe that the exam system, whatever its flaws, was better than this.

—Randall D. Holmberg, FCAS

Actuarial Credibility—Further Discussion


Dear Editor:

Thanks for your great note on actuarial credibility. You are correct—the public wants the exact answer and actuaries have not done a good job in communicating that we can't provide an exact answer.

There seems to be this focus on actuarial credibility at a time when insolvencies among companies are at a historically low level. Unfortunately, the actuarial analysis is usually at the “tail end” of a company's problems—no one wants to go back and question the underwriting, marketing, investments, or policy language. It becomes simply a matter of the reserves—as if reserves were the cause of the insolvency rather than just an indicator of it.

I think we need to turn back the question to the regulators/public and ask them: What is the ideal number of insolvencies/failures that you want to see in the insurance marketplace? If the number is zero, then the liabilities for any insurance will need to be set at a super-conservative level driving up the capital required and ultimately the price. Since capital is higher to form an insurance enterprise, there will be less competition and innovative products will not be brought to the marketplace.

Or is it better to accept the mechanisms that we currently have for dealing with insolvencies such as guarantee funds, accept the risk and move on?


—Lee M. Bowron, ACAS, MAAA 

New CAS Web Site Coming Soon!

The CAS Web Site makeover is in its final stages and will be ready for the public in the coming weeks (if it's not unveiled already by the time this article appears). Along with a new look, the new Web site will offer more personalization. “My CAS” is a new feature that will allow visitors to tailor the CAS homepage to deliver the content in which they are most interested. Users will be

able to specify topical areas of interest and geographic location, and their My CAS page will include press releases, newsletter articles, notices to member, research papers, and Regional Affiliate announcements based on that input.

The redesigned Web site will also include better-organized search tools and new menu items on the home page to allow visitors to quickly find the information they need. In conjunction with the redesign, the CAS is launching a new online tool to locate actuarial research articles. Users will be able to find articles on specific topics within the taxonomy of casualty actuarial science, in addition to searching by keywords and other criteria.

Check the CAS Web Site during May for the grand unveiling of the new site! 

Speak Up!

The Actuarial Review always welcomes letters and story ideas from our readers. Please specify what department you intend for your item—letters to the editor, news, Brainstorms, It's a Puzzlement, etc. Send your comments and suggestions to:

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Casualty Actuarial Society
4350 North Fairfax Drive, Suite 250, Arlington, Virginia 22203 USA

Or e-mail us at AR@casact.org

CAS to Host 37th ASTIN Colloquium

50th Anniversary Event to Immediately Follow 2007 CAS Spring Meeting in Orlando, Florida

The 37th ASTIN Colloquium in celebration of ASTIN's 50th anniversary will be held on June 20-23, 2007 at the world renowned *Disney's Contemporary Resort* in Orlando, Florida. ASTIN was founded in New York City in 1957 and the Casualty Actuarial Society is pleased to be the host for the jubilee.

Several CAS committees are currently preparing the details of this event which will provide ample opportunities for non-life actuaries from around the world to exchange knowledge and ideas, as well as to form and nurture intellectual and personal relationships. Under the guidance of the ASTIN 2007 Organizing Committee and chairperson Christopher S. Carlson, these committees are designing educational and leisure programs for participants and accompanying persons that will make the ASTIN Colloquium enlightening, enjoyable, and memorable.

The 2007 ASTIN Scientific Committee, under the leadership of Gary Venter, has recently released a call for papers, which can be found online at www.IAA-ASTIN.org. Papers on the topics of risk management of an insurance enterprise, pricing risk, and liability risk are welcome. The complete call for papers identifies a number of subtopics within these broad topics to provide ideas to potential authors (see table at right for details). Papers on other topics will be considered by the 2007 ASTIN Scientific Committee and may be accepted at the committee's discretion. Papers are due to the Scientific Committee in their final form by January 31, 2007.

In addition to presentations of papers, the program will offer several plenary sessions featuring internationally acclaimed speakers who will discuss topics of great interest to the non-life actuarial community. Details on keynote speakers will be posted online when confirmed.



Disney's Contemporary Resort

©Disney

A wide variety of excursions are being considered by the 2007 ASTIN Hospitality Committee for the leisure program. With a wealth of options in Central Florida for activities that inspire and amaze, the Hospitality Committee expects that attendees will not soon forget the 2007 ASTIN Colloquium.

Please visit www.IAA-ASTIN.org and click on the ASTIN 2007 banner for more details on the 37th ASTIN Colloquium. **AR**

Topics for the 2007 ASTIN Colloquium Call for Papers

The 2007 ASTIN Scientific Committee welcomes papers on the following topics:

Topic 1: Risk Management of an Insurance Enterprise

- Risk Models
- Risk Categorization and Identification
- Risk Measures
- Stochastic Control
- Risk transfer
- Quantifying Inter-Dependencies Among Risks
- Risk Adjustment of Business Unit Profitability
- Asset Risk Including Asset/Liability Dependencies
- Credit Risk Including Reinsurance Recoverables
- Accounting for Risk
- Risk in Accounting

Topic 2: Pricing Risk

- Risk margins
- Pricing highly variable business
- Pricing when probabilities are not known
- Quantifying possible pricing error
- Effects of pricing changes on business retention
- Effects of company financial strength on pricing achievable

Topic 3: Liability Risk

- Reserve models
- Testing reserve models
- Runoff risk
- Estimation risk
- Impact of reinsurance
- Risk issues in discounting



Walt Disney World® Resort-Epcot®

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2006 CLRS Set For Atlanta

By Scott Charbonneau, Chairperson, Joint Committee for the Casualty Loss Reserve Seminar


Actuaries, analysts, accountants, regulators, and other interested parties will have a great opportunity this fall to learn more about loss reserves in today's ever-changing environment at the 2006 Casualty Loss Reserve Seminar (CLRS). The CLRS will be held at The Renaissance Waverly Hotel in Atlanta, Georgia on September 11-12.

This year's CLRS also provides a unique opportunity to learn about the activities of the Casualty Actuarial Society, the Conference of Consulting Actuaries, and the American Academy of Actuaries as we continue to respond to the evolving insurance environment. Learn what we are doing as a profession to improve the actuarial work product and the Statement of Actuarial Opinion. Share your own views and concerns on actuarial communication and critiques of the reserving process, and participate in a number

of interactive sessions.

The 2006 CLRS will offer more than fifty sessions covering a variety of topics and tracks, including reinsurance reserving, financial reporting, variability and ranges, international issues, catastrophes and mass torts, professional development, emerging issues, and other areas specific to individual lines of business.

The CLRS is an opportunity for attendees to become acquainted with both basic and advanced topics in the areas of finance and financial risk management and their applications to the pricing and analysis of property/casualty insurance.

Don't miss this opportunity to participate in these sessions and enjoy the warm weather in Atlanta! For more information on sessions and registration, visit www.casact.org. 

In My Opinion

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about biases or predispositions he may bring to the court and kept hammering away to find out what his inclinations were. Judge Alito skillfully avoided answering those questions in the form asked and systematically answered in terms of the process.

Having failed to elicit Judge Alito's predispositions on the issues, the questioners resorted to the use of statistics to suggest a trend of bias. One example illustrates the point. Judge Alito was asked why his decisions were "against the little guy" more than 80 percent of the time. The questioner carefully failed to point out that the third circuit court of appeals, the court on which Judge Alito served for the past fifteen years, overturned the lower court a little less than six percent of the time. In other words, the court of appeals affirmed the lower court rulings in the vast majority of the cases. And so, how much of Judge Alito's 80 percent is a function of the lower court doing a proper job in adjudicating cases, a function of the facts and the law being against the little guy in the first place, a function of Judge Alito's biases, or a function of pure happenstance, as cases are decided one at a time, is totally garbled and one cannot draw any conclusions from such statistics. And, therefore, this line of questioning also came up empty.

Judge Alito's supporters were very pleased with how this exercise

developed. Judge Alito's detractors were quite dismayed at their inability to penetrate the steel egg. And, so, what are we to make of all this?

Given the way the hearing process played out, aside from Judge Alito's tendency to rule rather narrowly, which is widely acknowledged, we have little information about any biases he might harbor. And, therefore, the one remaining thing on which one can place any reliance is the personal and professional integrity of the nominee. And to that end there was a substantial stream of distinguished people who worked closely with Judge Alito for many years, both Republicans and Democrats, who testified strongly as to his decency, impartiality, thoroughness, integrity, standards of care, and lack of bias.

It seems to me that the client of a practicing actuary is in exactly the same position. Assuming the competence of a practicing actuary, the only thing on which the client ultimately has to rely is the personal and professional integrity of the actuary. Hence, the Actuarial Standards of Practice and the Code of Professional Conduct become ever more important in the way an actuary's work product and professional conduct are ultimately judged. And even then, there is an element of personal and professional integrity that transcends the Standards and the Code as written, and that is: each of us needs to view the Standards and the Code as the minimum we meet and that we should meet and exceed that minimum rather comfortably. And that is a good place in which to practice! 



Our Time to Shine

Last issue I wrote about new challenges and ideas for the CAS. For this issue I'd like to write about an opportunity you have to get involved with one of the newest and most exciting ventures of the CAS.

The word is out—and chances are, you have already heard about the new CAS journal. You've probably heard about the level of excellence it expects to reach, the quality of papers it hopes to publish, and the global implications it strives to have.

And maybe you have even entered the "Name that Journal!" contest featured on the CAS Web Site.

If by some small chance you have not heard the news, then here it is—the CAS is launching a new peer-reviewed journal that will feature papers on practical casualty actuarial research from around the world, as well as theoretical research at the frontier of casualty actuarial science. (Effective with the 2005 *Proceedings*, which will be distributed in Fall 2006, the CAS will stop publishing peer-reviewed papers in the *Proceedings*. Instead the *Proceedings* will combine the formal records of CAS activities with material that is currently published in the *Yearbook*, except for the Membership Directory, which will be published separately and available by request.)

The Journal is not only revamping its look and feel, but working to expand its reach to maintain its role as

the exemplary source of casualty actuarial science globally. We will also maintain the highest standards for applied and technical professional articles. As you continue to pursue your actuarial research and prepare those articles, consider the new Journal as the place to publish. Your fellow members and the other professionals around the world who read it have come to expect the best from us. You should be a part of that.

This journal will have an enormous, positive impact in the world of casualty actuarial science, and I know you, as members, will feel a sense of pride and responsibility. That is why I'd like to encourage you to become authors for the new journal.

Our organization was built on and continues to create precedents in volunteering. It's what makes us great, keeps us on our toes and creates a professional yet pleasant environment. Our volunteer efforts make the CAS a great organization. This journal, being at the frontier of our global initiatives, provides us with yet another chance to volunteer for a good cause—a chance to write papers full of practical, applicable knowledge that will be shared all over the world.

In addition, it will continue to move us to our Centennial Goal to be recognized as a global organization dedicated to education, research and practical knowledge.

In a nutshell, it is our chance to shine. **AR**

Submissions Sought for New CAS Journal

The CAS is now inviting authors to submit papers for publication in the new CAS refereed journal. Slated to begin publication in 2007, the new CAS journal will be dedicated to research of interest to casualty actuaries around the world.

In addition to publishing applied casualty actuarial research, the as-yet-unnamed journal will feature theoretical research at the frontier of casualty actuarial science. Significant survey articles or similar types of papers will also be considered for publication.

Membership in the CAS is not a prerequisite for submitting papers and non-CAS members are encouraged to submit papers. A detailed guide for journal submissions is available through the CAS Web Site at www.casact.org/aboutcas/guides.htm.

Hong Kong Hosts CAS Course on Professionalism

By Zhen Zhen “Jenny” Lai

This past November, Hong Kong hosted the first CAS Course on Professionalism (COP) held outside the United States and Canada.

The insurance industry has been booming for about fifteen years in South and East Asia, and the potential growth of the market is still immense because of the incredibly fast development of China and India's economies. The actuarial profession has become one of the most sought-after occupations in Asia.

The CAS responded to an overwhelming demand from candidates in Asia for a COP which supports the CAS Cen-

dates with real situations that contain ethical and professional issues for the actuary.

The Hong Kong COP maintained the same structure as that of the COP regularly provided in North America. The general sessions of the course were presented in English, while the group discussions for three case studies were provided in both English and Mandarin Chinese.

John Gleba, the chair of the Course on Professionalism Committee, kicked off the seminar with the overall course review. Gleba, who is a partner with Madison Consulting Group Inc. in Madison, Georgia, warmly welcomed the 22 candidates in Mandarin, Cantonese, and English, and delivered the best wishes of the CAS.

Bruce Howe, a Fellow of the Institute of Actuaries in Australia who works for HSBC, talked to the candidates about professionalism in general and how to incorporate ethical behavior into actuarial practice. Peter Luk of Plan-B Consulting gave the luncheon address. Luk is a past president of the Actuarial Society of Hong Kong and a Fellow of the Institute of Actuaries, Society of Actuaries, and Institute of Actuaries of Australia.

Five CAS Fellows volunteered to facilitate the two-day courses. Besides John Gleba and this reporter, other facilitators were Yuhong Yang (Beijing) and Scott Yen (Taipei) from AIG, and Bruce Moore (Beijing) from Ernst & Young LLP. All the facilitators actively practice in either the North American or Asian insurance industry and have accumulated solid experience in the actuarial profession.

Twenty-two candidates from eight different countries took the first Hong Kong COP. The majority of the candidates came from mainland China, Hong Kong, Taiwan, and Singapore, but the course did attract a few candidates from Pakistan, India, Europe, and Australia. Some of the candidates' opinions were eye opening for the facilitators.

The instructors were delighted that all the candidates passed the course, and they enjoyed the two fruitful days sharing their experience and knowledge. Two candidates

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An instructor addresses participants at the CAS Course on Professionalism in Hong Kong.

tenial Goal to be “globally recognized as the preeminent resource in educating casualty actuaries.” Specific supporting goals include that “at least 20 [percent] of new CAS Associates and Fellows inducted this year [2014] will reside outside of the [United States] and Canada.” To meet these goals the CAS needs to have a very active exam-taking population outside the United States and Canada.

According to CAS records, there are more than 80 active candidates throughout Asia who have passed more than four CAS/SOA exams. Passing the CAS COP is a requirement for becoming a member of the CAS. The CAS Course on Professionalism is designed to present candi-

CAS Signs Mutual Recognition Agreement with Institute of Actuaries of Australia

Former CAS President Stephen P. D'Arcy signed a Mutual Recognition Agreement with the Institute of Actuaries of Australia (IAAust) in September 2005. A ceremony recognizing the agreement was held in November 2005 at the President's Forum in Brazil with current CAS President Paul Braithwaite, and IAAust President Andrew Gale. The contract is a reciprocal agreement between CAS and IAAust whereby a member of one organization can become a member in the other, subject to certain requirements.


CAS accepts mutual recognition of other actuarial organizations once it has been determined that the organization's admission process is comparable in rigor and difficulty to the CAS admissions process. The IAAust is one of three organizations that the CAS board recently identified as meeting the conditions for mutual recognition.

This agreement will benefit the CAS by facilitating CAS members' ability to practice in Australia. It will also increase the attractiveness of CAS exams to Australian candidates because they will be able to take the CAS examinations to obtain their property/casualty education while also gaining admission into their local actuarial organization using their FCAS designation. Perhaps most importantly, mutual recognition improves CAS's visibil-



CAS president Paul Braithwaite (right) looks on as the Institute of Actuaries of Australia President Andrew Gale signs our mutual recognition agreement at the President's Forum held in Brazil in November 2005.

ity and influence as an active player in the global actuarial community.

Under the agreement, an FCAS can apply for Fellowship status in the IAAust after having lived in Australia for six months (obtaining relevant professional experience), passed a recognized professionalism course, successfully completed IAAust's courses and professional development requirements, and disclosed any disciplinary sanctions brought against them. A similar process is required of IAAust Fellows wishing to be recognized by the CAS. 

New Fellows by Mutual Recognition Agreements

The following CAS Affiliate members recently became CAS Fellows by Mutual Recognition:

Andrew Martin Chandler, FCAS, March 2006—Fellow, Institute of Actuaries-UK, Senior Consultant, Mercer Oliver Wyman Actuarial Consulting

Matthew W. Kunish, FCAS, October 2005—Fellow, Institute of Actuaries-UK, Vice President & Actuary, Crum & Forster

Marcus A. Tarrant, FCAS, February 2006—Fellow, Institute of Actuaries-UK, Manager, PricewaterhouseCoopers LLP

Andrew J. Turnbull, FCAS, February 2006—Fellow, Institute of Actuaries-UK, Chief Underwriting Officer, XL Financial Solutions LLC

Health Care Issues Come to the Fore

By Heather E. Yow, Member, CAS Committee on Health Care Issues

The CAS Committee on Health Care Issues is alive and well! We have recently renamed the committee (formerly known as the CAS Committee on Health and Managed Care Issues) and updated our mission statement (see below). The newly refreshed committee will focus on increasing communication of health care issues and bringing more educational opportunities to the CAS community. This includes a greater affiliation with the SOA Health Section and the AAA Medical Malpractice Subcommittee.

If your property/casualty work is affected by health care issues, and you are looking for a volunteer opportunity, we are looking for additional committee members. Check out our mission statement or talk to a committee member.

CAS members can find the committee roster at www.casact.org/health/handmc.htm. Members will be receiving an e-mail survey shortly so they can let us know their needs for educational opportunities related to health care issues. [AR](#)

Mission Statement of the CAS Committee on Health Care Issues

The Committee on Health Care Issues addresses actuarial issues related to property and casualty implications of health care. The committee's charge includes furthering the development and dissemination of research and information regarding health care as they pertain to property and casualty issues; identifying topics for research and discussion; monitoring professional developments and legislative/regulatory activities; and working with continuing education and program committees in sponsoring panels, seminars, and other public forums on health care issues.

Hong Kong

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gained CAS Fellowship after the course, and two others became ACAS.

According to the COP participants in Hong Kong, the actuarial profession is gradually becoming a hot career in Asia, especially in the greater China area. Many top students in the best Chinese universities are beginning to take actuarial exams. The CAS still has a long way to go before becoming the biggest player in the Asian market, however.

Building a stronger connection with the best local universities' actuarial programs, and making the CAS exams/seminars more affordable and more accessible, are definitely key steps for the success of the CAS in Asia.

* * *

Special thanks go to Pat Kum and her associate Sarah at the Actuarial Society of Hong Kong (www.actuaries.org.hk), who coordinated the hotel facilities and provided on-site assistance during course.

Jenny Lai is an actuarial consultant with Ernst & Young LLP in Los Angeles. [AR](#)



Odds 'n Ends

Exam seminars are a wonderful way to solidify what you have studied for the exams. However, the astute participant may also glean other more specific (and more useful?) skills while attending these hotel seminars.

Here are some examples of these specific skills:

- 1) Linguistics—Playing with hard candies in your mouth without accidentally spitting them out or choking on them.
- 2) Athleticism—Flinging your hotel room door open, grabbing something you forgot on the desk, and catching the door before it slams closed again.
- 3) Stealth—Pouring ice water from the pitcher quietly during the lecture, with no spills or avalanches of ice.
- 4) Balance—Getting the bath soap to stay in the shower soap holder dish.
- 5) Dexterity—Unlocking the hotel room door with the card-key on the very first try.
- 6) Persistence—Shaking the miniature cream rinse container until some actually comes out.

Contest Idea

What should you call a group of Actuaries?

You know, a “gaggle of geese,” a “pride of lions,” but a “_____ of actuaries?”

Grover Edie has cleverly suggested calling ourselves a “contingent” of actuaries.

What do *you* think? A “passing?” A “shuffle?” Send us your thoughts, humorous or otherwise, to ar@casact.org or to Humor Me Contest, CAS, 4350 N. Fairfax Drive, Ste. 250, Arlington, VA 22203.

Chance Encounters

Jeff Adams & Arthur Schwartz



A Q&A with the Editor in Chief of the New CAS Journal

Taresa LaRock, CAS Communications Coordinator, spoke with Gary Dean, the new editor in chief of the CAS journal, on his vision for the latest CAS venture.

LaRock: What progress has been made recently with the journal?

Dean: We have a fully staffed Editorial Board and are open for business. Guidelines for submission of papers are posted on the CAS Web Site. Seven papers have been submitted to date and are at some stage in the review process. A few of these papers have come from non-CAS members outside of North America.

Several important tasks still remain. We are evaluating software from several vendors that manages online tracking of submitted papers. By logging into the system, authors, editors, and staff will be able to monitor the status of papers in the review and publication process. We are also searching for software that would make it easier for authors to submit papers online and reduce the burden on authors to make papers conform to formatting guidelines.

The goal is to make it as easy as possible for authors to get good, relevant papers into the journal. A printer for the journal still

needs to be identified and a distinctive, visually appealing design for the journal developed.

LaRock: Who should read the journal?

Dean: The journal will include both practical and theoretical research in casualty actuarial science and related topics. We hope to maintain a good balance between practical and theoretical

articles so that every casualty actuary will be able to find something of interest. Our target audience will span the spectrum from practicing actuaries engaged in daily applications of actuarial techniques to academic researchers exploring the frontiers. Our journal articles should be of interest to actuaries around the globe, because even though local traditions and regulations often drive actuarial techniques, actuarial science is a discipline without boundaries.

There also will be articles of interest to a wider audience than actuaries. Topics such as enterprise risk management straddle actuarial, risk management, and investment areas.

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Curtis Gary Dean
Editor in Chief
New CAS Journal


We are not creating an academic journal but, instead, a journal that pulls in the best papers, whether practical or theoretical.

An Update on the New CAS Journal

The CAS's new journal is on its way! The "Name That Journal" contest has concluded and the winning name will be announced at the 2006 CAS Spring Meeting in Puerto Rico. A number of papers are currently going through the peer review process. The Editorial Board is staffed with volunteers serving as peer reviewers and copy editors to aid Editor in Chief Gary Dean and Associate Editors Dale Edlefsen and Richard Fein. The CAS is also evaluating publication designers to determine the look and feel of the journal. The journal design will be revealed at the November

Annual Meeting in San Francisco.

Set to launch in 2007, the journal will disseminate work of interest to casualty actuaries worldwide. The premiere issue will showcase original practical and theoretical research in casualty actuarial science.

The CAS encourages both members and nonmembers to submit papers on a wide variety of subjects. If you are interested in submitting a paper, please read the detailed guidelines on the CAS Web Site (www.casact.org/aboutcas/guides.htm). 

Moving Together Different Risks

Developing techniques for estimating correlations and dependencies among the individual risks of an insurance enterprise, such as hazard, financial, operational, and strategic, is a necessary but daunting task. A CAS Research Working Party takes on this job in a recent report “Correlations and Dependencies Among All Risk Sources,” which can be found in the 2006 Winter Forum on the CAS Web Site (www.casact.org/pubs/forum/06wforum/). The following is the introduction to the report.

Enterprise risk management requires the quantification of the total risk of an enterprise. As we undertake this task of quantification we first attempt to quantify the risk of individual parts of the enterprise. Examples of “individual parts” of an insurance enterprise could include the losses arising from its new business, its loss reserves or its asset portfolio. To properly combine these risks one needs to consider the “correlation” between the risks. We put the term “correlation” in quotes to draw attention to the fact that we are not restricting ourselves to the linear correlation that we all study in introductory statistics. This report considers a variety of ways for different risks to “move together.”

There are three aspects of this problem that deserve some discussion.

Formulating Models of Correlated Risks

An example of this includes inflation affecting the losses of different lines of insurance causing them to be correlated. A second example is where a correlation between inflation and interest rates drives a correlation between the losses and assets of an insurance company.

Combining the Models of Correlated Risks

This aspect refers to the mathematical techniques that are needed to combine to obtain the combined distribution of all the individual parts.

Parameterizing the Models of Correlated Risks

If correlation matters, we should be able to find data somewhere that reflects this correlation and use it to parameterize a model that describes this data.

As the working party began its discussions, we quickly found out that these aspects of the correlation problem could not be treated in isolation. In the end, individual authors took the lead and produced four separate papers (or “chapters”) that make up this report. Here is a summary of each paper.

1. “Correlation and Aggregate Loss Distributions with an Emphasis on the Iman-Conover Method” by Stephen J. Mildenhall. This paper gives a grand tour of a variety of multivariate models exhibiting correlation that should be of interest to the casualty actuary. The focus of the

As the working party began its discussions, we quickly found out that these aspects of the correlation problem could not be treated in isolation.

paper is the Iman-Conover method, which can take arbitrary marginal (or individual risk) distributions and derive a multivariate distribution that has an arbitrary rank correlation matrix.

2. “Aggregating Bivariate Claim Severities with Numerical Fourier Inversion” by David L. Homer. This paper uses the very powerful technique of Fourier transforms to calculate the aggregate loss distributions with correlated claim severity distributions. Once we have settled on a standard set of models to describe the stochastic nature of the insurance business, the techniques described in this paper can significantly reduce the time

Constitution, Bylaws Changes to be Voted on During 2006 Elections

Issues Involve Board Composition and ACAS Voting Rights

MIAMI BEACH, FL.—The CAS Board of Directors will propose a series of changes to the CAS Constitution and Bylaws for the Fellows' approval on the 2006 ballot, based on resolutions passed during the meeting of the board held here on March 9-10, 2006.

The proposals, if passed, will make two important changes in the way the CAS is governed. The first change will create a class of "appointed" board members consisting of up to three additional board members to be selected by the board. The second change will grant Associates (with five years' experience post-Associateship) the right to vote in elections and to serve as directors and officers. The board will also propose making the CAS Executive Director an official member of the CAS Executive Council, recognizing her current de facto status. The balloting on each of these proposals will take place in conjunction with this year's elections, from August 1 through September 1, 2006.

The proposal to create a new class of board member was developed by a special Governance Issues Task Force made up of present and former board members, including three past presidents of the CAS. The board created this task force to recommend the role of outside representation in the CAS governance process. The task force gathered input through many interviews and considered current trends in association governance in order to reach its conclusion that the CAS would benefit by having nonactuary board members.

The task force report to the board stated that broader input is always better in setting strategy and policy, and noted that most directors have been extensively involved in the CAS management process, which increases the risk of inward thinking. Nonactuary directors would be likely to ask questions about why the CAS functions the way it does and whether the CAS has tried ideas from outside the profession. The task force pointed out to the board that prevailing ideas of good governance applaud this approach and that the move will position the CAS in a forward-looking way among professional societies, especially actuarial organizations.

Based on the discussion at the board meeting, and as recommended by the task force, it is envisioned that the board would initially fill only two of the three positions by appointing one nonactuary plus the American Academy of Actuaries-Vice President, Casualty. The types of people who would be considered to fill the nonactuary position include:

- People who "ask questions" for a living such as an attorney involved with governance, corporate law, or associations;
- People with particular expertise such as an academic, insurance executive, or regulator;
- People with leadership experience in other professional societies.

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Latest Research


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needed to compute the distribution of an insurer's total losses.

3. "The Common Shock Model for Correlated Insurance Losses" by Glenn G. Meyers. This paper addresses the problem of estimating the correlations between lines of insurance. It takes the data from several insurers and produces stable estimates of parameters underlying the collective risk model for correlated insurance losses. And along the way it provides data on how the parameters of the collective risk model change as the size of the risk changes.

4. "Serial Correlation of Interest and Inflation Rates" by Hans E. Waszink. This paper discusses an approach to modeling the

present value of reserves under the impact of uncertain interest and inflation rates. The dependence between interest rates and inflation rates is modeled using copulas. The paper also shows how to test the goodness-of-fit of data to members of the class of Archimedean copulas.

In addition to the chapter authors there were several others who contributed to the work of the Correlation Working Party by either presenting ideas or by reviewing papers. These individuals are Shawna Ackerman, Kevin Dickson, Lijia Guo, Leigh Halliwell, Roger Hayne, Philip Heckman, Daniel Heyer, Youngju Lee, Christopher Monsour, James Rech, Kevin Shang, Chuck Thayer, and Emil Valdez. 

Making the World a Better Place

There has been a great deal of discussion about other areas of the business world that could benefit from a casualty actuarial involvement: loan loss reserves for banks, for example, or pricing products on a risk-adjusted basis. While these are interesting possibilities, the end result would probably be higher interest rates on loans and increased prices for risky items (like McDonald's® coffee). How does that benefit society?

But there are some areas where the addition of a casualty actuarial perspective would actually make the world a better place. Following are some examples.

Competitive Sports

Let's face it. This "winning" and "losing" stuff is too doctrinaire. The current system doesn't reflect the variability of the underlying process. The fact that the Cubs haven't won a World Series for almost 100 years represents a great personal burden for me—especially given the White Sox performance last year. But if we take a casualty actuarial perspective, the fact that the Cubs haven't won is irrelevant. They have often been within a reasonable range of the title. And we enter every season with appropriate assumptions and generally accepted methodology. Taking a casualty actuarial view, the results don't matter!

Parenthood

Life would be improved if our performance as parents were judged based upon casualty actuarial principles. Why shouldn't I get credit for the 99.7 percent of the times I didn't lose the kids at the mall? Wasn't the assumption that my five-year-old daughter had remembered to put on *all* of her clothes before her piano recital reasonable and appropriate? And when it comes to discipline, isn't it better just to *counsel* misbehaving children than to actually punish them? When you think about it, parenting is a lot like loss reserving. It's a rarity when the parents

actually get credit for a child that turns out okay, and when we find out that we screwed up, it is too late to do anything about it.

Politics

What could be a better match than that between the political arena, where results don't matter as long as one's intentions were good (see "New Deal," "Great Society," "Head Start," "No Child Left Behind") and the actuarial discipline, where retrospective evaluation is secondary to prospective expectation? Of course, the application of actuarial principles to politics would need to be limited. There is no way, for example, that the legislative

Why shouldn't I get credit for the 99.7 percent of the times I didn't lose the kids at the mall?

branch would ever comply with our disclosure and documentation standards. And I don't even want to think about who might be left in power if there were qualification requirements.

Music

As a music lover blessed with an excellent ear (and cursed with severely limited talent) my life would be improved if I could listen to the singing of certain friends and relatives with a casualty actuarial ear. Since they get most of the words right and the notes are actually pretty close to the proper pitch, what is now torture might become quite enjoyable.

I'm sure there are other areas that could be improved, but I figure that the ones I've identified represent a reasonable range, and that's good enough for me. **AR**

Dates Announced for 2006 Predictive Modeling Seminar


By Ronald T. Kozlowski, Chairperson, Committee on Special Interest Seminars



The Massachusetts State Capital

Save the date! The third annual CAS Special Interest Seminar on Predictive Modeling will be held Wednesday and Thursday, October 4-5, at The Westin Copley Place in Boston, Massachusetts.

The focus of the seminar is to promote a better understanding of predictive modeling techniques in the actuarial community, while also serving to further discussion of current and future insurance applications of predictive models.

More details, including program content and registration information, will be available in July. Please visit www.casact.org for updates. We look forward to seeing you in Beantown! 

Constitution, Bylaws Changes

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While the primary motivation for the appointed positions is to allow nonactuaries to serve on the board, the positions would not be restricted to nonactuaries. In the future, the appointed positions could be used for actuaries in regulation or actuaries from Canada or other countries if the board considered that use of the position(s) in this way would benefit the CAS.

Another of the task force's six recommendations would also require a change to the CAS Constitution. The task force recommended that the CAS Executive Director be officially designated as a member of the CAS Executive Council. The board agreed that since the executive director is effectively a member of the executive council already, this change would simply formally recognize what is happening in practice. This change would position the executive director role more in accordance with standard professional society practice.


The task force report is available on the CAS Web Site at www.casact.org/members/reports/tfgovernance.pdf.

In addition to changes recommended by the Governance Issues Task Force, Fellows will also be voting on proposed revisions to the CAS Constitution and Bylaws that would grant some Associates the right to vote, to stand for election to the board, and to hold officer positions. These proposed revisions have their genesis with the September 2003 CAS Board of Directors meeting when the board formed the Task Force on the ACAS Vote. The charge of this task force was to

“investigate the advantages/disadvantages and to develop a recommendation regarding whether the current CAS Associate should be allowed to vote and whether other differences between CAS Fellows and Associates should exist, including differences in dues and the right to hold officer positions.” The task force presented its report to the CAS Board of Directors at the May 2004 meeting. The report is available on the CAS Web Site at www.casact.org/members/reports/tfacasvotereport.pdf.

Some of the considerations identified by the task force for recommending the changes included:

- Current and historical sizes of the Associate population with recognition of the increasing number of Associates who have stopped taking exams and will not achieve Fellowship (“career” Associates). There are currently 962 career Associates (those who have been Associates for five or more years) and 2,787 Fellows;
- Identical practice rights granted to all members of the CAS by the American Academy of Actuaries. This position is supported by the NAIC and virtually all state insurance departments;
- History of significant contributions by Associates to the CAS and the actuarial profession;
- Lack of real representation within the CAS for Associates, while paying full dues.

CAS members will be hearing much more about these governance initiatives in the coming months, and detailed information, including the actual wording changes that will be voted upon, will be available on the CAS Web Site in June 2006. 

Actuarial Foundation Update

Stuart A. Robertson Memorial Scholarship Fund Established

Stuart A. Robertson, FSA, MAAA, a distinguished actuary, passed away on November 4, 2005 at the age of 87. Robertson cofounded the actuarial and consulting firm Milliman & Robertson (now Milliman Inc.) over 50 years ago, together with Wendell Milliman. Robertson served as CEO and chairman of the firm for many years prior to his retirement in 1983. He was also active in the actuarial profession, serving on the Society of Actuaries Board of Governors and in other capacities.

A scholarship fund has been established in Stuart Robertson's name at The Actuarial Foundation to honor his dedication to excellence and to recognize his tremendously positive influence on the professional lives of many colleagues. Funding is being provided by Milliman Inc. and by several of Robertson's colleagues and friends. The fund is expected to award at least one scholarship of approximately \$7,500 annually to an undergraduate student with demonstrated talents and interests that could lead to a career in the actuarial profession. The scholarships will be administered through a cooperative effort of current and former Milliman employees and representatives of The Actuarial Foundation. Details of the scholarship will be announced in the near future.

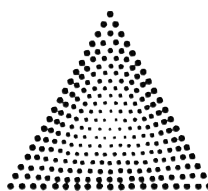
Contributions to the Stuart A. Robertson Memorial Scholarship Fund can be made through the Actuarial Foundation, either online or via mail at www.actuarialfoundation.org/donor/donor.htm. For more information, contact The Actuarial Foundation at Scholarships@ActFnd.org or (847) 706-3535.

Individual Grants Competition Winners

The Actuarial Education Research Foundation (AERF) and the Society of Actuaries' Committee on Knowledge Extension Research (CKER) sponsored the 2006 Individual Grants Competition to support the advancement of knowledge in actuarial science. Congratulations to the following grant winners:

Shaun Wang and Andreas Milidonis, Georgia State University, for their project, "Estimating the Actuarial Cost Function of Financial Distress."

Ping-Hung Hsieh and John B. Henry III, Oregon State University, for their project, "Extreme Value Analysis for Partitioned Insurance Losses."




THE ACTUARIAL
FOUNDATION

X. Sheldon Lin and Xiaoming Liu, University of Toronto, for their project, "Markov Mortality Models and Their Applications in Actuarial Science."

Doug Andrews and Robert Brown, University of Waterloo, for their project, "Is Defined Contribution a Panacea for Defined Benefit Social Security Funding Problems?"

Geoffrey Friesen, University of Nebraska-Lincoln, for his project, "An Empirical Examination of Jump Risk in U.S. Equity and Bond Markets."

Virginia Young, University of Michigan, for her project, "Pricing Life Insurance Under Stochastic Mortality via the Instantaneous Sharpe Ratio." 

Actuaries and the Hurricane Relief Efforts

"Some people pass through this world and leave it just as they found it. But people like you take the time to do special things that make the world more beautiful. Thank you for your generous donation and the kindness you have shown to us, and for making a difference in the lives of our children and our community."

—Board of Trustees and Administration of the Pass Christian School District, Pass Christian, Mississippi

Almost 300 actuaries and corporations brought help and hope to hundreds of children in schools affected by Hurricanes Katrina and Rita, thanks to the Rebuild Math Classrooms effort through The Actuarial Foundation. More help is needed! See stories of schools already funded with actuarial support and make a donation at www.actuarialfoundation.org/donor/mathclassrooms.htm. On behalf of all those benefiting from your generosity, thank you.

New Journal Q&A

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LaRock: Why are you excited about the new journal?

Dean: The new journal will make high quality, original work in casualty actuarial science available more quickly than ever before. The *Proceedings of the Casualty Actuarial Society* served CAS

members well for many years but we expect that the new journal will accomplish what the *Proceedings* did plus a lot more. The average time from submission of a paper until its distribution in print will be shorter because the journal will be published more frequently and will be soft-cover. We are also working to reduce the time that it takes a paper to be reviewed and edited.


Whereas the *Proceedings* was primarily a vehicle for CAS members to publish peer-reviewed papers, the new journal is open to anyone. We are actively soliciting papers from authors who may not have traditionally published in CAS publications. This should bring a wider range of ideas into the journal and, hopefully, more non-CAS members will become regular readers and contributors.

LaRock: When will the first issue come out?

Dean: Our best guess right now is May 2007 to coincide with the Spring Meeting. This is our current working date.

LaRock: What will this launch mean for the CAS?

Dean: The new journal is a logical step in the growth and development of the CAS. Whereas historically the CAS was focused on actuarial practice in the U.S. and Canada, our membership now practices in a global economy. We have members and exam takers around the world and are the largest society devoted to casualty actuarial science. The CAS is also a resource for developing actuarial communities. As the ranks of casualty actuaries grow worldwide the new journal will be an ideal resource for sharing ideas. Membership in the CAS is not a requirement for doing casualty actuarial work, but to be the premier organization in our field, we need to have a widely read and highly respected journal.

The journal's editorial board will be more active in reaching out to the academic community for intellectual contributions. We are not creating an academic journal but, instead, a journal that pulls in the best papers, whether practical or theoretical. 

CAS FINANCIAL REPORT

Fiscal Year Ended 9/30/2005

FUNCTION	REVENUE	EXPENSE	DIFFERENCE
Membership Services	\$1,360,269	\$1,946,324	(\$586,056)
Seminars	1,526,321	1,258,511	267,810
Meetings	789,795	801,071	(11,276)
Exams	3,993,726 (a)	3,499,641 (a)	494,085
Publications	22,136	34,877	(12,741)
TOTALS FROM OPERATIONS	\$7,692,246	\$7,540,423	\$151,823
Interest and Dividend Revenue			155,411
Realized Gain/(Loss) on Marketable Securities			(2,936)
Unrealized Gain/(Loss) on Marketable Securities			109,210
TOTAL NET INCOME (LOSS)			\$413,509

NOTE: (a) Includes \$2,119,313 of Volunteer Services for income and expense (SFAS 116).

	BALANCE SHEET		
	9/30/2004	9/30/2005	DIFFERENCE
ASSETS			
Cash and Cash Equivalents	\$1,293,453	\$755,704	(\$537,749)
T-Bill/Notes, Marketable Securities	3,634,448	4,783,051	1,148,603
Accrued Interest	24,211	23,937	(274)
Prepaid Expenses / Deposits	88,261	131,631	43,370
Prepaid Insurance	30,338	35,192	4,854
Accounts Receivable	51,482	52,000	518
Intangible Pension Asset	7,860	5,742	(2,118)
Textbook Inventory	12,369	9,523	(2,846)
Computers, Furniture	467,516	448,450	(19,066)
Less: Accumulated Depreciation	(377,124)	(376,273)	851
TOTAL ASSETS	\$5,232,814	\$5,868,958	\$636,143
LIABILITIES			
Exam Fees Deferred	\$714,605	\$792,000	\$77,395
Annual Meeting Fees Deferred	70,070	81,155	11,085
Seminar Fees Deferred	181,060	33,000	(148,060)
Accounts Payable and Accrued Expenses	478,481	624,782	146,301
Accrued Pension	192,301	182,754	(9,547)
TOTAL LIABILITIES	\$1,636,516	\$1,713,691	\$77,174
MEMBERS' EQUITY			
Unrestricted			
CAS Surplus	\$3,312,044	\$3,725,552	\$413,509
Pension minimum liability (net of unamortize service cost of \$5,742 - 2005 and \$7,860 - 2004)	(80,318)	(38,065)	42,253
Michelbacher Fund	129,160	134,322	5,162
CAS Trust - Operating Fund	107,825	135,466	27,641
Centennial Fund	23,944	49,742	25,798
ASTIN Fund	0	10,400	10,400
Research Fund	62,482	99,576	37,094
Subtotal Unrestricted	\$3,555,137	\$4,116,994	\$561,857
Temporarily Restricted			
Scholarship Fund	\$5,728	\$5,457	(271)
Rodermund Fund	7,391	6,686	(705)
CAS Trust - Ronald Ferguson Fund	28,042	26,131	(1,911)
Subtotal Temporarily Restricted	\$41,161	\$38,274	(\$2,887)
TOTAL MEMBERS' EQUITY	\$3,596,297	\$4,155,268	\$558,970

Deborah Rosenberg, Vice President - Administration

AUDITED

CAS Audit Committee: Bob Deutsch, Chairperson;
Regina M. Berens, Michael P. Blivess, and Natalie Vishnevsky

You Are in the Risk Management Business!

By John J. Kollar, CAS Vice President-Risk Integration and ERM

As a pricing actuary, you attempt to come up with the best estimate of the losses and expenses that your company will have to pay on its portfolio of insurance policies. The more precisely you can measure those future costs, the less risk is involved in writing those policies, the less capital that is needed, and the greater opportunity for profit. From your own experience, you know that all of the parameters underlying the losses, and possibly even the premiums and policy provisions, are not known to you. Consequently, there can be a substantial amount of uncertainty in achieving your profit objectives. This may be particularly true for some lines. Everyone is painfully aware of hurricane losses over the last few years. While someday scientists may be able to forecast hurricanes, you are probably using a long-term average catastrophe provision from a catastrophe model in your pricing. Thus, the insurance policies you are pricing have a substantial amount of uncertainty in them because some years the winds don't blow and results are favorable. And in the years when the winds do blow, results are poor. But you do the best you can.

As a catastrophe modeling actuary, you estimate the catastrophe risk for individual policies and you evaluate the overall risk of an insurer's portfolio of policies. You well know the difficulty of predicting catastrophe losses. Recent years have demonstrated that multiple occurrences increase the volatility of losses even more.

As a (ceding) reinsurance actuary, you may have no choice but to purchase reinsurance to mitigate the risk of substantial catastrophe losses (or large liability losses). You may be faced with the challenge of balancing the cost of reinsurance and the cost of capital. Supplementary contingent capital comes at a cost and sometimes that cost may be high. On the other hand, reinsurance coverage may be extremely expensive or unavailable at any price. However you look at it, you are dealing with a lot of uncertainty.

As a corporate actuary, you may build the cost of reinsurance and the cost of capital into the profit provisions underlying your company's rates. But you are not only building the expected costs into your rates, you are also building the uncertainty in expected costs into your rates.

As a loss reserving actuary, you must estimate your company's ultimate losses. Some claims may not yet have occurred. For some

lines claims may be outstanding for many years before they are paid. Nevertheless, you are expected to come up with expected reserves that reflect all of these uncertainties. Recognizing that the expected reserves will virtually always be wrong, you have to recognize the reserve uncertainty and communicate that to management. Your communication may include margins for adverse development or confidence intervals.

As a predictive modeling actuary, you try to improve the accuracy of your company's rating structure by incorporating additional information that more accurately measures the expected cost of individual policies. You also are aware of the risk of adverse

The integrated, holistic treatment of risk in the ERM process can help you and your company reduce expenses, increase profits, and increase the company's value. As an actuary, you will find that ERM is an excellent process by which to understand and be a part of the "big picture" of your company.

selection if you do not keep up with the competition. The more accurate the measurement of the expected costs, the lower the rating uncertainty associated with the policy and the lower the amount of capital needed to support the policies written.

As a marketing actuary, you may focus on identifying new, potentially profitable groups of policyholders. Again the idea is to reduce the uncertainty in expected costs.

As an underwriting actuary, you want to select policyholders that match up to your company's rates as closely as possible. Once more, the idea is to reduce the uncertainty around the expected costs.

As an investment actuary, you are trying to maximize the return on assets while assuming an acceptable amount of risk.

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Adjustments Needed?

Editor's Note: This article is part of a series written by members of the CAS Committee on Professionalism Education (COPE) and the Actuarial Board of Counseling and Discipline (ABCD). The opinions expressed by readers and authors are for discussion purposes only and should not be used to prejudge the disposition of any actual case or modify published professional standards as they may apply in real-life situations.

The Actuarial Review's May Professional Education article begins with the same scenario as our last issue. One will see that hiring a different actuary leads to a different professional issue.

Frugal Insurance Company (FIC) initiated operations in 2002 specializing in providing general liability, including construction defect coverage to the construction industry. FIC insureds range from individual contractors to moderately sized construction companies. Given the limited number of competitors, FIC has grown rapidly with 2005 written premium exceeding \$75 million. Since the inception of the company, FIC has relied on their consulting actuary, Carla Calculator, FCAS, MAAA, to provide the required ratemaking and reserving support. Carla served as FIC's appointed actuary through year-end 2004. Due to an effort to reduce costs and a conflict with Carla, FIC made the decision to hire their first and only in-house actuary.

After an eight-month search, FIC offered this in-house position to Kristen Konservative, FCAS, MAAA. Kris started with the company on November 1, 2005. Prior to joining FIC, Kris spent her entire career in the reserving department of GLRUS Insurance Company.

In order to be completely objective, Kris begins her year-end reserve analysis by doing an independent review

without consideration of prior methodology or selection. She has several years of experience determining general liability reserves while with GLRUS. Since she still has a copy of her last reserve analysis with GLRUS, Kris knows the development pattern selected for GLRUS's construction business unit reserves and is very confident in her analysis. After completion, she compares her results to prior analyses completed by Carla. Kris discovers that her point estimate results are significantly higher than those from Carla's last review. Kris investigates further to find that throughout her analysis Carla's selections are what Kris considers to be the low end of a reasonable range. Although Carla used a tail factor, she selected a factor considerably lower than the tail indicated by the GLRUS data. Although Carla considered multiple methods, the method with the lowest indicated ultimate was selected for each policy year. After reviewing Carla's report, Kris returns to her analysis and projects a range of reserves which she feels are reasonable. Given the uncertainty associated with the coverages written, the range is quite large. FIC's carried reserves, which were based on Carla's analysis, are at the very low end of Kris's range.

Kris sets up a meeting with her boss, Peter Pressure, to recommend that FIC increase reserves. Peter clearly states to Kris that there is no reason to increase reserves. He insists that Carla's reserve estimates were just fine and states that Kris's analysis is not appropriate because it does not consider the fact that FIC's case reserves are much more conservative than GLRUS's reserves, particularly after FIC's recent emphasis on reserve strengthening (which he contends was not specifically considered in Kris's analysis). Peter tells Kris to forget about a reserve increase and issue a clean opinion on the current carried reserves since they are within her range of reasonable estimates. However, Peter is concerned with more than just a clean opinion. He knows that the new Actuarial Opinion Summary is going to show that the booked reserves are at the low end of the range, which he feels will reflect poorly on the company. Peter expresses this concern to Kris and in-

structs her go back to her analysis and select in the same manner that Carla did. In directing her so, he reminds Kris that her range analysis showed that Carla's assumptions were not unreasonable. Peter concludes the meeting by telling Kris to come back with a point estimate reserve similar in magnitude to those from past reviews.

Kris attempts to contact the claims department, but the handler for the construction business claims is on vacation and won't be back until after Kris's next meeting with Peter.

Should Kris adjust her selections as Peter instructed?

No. If Kris changes her selections, as Peter has indicated, she is not providing her best estimate for reserves. Peter is obviously making excuses for why the reserve should be lower. She should rely on her experience in this line of business, not the comments of a manager who is likely to have other motives for lowering reserves. Carla clearly made her selections such that the final reserve estimate would be as low as possible. This cannot be accepted as reasonable. Lowering her selected reserve to anything other than her best estimate is clearly violating the actuarial standard of practice for loss reserving, #36. This, in turn, is a violation of Precept 3 of the Code of Professional Conduct, which states: "An Actuary shall ensure that Actuarial Services performed by or under the direction of the Actuary satisfy applicable standards of practice." In addition, she will be violating annotations 1, 2, and 4 of Precept 1 of the Code of Professional Conduct (Professional Integrity). They are as follows:


Annotation 1-1. An Actuary shall perform Actuarial Services with skill and care.

Annotation 1-2. An Actuary shall not provide Actuarial Services for any Principal if the Actuary has reason to believe that such services may be used to violate or evade the Law or in a manner that would be detrimental to the reputation of the actuarial profession.

Annotation 1-4. An Actuary shall not engage in any professional conduct involving dishonesty, fraud, deceit, or misrepresentation or commit any act that reflects adversely on the actuarial profession.

Yes. Peter has been managing this line of business at FIC for many years and he knows it well. His suggestion that Kris's tail factor may be too high and that reserve strengthening has made her analysis inaccurate, is reasonable, especially since she did not talk to anyone in the claims department before completing her analysis. She should not assume Peter is being dishonest. Although Carla's selections were all low, they were all indicated in

Kris sets up a meeting with her boss, Peter Pressure, to recommend that FIC increase reserves. Peter clearly states to Kris that there is no reason to increase reserves.. He insists that Carla's reserve estimates were just fine.

the analysis and within the range of reasonable reserve estimates. There is no way to know if Kris's estimate is closer to the true reserve than Carla's was. Carla may have chosen the lower end of the range for good reason. Perhaps she had performed additional analyses that considered the reserve strengthening and indicated that the lower selections were the best selections. Choosing a reserve in the lower end of the range of reasonable estimates is not a violation of any part of the Code of Professional Conduct. Kris needs to be more open-minded and realize that she is not always right. After that, she should go back to her analysis and make the suggested adjustments. 

25 Years Ago in *The Actuarial Review*

Proustian Ponderings

By Walter C. Wright

The following Random Sampler column, by Charles C. Hewitt Jr., has a title that is too perfect to be passed over for selection in “25 Years Ago.”

REMEMBRANCES OF THINGS PAST....

PEOPLE, places, things.....and ideas

A fair appreciation of another person's interests or values may be obtained by asking her or him to rank the four items above in order of importance. With me “things” rank a poor fourth, but beyond that I will admit nothing. Suffice it to say that in what follows I would like to treat all of these—but especially people—in an actuarial reverie.

At my first ASTIN meeting in Sopot, Poland, in 1969, I struck up a friendship with J. J. van Oosterwijk Bruyn, a delightful gentleman from Holland, who, I later discovered, is a chess player of no mean ability—at least one win over Dr. Max Euwe, I am told. As actuaries will, we challenged one another with assorted puzzles. The following problem particularly delighted him:

“In an ancient oriental kingdom lived a monarch who became concerned over the discovery of counterfeit coinage by one (and only one) of the hundred mints in his realm. He desired to identify which mint was responsible, and obtained barrels of freshly minted coins from each of the one hundred mints. The barrels were, of course, labeled by name of mint.

“Turning to his wise men he said, ‘I have a scale—*not a balance*—so calibrated as to measure infinitely fine weights and yet sufficiently large to hold an almost infinite number of coins. I give you two coins—one true (my left hand) and the other false (my right hand). What is the *least* number of weighings needed to know which is the guilty mint?’”

The wise men got the answer and so did van Oosterwijk Bruyn (pronounced ‘fon Oster-vake Brown’). Can you?

At the same meeting, as a guest speaker, was the famous Soviet probabilist and mathematician B. Gnedenko—a jolly, approach-

able type who understood enough English to make conversation possible. Nothing would do for van Oosterwijk Bruyn but that we tell my problem to Gnedenko—who laughed heartily and then explained that a similar problem had been on the Olympiad for Soviet high school math students that same year.

One of my favorite CAS members from my earlier years was the late Francis Perryman, who used to doodle in calculus, much to the delight of the staffs of the rating bureaus when he attended committee meetings. Francis also delighted me (and other members) when called upon at a CAS discussion one time. He was introduced by the moderator, “Mr. Perryman will now speak for the stock companies.”

Francis's first words, “Mr. Perryman will speak for Mr. Perryman.”

When I was at AIU (now AIG) there was a flow of foreign students through the New York office—some mathematically minded. Thinking to intrigue one of them, one day I gave him the following old chestnut:

“A hunter walks ten miles south and shoots a bear. He then walks ten miles west and then ten miles north and is back at his starting point. What color was the bear?”

You all know the answer, but my foreign student, after thinking on this puzzle overnight, announced that the geography underlying the supposed solution was not unique. There are, in fact, an infinite number of places in the world where one can travel and return as the imaginary hunter did. So the student proposed—and he is right! Why?

One of my favorite CAS members from my later years is Dale Nelson. He can sit quietly and patiently through a committee meeting for several hours, but when Dale finally leans forward to speak, the meeting looks like a commercial for E.F. Hutton.

PEOPLE, places, things, and ideas . . . where do you stand? 

Vocal Accomplishment

Many of our members have musical talent. But how many of our members have performed at Carnegie Hall? In February, one of our Fellows did just that!

CAS President-Elect Thomas Myers sang at Carnegie Hall as a member of the New Jersey Gay Men's Chorus, of which he is assistant conductor. The group performed *Sing for the Cure*, a 10-movement work based on the stories of breast cancer survivors and the families and friends of those who did not survive. The Women's Chorus of Dallas and the Turtle Creek Chorale, who also performed, had commissioned the work on behalf of the Susan G. Komen Breast Cancer Foundation. *Sing for the Cure* premiered in June 2000.

There was a total of about 200 singers from ten choruses in the Carnegie Hall performance. The choruses sang together throughout the performance except for two movements, one which used only tenors and basses, and one which used only sopranos and altos. The New England Symphonic Ensemble accompanied the singers.

Myers has now performed five times at Carnegie Hall and twice at Avery Fisher Hall. With Monmouth Civic Chorus, he had the opportunity to sing a mass at St. Peter's Basilica in the Vatican (unfortunately, the Pope was not in attendance).

Myers has followed a long family tradition, going back to his great-great-great-grandfather, who was a church choir director in Bucks County, Pennsylvania. Myers represents the sixth generation in his family to have pursued an active church music career, the last five consecutively. His grandmother was a church organist and choir director for over 40 years. His grandmother's father and grandfather were also church organists and choir directors for shorter periods. His aunt was a church choir director for about 15 years.

With this background, it is not surprising that he began taking piano lessons from his grandmother at age seven and continued to study with her until he was 14. At



Back row, sixth from the right—CAS President-Elect Thomas Myers sings for a good cause.

that time his family moved from the Philadelphia area to upstate New York. He continued to play actively through high school, serving as an accompanist for his high school choir. The organist at his church also gave him a brief lesson and he substituted for her a few times.

Myers's singing career also started young. He sang in school choirs from elementary school through high school. Several years while in high school he qualified for regional choirs. During his junior year he sang in the New York All-State Choir. He was one of about 250 high school singers from the entire state who qualified.

While majoring in actuarial science at Lebanon Valley College, Myers completed about two-thirds of the requirements to earn a major in music. This included courses in music theory, harmony, music history, choral conducting, diction, and sacred music. Additionally, he took three more years of formal piano lessons, two years of formal organ lessons, and four years of formal voice lessons. He also sang in the Concert Choir (the premiere auditioned choir which went on a tour each spring) and the Chapel Choir.

Myers also took part in eight musical theater productions, including one that he directed. He took on the role of Hines, a role he formerly played in high school, the comic secondary lead in the musical *The Pajama Game*. He also played the title role in *Finian's Rainbow*. Myers says that he always seemed to get cast in the older roles, using up several cans of silver hair coloring spray! Only once in high school was he cast as the romantic lead. He did not mind, since he enjoyed playing character roles.

Two years after graduating from college and one year before becoming an FCAS, Myers accepted a part-time position as a church organist and choir director. It was a great opportunity to apply some of his college training and he had long wanted to follow in his grandmother's

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Risk Management

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Uncertainty is common to *all* actuarial functions, not just the ones I have mentioned here. Ideally, all these functions are well coordinated so that risk is treated consistently and in an integrated fashion across your company. That is the objective of ERM. The integrated, holistic treatment of risk in the ERM process can help you and your company reduce expenses, increase profits, and increase the company's value. As an actuary, you will find that ERM is an excellent process by which to understand and be a part of the

“big picture” of your company. Actuarial career paths will change in the coming years and ERM will pave the way.

Jim Rech reminded me of the experience of the railroads in the last century. The railroads clung stubbornly to the idea that they were in the *railroad* business. Despite what was happening all around them, they failed to comprehend that they were in the *transportation* business. They did not—indeed, *could* not—compete effectively against the trucking industry, and the railroads lost their dominant market position.

Are *you* in the risk management business? **AR**

Nonactuarial Pursuits

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footsteps. Although he loved doing this, after eight years he had to resign, as the travel requirements of his job made it difficult to fulfill weekly church commitments. For the past ten years, he has been an active substitute organist, playing about 20 Sundays per year at various local churches.

For the past 23 years Myers has been a member of the Monmouth Civic Chorus (MCC) in Red Bank, Monmouth County, New Jersey. He served on the Board of MCC for six years, including four years as treasurer. With MCC, he went on five choral tours of Europe (to Germany/Austria, Great Britain, Switzerland/Italy/Austria, Austria/Hungary/Slovakia/Czech Republic, and Scandinavia). In 1997, he was invited to join the New Amsterdam Singers in New York City for a tour of Turkey. He has since joined them for tours to Sweden, Italy/Croatia, Spain, and to St. Petersburg/Latvia/Estonia, in addition to singing Mozart's *Requiem* with them last summer at Avery Fisher Hall in NYC.

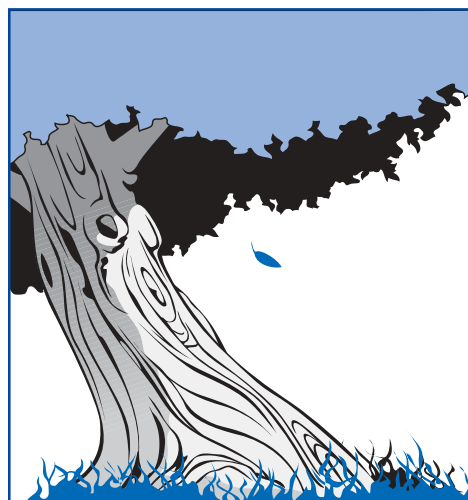
Myers joined the New Jersey Gay Men's Chorus eight years ago.

Four years ago he was appointed assistant conductor of the chorus, after serving for two months as interim conductor. In the summer of 2004, the group sang in Montreal as part of a weeklong choral festival that included about 150 gay and lesbian choruses from around the world.

In his day job, Myers is vice president, product Management, of High Point Safety and Insurance Management company. **AR**

Correction

The November 2005 issue of *The Actuarial Review* contains an error. In the article titled “Sandilya Recognized as Member of Irish Actuarial Society,” it was incorrectly reported that CAS Fellow Manalur Sandilya was the first person to obtain membership of the Society of Actuaries in Ireland (SAI) under the *mutual recognition protocol*. The sentence should have read that Sandilya was recognized as a Fellow of the SAI under *unilateral* protocol. The CAS and the SAI do not currently have a mutual recognition agreement between them.



CAS Professional Education Calendar

Bookmark the online calendar at www.casact.org/calendar

May 7-10, 2006 CAS Spring Meeting El Conquistador Resort & Golden Door Spa, Puerto Rico	September 11-12, 2006 Casualty Loss Reserve Seminar Renaissance Waverly Hotel Atlanta GA
June 1-2, 2006 Seminar on Reinsurance Hilton New York New York, NY	Oct 4-5, 2006 Special Interest Seminar on Predictive Modeling Westin Copley Place Boston, MA
Jul 20-21, 2006 Seminar on Loss Distributions The Westin Grand Washington, DC	November 12-15, 2006 CAS Annual Meeting Hyatt Regency San Francisco San Francisco, CA

Loss Reserves Challenge

In an earlier Brainstorms column (August 2004), I discussed Mary Frances Miller's challenge to the profession to improve the actuarial science behind loss reserves. I supplemented her challenge with one of my own—how better to align incentives with goals. Loss reserves are highly uncertain, and reasonable people can reach plausible conclusions that have profoundly different financial implications. It is important to not only have the tools to derive the best possible estimates, but a process to encourage the booking of the best possible estimates, as well.

Arthur Schwartz followed up with a suggestion on how to improve the process:

There is actually a fairly basic approach that would remove much of the second-guessing about what reserves should be. It's based on the model adopted by life insurance actuaries decades ago. Their method is that an entire block of business is reserved for using a standard mortality or disability table. If there's an exception—an outbreak of some unusual disease for example—the exception is easily noted and highlighted.

The property casualty industry can do likewise. Consider an industry task force that set a reasonable set of ceilings and floors expressed as a ratio to premium. The ceilings and floors would vary by line of insurance, separately for each year shown on Schedule P. Insurers could exceed the caps (reserve higher or lower) but management (not the actuary) would have to explain why...

As a disclaimer, the above represents my personal opinion only.

I'd like to expand on his idea.

Arthur's idea essentially creates two ranges—one could be called a "safe haven"—a range established by an independent group, such that any loss reserve estimates within the range would be established in the ordinary way. If the company wishes to book something outside

this range the company management must provide a reason. On one hand, I would like to ensure that a reserve outside the range is not viewed as a black mark, but a result requiring additional documentation. On the other hand, I want the burden of falling outside the range to be meaningful, not simply a letter supplied by management. One option is to outline the types of analysis necessary to support a value outside the range—items which might go beyond that done in a normal reserve review. For example, if a company asserts that its payment pattern is speeding up as an explanation for a relatively low reserve, it might be required to support that with a detailed claim audit.

It is easy to identify downsides, but one can usually solve problems if the benefits are sufficient.


Arthur suggested that the "safe haven" range would have both ceilings and floors. I would want to ensure that the additional burden of reserves outside the range is asymmetrical—it should require more of a burden to deviate down than to deviate up.

One obvious issue is whether the ranges, presumably by line of business, should be the same for every company. My initial reaction is that companies with an established track record of results better (or worse) than the industry averages should have their range modified to reflect this reality. Startups could be problematic but a study of past startups could shed light, possibly indicating an upward

Attend the May Board Meeting in Puerto Rico

All CAS members are welcome to attend any CAS Board of Directors meetings as observers. Steve D'Arcy, CAS Board Chair, would like to extend a special invitation for CAS members to attend the CAS May Board meeting, which will be held immediately prior to the CAS Spring Meeting in Puerto Rico. Some of the critical issues that the board will be considering at this meeting include:

- Revisions to the FCAS education process
- Constitutional changes to expand board membership
- Constitutional changes to allow Associates to vote and hold office

The CAS is striving to make its governance process as transparent as possible and the open Board meetings are an example of that philosophy. Observation of Board meetings benefits both members and the governance process, as it encourages a more informed and involved body of members. Board meeting agendas are jam-packed, however, the Chair will try to recognize observers who have opinions they wish to share as time allows. 

*You are Cordially
Invited*

The CAS Board Meeting

Sunday, May 7, 2006


The meeting will be held on Sunday, May 7, 2006 at the El Conquistador Resort & Golden Door Spa starting at 8 a.m. If you plan to attend, please let Sue Grossi (sgrossi@casact.org) know by May 3 so plans can be made accordingly.

Brainstorms

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adjustment to the range.

A fellow actuary suggested that companies should have to file the results of standard loss reserving approaches. For example, they might have to calculate an ordinary chain ladder for each line, as well as a Bornhuetter-Ferguson (where the initial expected loss ratios come from an industry source). The company would still file their best estimates using whichever methods they feel are most appropriate, but deviations from the standard approaches might require some level of explanation. Perhaps the nature of the addition documentation would increase as the filed results differ from the standard method results.

Each of these ideas does contribute some measure of incentive. In a case where the actuary has a wide range of plausible alternatives, it may be helpful that selecting estimates that are out of line with industry or one's own experience carries an additional burden in terms of explanations and management actions. Of course, this approach is no panacea. If the actuary's best estimates are above the industry ranges, there may even be a perverse incentive to consider more optimistic selections. Finally, the details of this industry task force haven't been addressed, and it is likely to be a formidable project. It is easy to identify downsides, but one can usually solve problems if the benefits are sufficient. Are they? 

CAS International Calendar

Bookmark the online calendar at www.casact.org/calendar

May 28 - June 2, 2006

International Congress of Actuaries
Paris, France
www.ica2006.com

July 10 - July 14, 2006

Swiss Association of Actuaries 19th International Summer School
Quantitative Risk Management: Concepts, Techniques and Tools
University of Lausanne, Lausanne, Switzerland
www.saa-iss.ch

September 14 - 17, 2006

4th Conference in Actuarial Science & Finance on Samos
Jointly organized with the Katholieke Universiteit Leuven, the Université Catholique de Louvain, and the Københavns Universitet
University of the Aegean, Department of Statistics and Actuarial Science
Samos, Greece
www.actuar.aegean.gr/samos2006

June 20 - 23, 2007

ASTIN Colloquium
Lake Buena Vista, Florida, U.S.A.
Disney's Contemporary Resort
www.iaa-astin.org

Buck Consultants To Fund Actuarial Studies Position In Mathematics

AUSTIN, Texas—Buck Consultants, one of the world's leading human resource and benefits consulting firms, announced today that it has funded the position of Buck Consultants Assistant Director of Actuarial Studies at The University of Texas at Austin.

Dr. Leslie Vaaler will be the initial Buck Consultants Assistant Director of Actuarial Studies. She is the co-author of *Mathematical Interest Theory*, a new textbook scheduled for publication by Prentice Hall in March 2006.

Starting with the spring semester of 2006, Buck Consultants will provide annual financial support to relieve an actuarial faculty member from teaching one nonactuarial course per semester, in order to advise students and perform other important administrative duties. This funding exceeds the annual income available from a standard, newly endowed professorship at the university. The renewable agreement is for an initial period of five and a half years.

"Buck's support of an assistant director will allow the university to better serve the needs of its students and the actuarial program by enabling our staff to focus even more time on teaching, service, and research," says Dr. Jim Daniel, ASA, director of actuarial studies at The University of Texas at Austin.

"While common in such areas as accounting and law, external funding of faculty positions in actuarial education is uncommon. As far as I can determine, fewer than 10 positions have been named for their insurance company donors, fewer than 10 have been named to honor individuals and none have been named for consulting company donors," says Daniel. "Buck Consultants has shown real leadership in taking this action."


"We are proud to support the actuarial program at The University of Texas," says Howard Fine, Buck Consultants' executive managing director. "Buck shares with the university a strong commitment to the actuarial profession, and we are honored to team with such a prestigious institution."

"Buck has been recruiting top-tier actuarial students from The University of Texas for more than 20 years and we have been a member of the university's Actuarial Studies Advisory Council since the Council's inception in 1989," says Tamara Shelton, managing director of the retirement practice at Buck Consultants. "We are proud to help develop the university's outstanding graduates."

The actuarial program at The University of Texas at Austin was founded in 1913, making it one of the oldest in the United States.

Housed in the Mathematics Department, its nearly 200 students rank it as one of the largest in the United States. The program's graduates work throughout the world in many areas of actuarial practice—consulting, insurance, and government.

Buck Consultants, an independent subsidiary of Affiliated Computer Services, Inc. (ACS), is a leader in human resource and benefits consulting with more than 1,500 professionals worldwide. Founded in 1916 to advise clients in establishing and funding some of the nation's first public and private retirement programs, Buck is an innovator in the areas of retirement benefits, health and welfare programs, human resource management, compensation and employee communication.

ACS, a Fortune 500 company with more than 55,000 people supporting client operations in nearly 100 countries, provides business process outsourcing and information technology solutions to world-class commercial and government clients. The company's Class A common stock trades on the New York Stock Exchange under the symbol ACS. 

Université de Montréal to Host 2006 Actuarial Research Conference

Academics and practitioners will meet and discuss actuarial problems and their solutions during the 41st Actuarial Research Conference, to be held August 10-12, 2006, in Montréal, Canada. The Université de Montréal is the host of the conference, which has traditionally been the central meeting for North American academics and researchers interested in all aspects of actuarial science. The CAS and other actuarial organizations in North America are cosponsoring the conference.

To ensure a spot on the program, participants who would like to make presentations must submit a copy of their title and abstract to Louis Doray at arc06@CRM.Umontreal.ca by June 1, 2006. The papers presented at the conference will be published in the *Actuarial Research Clearing House (ARCH)*, which is published electronically.

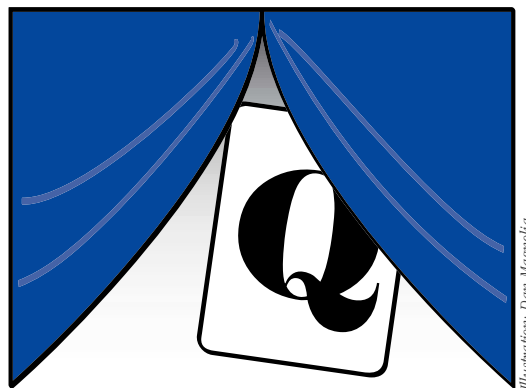
Additional information about the conference can be found at www.dms.umontreal.ca/~doray/ARC06/pub.htm.

Game for Four Students

Four CAS students, Paula, Quentin, Richard, and Sally, will win a prize if each one succeeds at the following task. One by one they will be taken into a room where there are four curtains, numbered one to four. Four cards, each with one of the letters P, Q, R, and S, one card with each letter, are placed at random behind the curtains, one card behind each curtain. Each student will be allowed to look behind two curtains of their choosing. If they find a card with the first letter of their name behind one of the two curtains, they succeed. If all four students succeed, the group wins. If any student does not succeed, the group loses.

The students are allowed to agree on a strategy together before the first is taken into the room. However, once a student has been in the room, he or she cannot communicate with any student who has not been in the room. Additionally, students who have not been in the room have no way of knowing whether the students who have been in the room were successful or not.

If each student looks behind two curtains at random, each



student has a probability of 50 percent of succeeding, and the group has a 6.25 percent probability of winning. Your challenge is to devise a strategy that would give the group a probability of over 40 percent of winning.

Double Crostic Solution

The solution to Alan K. Putney's marvelous double crostic is, "Misdirected goals, mistakenly measured by the amount of your compensation, the loftiness of your title, or the number of people reporting to you, should never be confused with success. Rather, the manner in which these things were attained and how they are put to use are much better indications of a productive life." This quote is from Albert Beer's "Address to New Members" in May 2003.

Marty Adler, Robert Ballmer, Rachel Berkowitz, John E. Captain, Frank Chang, Ann M. Conway, Todd Dashoff, John Herder, Charles C. Hewitt, Brian J. Mullen, David Rafferty, Deborah Rosenberg, Peter Royek, David L. Ruhm, Gregory Scruton, David Uhland, Melissa J. Vaughn, and Micah Woolstenhulme solved the double crostic. **AR**

In Memoriam

John A.W. Trist, FCAS 1953
November 8, 2005

Clyde H. Graves, FCAS 1953
December 3, 2005



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