



The Actuarial Review

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From the President

Challenges and Rewards



by Steven G.
Lehmann

This will be my last column as your president. It's been a very interesting, challenging, and rewarding year. It has been interesting to learn the variety of day-to-day issues that need to be dealt with in an actuarial society that is getting larger and more complex each year. It has been challenging in terms of developing and carrying out strategic planning to react to major changes in the environment and create opportunities for future actuaries. The year has been rewarding in terms of seeing the results of some of that planning come to fruition.

The Task Force on Non-Traditional Areas of Practice is in the process of finalizing their report, which will help set the direction of a significant portion of CAS efforts for the next several years. We have interviewed over a dozen CEOs of major insurance companies, brokerage firms, and consulting firms and have gathered valuable insight and advice on how better to prepare actuaries for future challenges facing the insurance and financial services industries. We have also added a new vice president-international to lead us in serving our overseas members and help prepare us for

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Gannon and Grannan Elected to CAS Top Posts

ARLINGTON, Va.—Alice H. Gannon will officially succeed **Steven G. Lehmann** as CAS president at the close of the 1999 CAS Annual Meeting in San Francisco, California, this month. CAS Fellows voted to elect **Patrick J. Grannan** CAS president-elect in October.

Grannan is a principal with Milliman & Robertson, Inc. in Radnor, Pennsylvania and has been a CAS Fellow since 1978. CAS vice president-programs and communications from 1995-1998, Grannan also served on the CAS



Alice Gannon



Patrick Grannan

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Boison Chosen New Vice President-International



LeRoy Boison

CHICAGO, IL.—**LeRoy A. Boison, Jr.**, has been elected the first CAS vice president-international. The CAS Board of Directors established the new vice president position on September 17, 1999 to oversee international activities. It was also at this meeting that Boison was elected.

This action by the Board follows changes to the CAS Constitution approved by a voting of the Fellows in July 1999 that authorized the Board to determine the number and duties of the vice presidents (see story, page 14).

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Josephson and Miller Elected to EC

CHICAGO, IL.—At its September meeting, the CAS Board of Directors voted to elect **Gary R. Josephson** as the vice president-research and development and **Mary Frances Miller** as vice president-admissions.

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Towards A More Perfect Society

by Walter C. Wright, AR Editor-in-Chief

The “Mutual Recognition” issue has stirred up a lot of discussion among members. All you have to do is read the Random Sampler and the letters in this issue of the *AR*, or review the threads in the CAS discussion forums, to realize that this issue has lit a fire under a membership that is sometimes more characterized by apathy than by action.

We are an international society. We define ourselves—through our Statement of Purpose—in terms of practice area rather than geographic area. There is nothing in the CAS Constitution that restricts our interests to North America. Clearly, the need for the CAS to define its international role is strong and will increase. Within this framework the Board is absolutely right to be exploring the important issue of Mutual Recognition. Regardless of what decision the CAS ultimately reaches, we

will benefit from the debate and by increasing our knowledge of actuarial practices around the world.

How can we maximize the chance that we make the right decision? Can we be guided by a philosophical approach? If you are considering the Mutual Recognition issue, try the following thought experiment by imagining three things. First, that you are appointed to an elite committee of thoughtful members that will reach a consensus regarding the rules to regulate our Society. Second, that as soon as the new rules are agreed to, you and all the other committee members will die and be reborn. Third—and this is the key point—neither you nor any other committee members have any prior knowledge of what your new positions will be relative to the Society.

John Rawls, a Nobel prize-winning political philosopher, proposed this approach in his 1971 book *A Theory of Justice* as a theoretical method for deriving the rules for a just and morally acceptable society. The basic idea is that because committee members do not know what their new positions in society will be—rich/poor, old/young, educated/uneducated, and so on—they will derive rules that are “fair” to all members of society. The underlying principal is a little bit like the idea used by children to share a cookie: when one cuts it into two pieces and the other gets the first choice, the cutter is forced to be as fair as possible.

Can we apply this philosophical approach to the practical issue of Mutual Recognition? It is a bit of a stretch to go from Rawls’s concept of developing rules for “society” to the concept of developing rules for our Society. And the concept is difficult because we must recognize that the world changes over time, and what may appear to be the correct decision today may be a clear mistake in the future. But Rawls’s approach has value, because it forces us to look at the big picture rather than at what we may personally have at stake. In the long run we may be better off basing our rules on a very broad outlook, rather than on what may be of immediate benefit to our members.

If we decide to take Rawls’s approach, we need to consider the various “positions in society” that will be affected by our decision:

“How can we maximize the chance that we make the right decision? Can we be guided by a philosophical approach?”



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Actuaries Take on “Actuarial Challenge” at Casualty Loss Reserves Seminar

by Guy A. Avagliano

If several actuaries independently performed a reserve analysis on the same set of data, without any external influence, how different would their best estimates be? The Joint Program Committee for the Casualty Loss Reserve Seminar (CLRS) attempted to answer this question by sponsoring the Actuarial Challenge. The actuarial exercise was conducted on September 13 during the Casualty Loss Reserves Seminar in Scottsdale, Arizona.

The committee provided to all participants data and a brief overview of company operations for a fictitious insurer. (This data is still available on the CAS Web Site at <http://www.casact.org/coneduc/clrs/99handouts/handouts.htm>.) The data set contained several “wrinkles” and the actuaries were required to make decisions on such factors as case reserve adequacy, claim closing rates, and tail factors.

Reserve Estimate (\$M)	Number of Responses	Reserve Estimate (\$M)	Number of Responses
28-29	2	40-41	6
30-31	1	42-43	0
32-33	3	44-45	2
34-35	4	46-47	2
36-37	8	48-49	2
38-39	6	50+	1

A total of 37 actuaries (Fellows, Associates, and students) submitted reserve estimates. The table above illustrates their findings. Although the estimates clustered somewhat around the median response, a significant number of estimates were materially different.

Because of the way the study was designed, the Committee cautions that

these results should only be considered mathematical extrapolations of the data, not true actuarial estimates. During a real reserve study, the actuary would receive qualitative data from the company that may be useful in evaluating the reserves. Nevertheless, it does indicate the wide variation in reserve estimates from qualified actuaries. ■

Mark your Calendars for the 2000 Ratemaking Seminar



Photo courtesy of Hotel del Coronado.

Historic Hotel del Coronado in San Diego, California (pictured left) will be the site of the 2000 Ratemaking Seminar, March 9-10, 2000. Promotional materials and information on the seminar will be available at the beginning of next year.

Two general sessions are planned, one dealing with earthquakes (a timely and fitting topic for the locale!) and the other a mock rate hearing.

New tracks for this seminar include a specific automobile track and special sessions on the ratemaking contest, conducted earlier this year. Call papers from the Ratemaking Research Committee will also be presented. Look for information via the CAS Web Site and the mail in late December or early January. ■

Readers Respond to Mutual Recognition

Dear Editor:

I've been following the various discussions concerning Mutual Recognition with a great deal of interest. While I personally am against granting Fellowship (or anything close to it, including Associateship) to members of other actuarial bodies, I do believe some level of Mutual Recognition, including the exchange of practice rights, is desirable and necessary. The implications of granting Fellowship to members of other actuarial bodies are so far-reaching that a decision should not be reached in the heat of the moment and no action should be taken unless there are good and compelling reasons for doing so. The simple statement that everyone else is doing it is not a valid reason, nor is the sort of vague feel-good reasoning that flows from "Wouldn't it be wonderful if all actuaries belonged to one common body and...."

As a number of respondents posting to the various discussion threads on the CAS Web Site (see both the Student and Member Forums) have pointed out, there is a difference between practice rights and Fellowship. Practice rights already exist, albeit in an incomplete and confusing format. To somewhat oversimplify, subject to any applicable immigration restrictions, an FCAS is free to accept a job in U.K. and is free to do whatever work his or her employer thinks is appropriate. Further, an FCAS can apply to and become an Affiliate of the Institute of Actuaries, which, subject to the appropriate experience requirements, will allow him or her to sign loss reserve opinions. The reverse situation is much the same. An FIA can accept a job in the U.S., join the American Academy of Actuaries and, subject to the approval of the Casualty Practice Council, can sign loss reserve opinions. In Canada, an FIA who sits a Canadian content exam, has relevant experience, and completes a sufficient amount of Canadian continuing education can become a Fellow of the Canadian Insti-

tute of Actuaries, which allows him or her to sign Canadian opinions. I think this practice is healthy and should be encouraged.

Granting Fellowship (or something close to it) is a very different question. At present an FCAS or FIA means something significant because, among other things, individuals with that designation have passed a very difficult set of examinations set by their respective organizations. At present the CAS

"...all Fellows of both SOA and CAS need to speak on this issue now..."

is the only actuarial society I am aware of whose examination syllabus is concentrated almost entirely on non-life topics. Employers do value that. The Institute exam system is different, not necessarily easier or harder, just different, and has a very different focus. Why would the Institute want to confer an FIA on an FCAS when that FCAS has had, at most, half of one exam focusing on life contingencies and his or her application to life and pension insurance? By the same token, why would the CAS want to confer an FCAS (or something close to it) on an FIA who has only written one or two P&C exams?

As someone who has worked for a major consulting firm as well as large multinational insurers and reinsurers, I can confirm that the FCAS designation is well respected in Europe and there is a demand for FCASs in London, Zurich, and Bermuda as well as the United States and Canada. I do know a limited number of FIAs that live and work in the United States and Canada but I cannot speak to the market demand in that area. (A recent article in the U.K. journal, *The Actuary*, indicates that there are 71 FIAs and FFAs currently in Canada so the barriers to transferring westward across the Atlantic are not insurmountable.)

The CAS Task Force on Mutual Recognition is reviewing the new Institute exam syllabus in an attempt to decide whether someone who becomes an FIA under the new system has, with the exception of country-specific material, covered much or most of the material that an ACAS would under our new *Syllabus 2000*. The difficulty with this comparison is that this will tell us whether an FIA who qualifies in the future should have a comparable education to an ACAS who qualifies at that time. Unfortunately it does not tell us whether an existing FIA's training was in any way comparable to an existing ACAS's (or FCAS's). This latter comparison is the one the Committee should be making. By the same token, an FCAS has not had the same training in life and pension insurance that was enjoyed by an FIA. While I can't pretend to speak for the Institute I can't help but wonder why the minimal life and pension content of the CAS exams does not appear to matter to that body.

One argument in favor of Mutual Recognition that is difficult to dismiss out of hand is "What happens to the CAS if everyone else does it and we don't?" Since the SOA and the Institute are pursuing their own version of Mutual Recognition (part of the "Big Tent" discussion), if the CAS doesn't participate will the SOA start offering casualty exams and make the CAS completely redundant? Very good question. However, what will happen if the SOA and the Institute agree to award Fellowship to each other's members and the CAS and the Institute reach the same agreement? Even if we insist that to become an FCAS, an FIA must have completed the Institute's casualty exams, what is to stop an FSA from becoming an FIA, writing that body's casualty exams, and applying for CAS membership? Doesn't this potentially provide a "back door" to CAS membership for FSAs? The situation is further complicated by the European Union which allows European actuaries to join the Institute and pro-

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Mutual Recognition—A Member Responds

by John P. Doucette

In response to Mary Frances Miller's and Steve Lehmann's columns in the August 1999 *Actuarial Review* regarding Mutual Recognition, I think that some level of Mutual Recognition is a good idea and necessary for the future success of the Casualty Actuarial Society. The level of Mutual Recognition that exists today is a good example of how Mutual Recognition can and should work. My understanding is that under the current exam structure, Fellows of the Institute of Actuaries can receive credit for the first five CAS exams; Fellows of the Casualty Actuarial Society can receive about the same credit for FIA exams.

The questions are: What level of Mutual Recognition is appropriate and how far should it go? One proposal for Mutual Recognition is to exchange Fellowships with other actuarial societies, or something substantially close to this.

I am unequivocally against the CAS's offering full Fellowship (or something substantially close to full Fellowship) in the CAS for Fellows of other actuarial societies who have not passed the CAS exams. It is simply a bad idea and should not be implemented.

I have heard the comment that if the CAS did offer FCAS to Fellows of other actuarial organizations but only to those who practiced in the United States for one year or more (and, perhaps, passed one exam on country specific regulations), then this change in the policy would be almost academic as there are very few people to whom this would apply. I disagree with this argument on two counts.

First, if a decision is fundamentally inequitable, then it is the wrong decision irrespective of whether it affects one person or one thousand people. A non-CAS Fellow working in Bermuda

or London can work on U.S. property-casualty exposures. Why should a non-

“I am unequivocally against the CAS offering full Fellowship (or something substantially close to full Fellowship) in the CAS for Fellows of other actuarial societies... It is simply a bad idea and should not be implemented.”

CAS Fellow working in New York or Hartford or Chicago on U.S. property-casualty exposures have more of a right to the FCAS designation without passing the CAS exams?

Second, the number of non-CAS actuaries seeking a CAS Fellowship through Mutual Recognition could be very large. Having been an employee of two international firms, a large re-insurance firm and a well-known consulting firm, I have seen first hand many non-CAS actuaries who have spent a rotation period in the U.S., each of whom would pass the residency requirement being contemplated under the current proposal. These include British, Irish, Scottish, and Australian actuaries. The end result is the potential number of non-CAS actuaries who come to the U.S. may be much larger than realized. Furthermore, if such a policy were enacted, we should expect a large increase in non-CAS actuaries

from the U.K. and Australia who come to work in the U.S. just to take advantage of this “back-door” path to FCAS. If Mutual Recognition were broadened to include actuaries from other countries, then the numbers could be very large, certainly much larger than would make such a policy purely academic.

As members of a profession that analyzes aggregate data to make estimates of future outcomes, we are all aware that anecdotal evidence, while a powerful tool to demonstrate a point, does not necessarily lead to valid general conclusions. I have heard that at least one CAS Fellow has had a difficult time finding work in Australia, because that person does not have Australian actuarial credentials. That particular example may demonstrate a limitation of employment, as Ms. Miller alluded to in her column, for CAS actuaries outside the U.S. However, I can offer several counter examples. I know of several actuaries working in London, Zurich, and Bermuda whose FCAS designation has been enough to get them several job offers each.

Never has the FCAS designation been in more demand in the London market than now. There is a market-wide shortage of experienced general insurance actuaries (both CAS and others) in Zurich. The demand in Bermuda for CAS-trained casualty actuaries has grown at an astounding rate. Several colleagues in these places have told me that FCAS is a highly sought credential for employment and in some cases is the preferred actuarial designation. In short, there are many worldwide opportunities for CAS Fellows.

The issue of equity also compels me to argue against the proposal of awarding the FCAS designation without

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vides a further pool of potential FIAs whose education and training differs by country from that provided by the Institute itself. While I do not know what will happen to the CAS if we do not embrace Mutual Recognition, I firmly believe that, if we do, the CAS will cease to exist in any meaningful way.

As pointed out in one posting on the CAS Web Site, proposals submitted to committees tend to take on lives of their own. The current discussions on Mutual Recognition are reminiscent of those that surrounded exam partitioning some years ago. At that time it was very difficult to find anyone, Fellow, Associate, or student, who was in favor of the concept but, in spite of that, partitioning still went ahead. We have since decided that was a mistake and are now somewhat painfully pulling back (at no slight cost in good will among our student population, I might add). However difficult this was in the case of partitioning, we will not be able to pull back from any sort of Mutual Recognition pact with the same “ease.” Consequently, not only must all of the issues be considered very carefully but any potential agreement must be submitted to a vote of the full membership. Not to do so will, at best, seriously jeopardize the credibility of our elected executive.

One significant consideration is the question of equity. The CAS regularly fails two thirds of the people writing any given exam. We subject people to incredible pressures to survive what is arguably one of the toughest professional qualification systems in the world. (If anyone doubts how students feel about these points I strongly suggest they read some of the student discussion threads concerning exams.) And now we’re considering telling these same people that they didn’t have to do it. There is now an alternative way to join the CAS—become an FIA. Whether that route is easier, harder, or otherwise is not the point. And, to add insult to injury, we are willing to admit an unknown number of new Fellows, or Associates, as the case may be

(I don’t think we should underestimate the number of potential candidates). Somehow this does not satisfy my definition of equity. This will have the greatest impact on new Fellows, Associates, and, of course, students. It will have relatively little direct impact on those senior Fellows whose careers are already well established. This latter category includes the majority of the directors and officers of the CAS.

I could continue for several more pages with questions and issues that need to be considered before any action is taken. Many of these would be rehashes of points raised by others in

**“...imperfect as it
may be, the
examination process
is an objective
process.”**

their various posts but they all lead me to the conclusion that offering Fellowship or Associateship to individuals who have not written the CAS exams would be a serious mistake.

J. Scott Bradley, FCAS

Dear Editor:

The “Mutual Recognition” issue is also faced by SOA, but is nowhere near as critical for us as CAS, because FIAs do have a strong life/health educational background. Even so, I have several basic concerns:

1. The issue seems totally driven by the desire for “practice rights.” This is really an issue for the AAA rather than CAS/SOA.

2. I have queried the SOA Presidential Candidates whether Fellows would get to vote on this. The basic answer from all 3 is “NO”! From discussions in the CAS Student Discussion Forum (which I frequent regularly), FCAS responses on this topic say the same thing! I think this is out of hand.

3. Despite my FSA and many years of life/health experience, I switched to P/C in 1987. I am bound by SOA, AAA, and CAS (as an Affiliate Member) in my practice. This is, in my

humble opinion, exactly how things should be. I do NOT want (and would never accept) ACAS or FCAS without passing the requisite exams. Given that, why should I agree to Mutual Recognition as currently presented?

I think all Fellows of both SOA and CAS need to speak on this issue now, before “the deed is done.”

Brad Gile, FSA

Dear Ms. Gannon and Mr. Lehmann:

This letter is being sent to you in response to the encouragement to members provided by Mavis Walters (*The Actuarial Review*, November 1998) to share our views on the issue of Mutual Recognition. I tried to be brief, but have not succeeded, so please bear with me as I outline my thoughts for you.

I agree with a number of Ms. Walters’ assertions:

1. There ARE some very difficult issues that need to be addressed.
2. The CAS IS the only organization specializing in P/C issues (why the CAS is special) and it is true that no other education and examination structure comes close to ours.
3. FCAS (nor ACAS for that matter) should NOT be granted to those unfamiliar with our legal, regulatory, and accounting systems.

I feel strongly that Mutual Recognition will harm the casualty actuarial profession in North America, because, witness 2 and 3 above, it represents an invitation to actuaries unfamiliar with casualty issues and our legal, regulatory, and accounting systems to practice on such issues and systems. The high regard and respect for the casualty profession will be harmed if such unqualified individuals, acting as casualty actuaries, perform their duties in a fashion that fails to meet the high standards to which today’s credentialed casualty actuaries are measured.

For example, there may be a very small number of CAS members who would find it appealing to be able to practice in Australia, but my personal opinion is that there are a lot more actuaries from outside North America

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looking for North American recognition than North American actuaries looking for recognition outside this continent. If not, then why does Ms. Walters indicate that Mutual Recognition is “now being pursued somewhat more vigorously, particularly by our colleagues outside of North America”? At the risk of being accused of being xenophobic, I suggest that the influx of actuaries from abroad that would result from Mutual Recognition would devalue the credentials of all casualty actuaries currently practicing in North America. But this, of course, is secondary to the issue of professionalism.

Let me quote p. 26 of the 1999 *Syllabus*, under the topic, “Waiver of Examinations for Associateship”:

Individuals who claim competence in the areas covered by the examinations should not have difficulty demonstrating their competence by participating in the examination process.

This is a strong statement that continues to be true today. One of the beauties of our profession that attracted me to it initially and continues to attract

others today, indeed, is a selling point on the profession, is that, imperfect as it may be, the examination process is an objective process. It's never made a difference what color one's skin was, what one's religion was, who one's contacts were, how ugly a person was, if you were able to pass the exams, you could succeed in this field, get your credentials, and, hopefully, perform work on a daily basis that measured up to the standard applied by North American casualty actuaries. I hasten to add to the list, it didn't make a difference what continent you were from or from where you've gained your experience to date, if you could pass the exams, you could succeed in this field and get credentialed. The common bond between all North American casualty actuaries is the education achieved via the rigorous North American casualty examination route. Indeed, our psychological and professional identities are practically defined by the exam process and our interactions with it. Mutual recognition threatens to open our field up to those without the appropriate education to practice in the areas in which we practice.

When I visit my actuarial buddies in Bermuda, I drive on the left while visiting, and adhere to that island's rules of the road, at least my limited understanding of them, even though I'm used to driving on the right. As a tourist, I'm not required to obtain a Bermudan driver's license but I certainly would have to do so if I moved there permanently and planned on practicing the “science of driving” there on a regular basis. I wouldn't try to overhaul the driver licensing system of Bermuda to make exceptions for special classes of people of which I am a member. Chances are I'd have to take a road test, written test, eye test, etc., even though I have a perfectly fine Florida driver's license that allows me to drive anywhere in my current country. Why should I expect anything else? So why then should the practice of casualty actuarial science, North American style, be any different? Does “when in Rome, do as the Romans” sum up this school of thought?

Regarding item 1, I'd like to ask a

couple of questions. One, would a “mutually recognized” FCAS (MRFCAS) be allowed to vote? Second, would a MRFCAS be allowed to participate on all CAS committees? As an 8-exam ACAS who has not given up on attaining FCAS, but who nonetheless is still an 8-exam ACAS, I would find it particularly appalling and insulting if a MRFCAS who knew little about our exam process could vote and help administer our exams.

Paul Chabarek, ACAS

Building a Better Mousetrap

Dear Editor:

It was interesting to read about the qualification procedures for actuaries in foreign lands, and I appreciate Victoria Stachowski and Alice Underwood's article bringing us up to date. But I was disconcerted by their reaction to some unidentified European actuary's paraphrased comment about the lack of American actuaries' math ability at an undisclosed meeting somewhere across the pond. They seem to think that there is a bit of extra resentment aimed at CAS members. I've traveled internationally on behalf of the CAS, and I never noticed this resentment. They also say that “[o]ne way for the CAS to gain greater acceptance abroad would be to give more acknowledgment of other actuarial institutions.” Don't get me wrong—I am in favor of respect for other professions. But it seems to me that the way we get more acceptance (if, indeed, we actually need that, which I question) is not through patronage, as they suggest, but through actually doing a better job of being actuaries. I have always been of the “build-a-better-mousetrap” school in terms of what to do to enhance the view of actuaries abroad or anywhere else for that matter.

They seem to believe that creating the designation of “affiliate” of the CAS has alleviated a number of problems, and they indicated in their article that this is a class of membership. Are Affiliates actually members of the CAS? If so, what does this entitle them to represent to clients and to the pub-

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International

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The vice president-international is responsible for the management/supervision of CAS international activity. Boison will coordinate the activities of three new committees: International Oversight, IAA Liaison, and International Issues. The existing International Relations Committee will be discharged. Other responsibilities of the new vice president include assuring that the CAS responds appropriately to international requests for assistance, representing the international perspective to the Executive Council and Board of Directors, representing the CAS at foreign meetings as appropriate, and providing periodic status reports.

Boison is senior vice president-insurance services for Insurance Services Office, Inc. in New York. ■

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lic?

Irene K. Bass, FCAS

Authors Respond:

We'd like to thank Ms. Bass for her comments and offer some of our own. We included the introductory anecdote to illustrate one aspect of the tensions and misconceptions that can occur between members of different actuarial societies. The attitude of the unidentified speaker is one that we have encountered from time to time while working abroad. However, we did not intend to categorize the non-American actuarial world as having either a low opinion of the CAS or a high opinion of the CAS.

We have encountered many different views. In general, most people seem to have high respect for CAS actuaries' abilities and qualifications. We have noticed a certain frustration, however, in that this respect has not always been felt to be reciprocated.

We certainly agree with Ms. Bass that CAS actuaries should strive to do the best job possible. To the extent that the CAS perceives weaknesses in its qualification process—and we did not intend to imply that differences between the CAS and European societies as regards abstract mathematics constitute such—efforts should be made to remedy them. But we do believe that communication between the CAS and other societies could be improved. There have been certain recent steps in this direction, including the establishment of an international vice president, and the meetings taking place between the CAS and other actuarial institutions (currently only English-speaking institutions, but we must start somewhere).

We also believe that the Affiliate membership which permits a listing in the *Yearbook* and equal access to most information, but restricts the use of our designations—will help to facilitate communication and mutual respect between the societies and their members. Victoria Stachowski, FCAS and Alice Underwood, FCAS

Election or Beauty Pageant

Dear Editor:

I've just cast my vote in the annual CAS Beauty Contest...er, I mean officer and board elections. Instead of knowing what my vote will mean for the important issues considered by the Board, I get the feeling every year at this time as if I am back in high school during student council voting. Sure, we don't have the distraction of banners

“We're a big organization now and it's time our election process recognizes this.”

hanging in the halls exhorting us to vote for the most earnest (and usually underdog) candidate. My choices today were more like those understated candidates of yore who did not campaign; they just let their “coolness” get them elected. What do we really know to make these choices? All candidates provide brief resumes describing when they achieved their designations, their employment, and their past volunteer activities. Again, the parallels to student council elections are eerie. With those teenaged hopefuls, we knew what class they were in, which team, band or cheerleader squad they captained and they told us about running the fundraiser last year during the basketball games.

But, enough of yesteryear—what are we electing the Board to do today? Paraphrasing the constitution, their duties include voting on new members, supervising publications of papers, supervising exams, ratifying committee and special appointments made by the president, authorizing statements of principles and managing the affairs of the Society.

It is this last duty, “managing the affairs of the Society,” that seems to be growing in importance. The black and white of the resume tells us little of what candidates think about topics

such as cooperation/partnership with other actuarial societies, the examination process, exam travel time, and mandatory standards versus guidelines. These are just a few of the controversies aired in recent editions of *The Actuarial Review*. More important, why does a candidate want the position? The days are past when the CAS was small enough that you just knew everybody and you could pretty well guess what a person would do if elected. We're a big organization now and it's time our election process recognizes this.

To facilitate a knowledgeable election process, the CAS would do a great service by publishing the results of a questionnaire sent to each candidate. It could be brief, asking candidates to state why they are running and asking them for their thoughts and positions on what they view as the two most important issues facing the CAS. Perhaps, the *Actuarial Review* could even publish this ahead of the election in its August issue. Maybe then we can move beyond a beauty contest to an election based on real knowledge.

Bill Carpenter, FCAS

The Ethics of Gifts

Dear Editor:

While it is true that an actuary must diligently avoid an impression that his results can be “bought” with a higher compensation level, it is ostrich-like to assume that we can build an absolute barrier. An actuary who consistently produces results unfavorable to his client will find that the client retains a new actuary. In the given example, how is the gift of a trip to Hawaii (assume value of \$5,000) different than retaining the actuary for a new assignment at a compensation level \$5,000 above the “fair market value” for such an assignment? The facts as stated contain no hint that there was any prior indication that the gift was contingent on results. If we take the position that we can investigate incidents like this, then we must in effect concede that every compensation arrangement between an actuary and a client must be scrutinized to be sure the compensa-

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From the President

From page 1

a global economy with global opportunities for actuaries.

Other significant accomplishments for the year include a comprehensive review of the CAS research process, a task force review of the education and examination process and further enhancements to our outstanding CAS Web Site. You will be seeing the details of these task force reports in upcoming issues of *The Actuarial Review*.

But the most rewarding part of my year as president has been speaking to and meeting members of our ten CAS Regional Affiliates; representing the CAS at international meetings of ac-

From the Readers

From page 8

tion is "fair." Taking it to the next level would require a blind bid for every consulting assignment, lest an actuary ever even consider that his results in the present assignment might affect his receiving the next one.

One point that is significant, however, is that the article does not specify whether the consulting actuary is self-employed or employed by a consulting firm. If the actuary is employed by a firm, then the gift should have been made through the actuary's firm. The client should have paid the firm an amount above the agreed fee with a "strong suggestion" that the firm reward the actuary for exceptional service; I doubt that any employee who

made a client that happy would be viewed in an unfavorable light. If the

actuary is self-employed then, in my opinion, the gift is not objectionable.

Currently chairman of the CAS Committee on Review of Papers, Josephson has served on the Examination, Long Range Planning, Education Policy, and Editorial-*Proceedings* Committees. From 1992-1996, he was a member, vice chair, and chair of the Continuing Education Committee. Josephson succeeds **Robert S. Miccolis**, who completed three years as vice president-research and development.

Miller currently chairs the Task Force on Mutual Recognition and the

tuarial leaders in London, Tokyo, Mexico, and Canada; and working with an outstanding leadership group, Board of Directors, and our wonderful executive director, Tim Tinsley. These are memories I will treasure always.

Strategic Directions

Let me turn from my year as president to the future. In our recent CEO interviews, one of the CEOs stated, "Actuaries are pursuing greater precision in areas of decreasing relevance."

This CEO has challenged us. If we are to succeed in an increasingly complex and changing environment, we must take a hard look at ourselves and our training.

Consider the following observations emerging from our CEO interviews and from the recent CAS Task Force on Education:

- 1) Travel time to complete the examinations is too long and has been getting longer.
- 2) Our education is too narrow, too technical, and too insurance-oriented.
- 3) We need to train actuaries to be broad-based solvers of business problems. Creativity in developing solutions to problems should be encouraged.
- 4) Actuaries must react quicker and create tools that identify problems sooner so that solutions can be implemented quickly.

I don't pretend to have all the answers to these potential problems and

Education Policy Committee, a committee with which she has been involved since 1992. Miller also is a current member of the Examination Committee and is the liaison to the SOA Education and Examination Management Committee. She has also chaired the Committee on the Course on Professionalism. Miller succeeds **Kevin B. Thompson**, who completed his three-year term as vice president-admissions.

The Board of Directors reelected the three other vice presidents on the 1998-1999 Executive Council for 1999-2000. These vice presidents are **Curtis Gary Dean** (Administration),

challenges. But, I do know that we can and will find the answers.

As I've traveled the "actuarial circuit" this year I've met actuaries from many different backgrounds and different locations. The one thing we have in common, our bond, is the perseverance to master the difficult road to Associateship and Fellowship in the CAS. I firmly believe that the men and women who have achieved this accomplishment will, in fact, find answers to these challenges that will result in a stronger actuarial society. We can broaden our education to enhance our ability to solve a variety of business problems. We can rely more on university training without giving up examinations that test advanced topics in insurance, finance, reserving, ratemaking, and risk management. We can create new tools, like DFA and securitization, to help with strategic planning and to react quicker to changing conditions. I am confident in our future.

A final observation from my year as president is that the CAS is unique in the actuarial world in its specialized education in property/casualty and related risk exposures. I believe that this specialization has an economic value that is becoming recognized in the marketplace. If we continue to update our education and research to react to changing business conditions, exploit new opportunities and provide value to our employers and clients, we have a bright future in the new millennium. ■

David R. Chernick (Programs and Communications), and **Abbe S. Bensimon** (Continuing Education). The CAS Board also elected **LeRoy Boison** the new vice president-international, a position the Board established at its September meeting (see story on page 1). ■

Correction

A photo caption of new Associates featured in the August 1999 issue of *The Actuarial Review* contains an error. In the third photo caption on page 12, second row, Sean O. Cooper was incorrectly identified as Peter J. Cooper. ■

Globalization Places Actuarial Education In New Light

by Dale S. Porfilio

Major consulting firms and many prominent insurers today clearly broadcast their international focus on their Web sites and in other corporate identity statements. Treaties and agreements such as the General Agreement on Tariffs and Trade (GATT) and General Agreement on Trade in Services (GATS) are arising that allow products and services, including financial services, to be sold across borders more extensively than at any time in history. Technology has opened national borders to a rapid exchange of information and capital. Countries, organizations, and professions have simultaneously been thrust into a globalized era.

It's certain that actuaries will be working in an increasingly globalized business environment. As such, actuaries often will compete for jobs in a global marketplace. What does this mean for the education and training of actuaries and for the companies that hire them?

Actuarial Designations Around The World

The December 1998 preliminary study of the Joint CAS/CIA/SOA Task Force on Academic Relations notes that the CAS and SOA appear to be among the few actuarial organizations in the world using an actuarial education and professional qualification system that gives little or no formal recognition to academic work. In most countries, actuarial education and professional qualification are much more university-focused.

The report also pointed out that Mexico's actuarial education and professional qualification are totally based on university training, as are those of many European countries. Both the United Kingdom's and Australia's actuarial organizations have "good experience with allowing exemptions from examinations on the basis of a limited

number of accredited university programs," the report said.

Several national organizations already grant their designations to individuals belonging to another organization, usually after the person takes only one or a few actuarial exams (residency requirements are usually set, as well). For example, the CAS waives the first five exams for Fellows of the British Institute and Faculty.

In a globalized business environment, this paradox could become a major problem. How will multinational employers of actuaries handle growing needs for employees with mathematical, statistical, and modeling skills—skills that may no longer be solely the domain of actuaries? What is fair to individual actuaries (and candidates), both those who earned their actuarial designations solely through self-study and those who gained them at least in part through university credit?

Serving Their Members

The modern actuarial profession has succeeded in part because of its high educational standards. Throughout the world, both actuaries and their employers will insist that those remain. In many countries, those rigorous standards are being met through designations based on some amount of university course credit. Actuarial organizations offering self-study as the only route to a valued designation may not be serving their members and students at the highest possible level.

The joint task force is dedicated to the excellence of actuarial education. As such, it has taken the position that, while university education should be considered, university qualification should not. Actuarial organizations should retain the responsibility of providing actuarial designations through the examination process.

Globalization will continue, and businesses will strive to meet their worldwide employment needs on the

basis of needed skills. Actuaries will compete with each other and, perhaps for the first time, with professionals such as financial engineers, trained outside actuarial organizations. The world has changed and will continue to do so. Actuaries must be prepared to succeed in this new world, and to thrive in it.

Dale Porfilio, CAS Representative to the Joint CAS/CIA/SOA Task Force on Academic Relations, can be reached by e-mail at dpor2@allstate.com. ■

CAS Continuing Education Calendar

View the calendar online at <http://www.casact.org/coneduc/cal.htm>.

November 14-17—CAS Annual Meeting, San Francisco Marriott, San Francisco

January TBD—Seminar on Loss Distribution, Philadelphia*

March 9-10—Seminar on Ratemaking, Hotel del Coronado, San Diego

April 10-11—Seminar on Valuation of Insurance Operations, Regal Riverfront Hotel, St. Louis

April TBD—Seminar on Managing Asset and Investment Risk, Los Angeles*

May 7-10—CAS Spring Meeting, The Mirage, Las Vegas

June 15-16—Reinsurance Seminar, Marriott Copley Place, Boston

July 17-18—DFA Seminar, Marriott Marquis, New York City

August TBD—Seminar on Reinsurance, New York City*

September 18-19—CAS/AAA/CCA Casualty Loss Reserve Seminar, Hilton & Towers, Minneapolis

September 21-22—CAS/CIA Appointed Actuary Seminar, Hilton Airport Hotel, Toronto, Canada

*Limited Attendance

University Liaison Program Volunteers Needed

The University Liaison Program for the 1999-2000 school year is underway with 82 CAS members who volunteered to be liaisons to colleges and universities. The goal of the program is to have a liaison for each school with a professor enrolled in the CAS Academic Correspondent Program, and there are over 50 schools that are in need of volunteers. For a complete list of schools currently without liaisons, see <http://www.casact.org/academ/unili.html>. If you live within close proximity of, graduated from, or are willing to work with one of the schools, please consider volunteering.

The University Liaison Program, sponsored by the External Communications Committee, matches CAS

members with academics to provide the academics a one-on-one contact with a practicing actuary. A likely duty of the liaison would be to visit the academic's school to make a presentation to students about the casualty actuarial profession. Liaisons are encouraged to creatively explore other possible duties through conversations with their academic contact. These duties could range from answering questions via e-mail about the examination system or a CAS *Syllabus* reading, to reviewing course descriptions and consulting on the direction of the school's actuarial science program.

Liaisons are provided with a Speaker's Kit, some direction as to possible programs and activities to

consider, and career information to distribute to students at the school. An e-mail discussion list has been established to facilitate the sharing of ideas among liaisons. In addition, a breakfast meeting for program participants will be held during the CAS Annual Meeting in San Francisco to discuss experiences and success stories.

If you are interested in learning more about the program and working with a particular school, or if you have an existing relationship with a school but are not already part of the program, please contact Mike Boa, Communications and Research Coordinator at the CAS Office (703-276-3100 or mboa@casact.org).■

Election

From page 1

Board of Directors from 1993-1995 and chaired the Long Range Planning Committee during 1994-1995. Grannan has served as chair and vice chair for the Joint Committee for the CLRS and chaired the Financial Analysis Committee. Other committee memberships include the Examination, Dynamic Financial Analysis Advisory, and Financial Analysis Committees.

Four new directors were also elected to the CAS Board of Directors: **Amy S. Bouska, Stephen P. D'Arcy, Frederick O. Kist, and Susan E. Witcraft.** The new directors will serve three-year terms. They succeed **Sholom Feldblum, Russell S. Fisher, David N. Hafling, and Richard J. Roth Jr.** As the most recent past president, Lehmann will serve as chairperson for the CAS Board of Directors during 2000.

The number of Fellows voting this year was 881, or 45.7 percent of the total number of Fellows. Ballots cast last year totaled 843 or 47 percent of the total number of Fellows eligible to vote. Members of the CAS Nominating Committee for the 1999 CAS elections were chairperson **Albert J. Beer, Robert A. Anker, Irene K. Bass, Allan M. Kaufman, and Mavis A. Walters.**■

In My Opinion

From page 2

- **Current CAS members.** Fortunately, many of us are expressing our opinions.
- **Current students.** Who has a more direct interest in membership requirements than a student struggling through the exams? Are we considering Mutual Recognition from their perspective?
- **Members of the SOA.** If we open our doors to other qualified actuaries, shouldn't SOA members be among the first to be welcomed?
- **Members of other actuarial organizations.** Do they care? Have we thought through how they would be

affected? Are we asking their opinions?

- **Regulators, both in the U.S. and Canada, and abroad.** Do they want to know, or care, what the CAS designations represent? How would our decision affect them?
- **Insurance company executives, and other purchasers of our services.** What impact would a change in membership requirements have on them?

There are many other groups that might be affected, whether they know it or not. The important thing, in taking this philosophical approach, is to think through how they might be affected, regardless of whether they would be aware of the change, and to

give weight to their interests in making our final decision. This forces us to consider what would be best for them, even when that works to our disadvantage.

Rawls's theory suggests that if we follow this process conscientiously—in other words, trying to put ourselves in the place of everyone who will be affected by our decision—we will reach a consensus. I think this is unlikely, because we will all have different visions of the post-rebirth world. But if we want to arrive at a set of membership standards that is just and fair for the widest possible group, Rawls's approach is an interesting one.■

Elections: In the Eye of the Beholder?

by Sholom Feldbum

I have before me the ballots for two societies, casualty and life. We are choosing presidents-elect; it is my duty as a Fellow to vote.

The casualty ballot is easier. The Nominating Committee has thoughtfully made the choice for me. If I approve, I can vote yes. If I do not approve, I can withhold my vote. Either way I will read soon in *The Actuarial Review* that the candidate was elected president by vote of the members.

The life ballot is harder. There are three candidates each year. We are sent biographical sketches of each in a thick ballot form, along with short statements of their views. We also receive a special supplement to *The Actuary*, a sort of written debate, consisting of each candidate's responses to a dozen questions about the future direction of the society.

There is too much to read here. Even if I do read it all, would I know for whom to vote? And it would take weeks afterwards to find out if I voted for the winner.

The casualty ballot form is not just easier; it is more pleasant. I know the candidate. I can tell him that I voted for him, and I can congratulate him on becoming president-elect. I don't even have to wait for the election to congratulate him; I can send him an e-mail right now.

The life actuarial ballot form is not pleasant at all. I know two of the candidates; I can't vote for one without insulting the other. I surely can't vote for the third without insulting both of them.

“There is too much to read here. Even if I do read it all, would I know for whom to vote? And it would take weeks afterwards to find out if I voted for the winner.”

I think back to college days, to a course on political science. Nowadays, everyone has elections. There are elections in the U.S.; there were elections in Soviet Russia; there are elections in Communist China. In the U.S., the president is chosen at the ballot box; in Soviet Russia, the president was chosen in closed chambers. But no president is legitimate unless he has won an election.

I call a good friend, also a Fellow of both societies. I express my won-

derment at the difference between the two societies. I ask him which way is better.

“Hard to tell,” he says. “Perhaps it's good to have a president elected by the members; that's the American way. Perhaps the current leadership knows best who would make a good president.”

He's right, of course. The Nominating Committee can take account of myriad factors that the membership would ignore. The committee knows who has worked on past Society activities; the committee knows who is good at managing Society activities and speaking at Society meetings; the committee knows who best upholds the Society's ideals. The committee carefully considers several candidates before selecting the best to be president-elect.

One can only feel sorry for our life brethren. Those poor candidates, each of whom desires to be president-elect, but two of whom will be deeply disappointed. Those poor members, who will read pages of questions and answers about the future direction of their Society, but who will never become as good judges as our own Nominating Committee. All this wasted effort, simply to do things the American way.

I fill out our ballot form. I make a note to send a congratulatory e-mail to the candidate on his forthcoming victory.

Editor's note: The CAS leadership is in the process of reviewing its election procedures, based on input from the CAS membership survey and other sources, through a task force chaired by John Purple. Any recommended changes in the elections procedures will be discussed at the February Board meeting. If you have any suggestions for changes please forward them to Pat Grannan or John Purple, in care of the CAS Office. ■

“Profits” Book Released

The CAS has published *Actuarial Considerations Regarding Risk and Return In Property-Casualty Insurance Pricing* and has made the book available online at <http://www.casact.org/pubs/vfac/toc.htm>. Edited by **Oakley Van Slyke**, the book was first conceptualized by the CAS Valuation and Financial Analysis Committee. *Actuarial Considerations* was produced by the CAS including a generous grant from the Actuarial Education Research Fund.

The book was mailed to CAS members in November and, while supplies last, is also available to anyone who requests it for the cost of shipping and handling only. ■



'98 Member Survey Report Released

by Alfred O. Weller

The CAS Board has formally accepted the report of the Membership Survey Task Force. The 1998 Survey was the third quinquennial CAS membership survey. The survey reflected concerns of CAS leadership and members at large. Among its findings are:

- **Demographics**—Primary insurers continue to be the major employer of casualty actuaries. The percentage employed by reinsurers has increased from 9 percent in the 1993 survey to 13 percent in the present survey. Casualty actuaries continue to be geographically concentrated in the United States east of the Mississippi, but to a lesser extent than five years ago. The number of retired members is expected to grow substantially over the next decade; a separate survey on services for retired members should be considered.
- **Administration**—*The Actuarial Review* is the most widely read publication—chances are that you are reading it now. Although most respondents do not yet fully use the Web site, they would like to use the Web site to find papers, presentations, and other material.
- **Admissions**—The most important actuarial skill is the integration of analytical techniques, methods, and models from different disciplines. Examination should place more emphasis on analyzing business situations and less emphasis on memorizing specific details.
- **Continuing Education**—Dynamic financial analysis is the clear leader among topics, but in keeping with the diversity of actuarial activities, significant percentages of respondents

Struppeck Wins 1999 Reserves Prize

Thomas Struppeck won the 1999 Reserves Prize for his paper, "Premium Earning Patterns for Multi-Year Policies with Aggregate Deductibles." **Stuart B. Suchoff**, chairperson of the Committee on Reserves, presented the award to Struppeck at the general session of the 1999 Casualty Loss Reserve Seminar on September 13 in Scottsdale, Arizona. The Reserves Prize is awarded to the author of the best paper submitted in response to a call for papers regarding reserves whenever the program is conducted by the Casualty Actuarial Society. Papers are judged by a specially appointed committee on the basis of originality, research, readability, completeness, and other factors. Recipients need not be members of the Casualty Actuarial Society. The amount of the Reserves Prize is determined annually. Struppeck's paper and other papers presented at the CLRS can be found on the CAS Web Site at <http://www.casact.org/pubs/forum/99fforum/99fftoc.htm> or in the 1999 Fall *Forum*. ■



Reserves Prize Winner Thomas Struppeck.

- are interested in other topics as well.
- **Programs**—Respondents were happy with meeting frequency and ranked the annual/regular meeting as first in importance among CAS meetings.
 - **Research**—Respondents favor support of voluntary research. Many believe that specific topics should be funded. Older members and consultants voiced support for experience studies.
 - **The CAS as an Organization**—The most important benefits of membership are professional growth, identification with a competent group of professionals, and education. The application of casualty actuarial science to new, noninsurance areas is the most important long-range planning issue.
 - **The Actuarial Profession**—The major economic value of the actuarial profession is providing a systematic approach to the creation of

a framework for writing insurance and, more generally, a logical framework for business risk. Leading emerging areas of practice are international insurance, finance, catastrophe modeling and securitization, and risk management and self-insurance.

The full report is available on the CAS Web Site. Those members without access to the Web site can request a paper copy from the CAS Office. Members who did not receive a copy of the complete survey report or wish to obtain additional copies should contact Todd Rogers at the CAS Office.

The Membership Task Force consists of **Alfred O. Weller** (Chairperson), **Catherine Cresswell**, **David J. Oakden**, **Jerome A. Scheibl**, **Roger A. Schultz**, **David Skurnick**, and **Jeanne Lee Ying**. The task force served under CAS Vice President **Gary Dean**, and was ably assisted by Todd Rogers of the CAS staff. ■

Fellows Amend CAS Constitution

In balloting conducted during June 21–July 31, 1999, the Fellows of the Society approved all changes to two articles of the CAS Constitution proposed by the Board of Directors.

Article IV (Officers) was revised to delete the specification of five vice presidents, leaving it up to the Board to determine the number of vice presidents. This article was also modified to indicate that a vice president shall

also serve as secretary and treasurer, rather than specifying that the vice president-administration will serve in those capacities.

A new sentence was added to Article VI (Executive Council) to read: “The number and duties of the vice presidents shall be determined by the Board of Directors.”

These changes provide greater flexibility to respond to changing condi-

tions. The Board has now approved a sixth vice president to oversee the growing international activities of the CAS (see story, page 1).

The revised Constitution became effective on July 31, 1999. It is posted on the CAS Web Site in the “About CAS” section under “CAS Policies” and will be included in the 2000 CAS Yearbook. ■



CAS Attends 10th East Asian Actuarial Conference in Seoul

The CAS increased its international visibility at the 10th East Asian Actuarial Conference held in Seoul, Korea October 3-6. Eighteen countries from around the world participated in the four-day conference of information sessions and discussions that focused on “The Actuary’s Challenge in the New Millennium.”

Mavis A. Walters, CAS immediate past president, spoke on how the CAS works in conjunction with other organizations in North America. “Members of the Casualty Actuarial Society are involved in a wide range of activities today and we expect that nontraditional areas of practice will expand in the next millennium,” said Walters. Walters described the CAS Affiliate Membership Program and encouraged those interested to visit the CAS Web Site for an application.

Several organizations including the Canadian Institute of Actuaries, the Society of Actuaries, the Institute of Actuaries of Australia, and the Institute of Actuaries in the U.K. were present. Throughout the conference, Walters and other official visitors were treated as special VIPs. Of particular note, special guests of the conference attended a private dinner hosted by the conference chair and leaders in the Korean insurance industry. The dinner

consisted of a formal Korean banquet made up of Korean dishes traditionally prepared for royalty. At the closing ceremonies and dinner all the attendees were entertained by the Korean Children’s Choir.

CAS participation in this event was enormously enhanced by the efforts of **Douglas H. Min**, chief representative of Cologne Re Korea Liaison Office in Seoul. ■

Journal Announces Actuarial “Art & Science” Education Contest

The *Journal of Actuarial Practice* announces its annual contest to promote the development of papers geared to enhancing the education and/or training of actuaries on the methodologies, techniques, or ideas used in current actuarial practice. Prizes are as follows: \$1,000 for 1st place; \$500 for 2nd place; and \$250 for 3rd place. Details are available by visiting www.absalompress.com.

To enter, mail, fax, or e-mail an abstract (200 words or less) of the proposed paper by November 15, 1999 to the address below. **Five (5) copies of the completed paper must be received by January 15, 2000.** Winners will be announced by September 15, 2000. All communications must be directed to:

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Chess the Two of Us

by Brian D. Haney

Normally, the nonactuarial pursuits article covers a hobby or pursuit that seems odd and in which one might not expect an actuary to engage. Now, I would have *expected* that many actuaries play chess and that there would be a number of them who are Chess Masters in the U.S. I would have expected wrong. Based on my conversations with one of them, there are very few.

Given the scarcity of Masters in our society, it might be a good idea to explain what this all means. A Master is a person who has achieved a certain point rating in a chess federation. The U.S., like many countries, has its own chess federation; in addition, there is an international chess federation. These federations sponsor chess tournaments and matches and record the results of these matches. The outcomes of the individual matches are used in a mathematical rating formula. I won't go into the details of the calculation because it is extremely complex and hard to understand—and because I have absolutely no idea how it works!

The U.S. federation has many levels, the highest two being Expert and Master. In contrast, the international federation's two highest levels are Grand Master and International Master. Roughly speaking, the U.S. federation rates players such that a 400-point difference in rating corresponds to a 10 to 1 odds differential. So Bobby Fischer, whose rating was at one point 2790 should have had 10 to 1 odds when facing an opponent with a rating of 2390.

The average rating of the 70,000 ranked chess players in the U.S. is 1450. A Master has achieved a ranking of 2200. The FCAS I interviewed has a current ranking of 2300, and so is a Master. In fact, he is also a Master in Israel.

Born in the Ukraine, this FCAS has spent most of his life in Israel and the

U.S., and has played chess since he can remember (which I suppose also means he could have been playing since before he can remember, if you think about it). As you might imagine, it has taken a lot of effort for this FCAS to reach the level of Master and to main-

“...by the end of 1999, this FCAS will have played 600 games.”

tain his high rating. So much effort that by the end of 1999, this FCAS will have played 600 games.

But the effort doesn't end here with playing matches. A player at the Master level cannot simply play; he has to study. The successful player has to study end-games, openings, and even his own games, which can be stored on a computer. A player will also study his opponents' games, looking for patterns and weaknesses to be exploited. To maintain his skills, this Master has to play and study constantly. Simply try to imagine all of this on top of a full-time job as an actuary.

This Master/FCAS was introduced to chess while a young child in the

Ukraine. As a part of the former Soviet Union, the Ukraine was a place where being a good chess player could be a ticket to a better life. Good chess players were well supported by the government and traveled to places that the ordinary citizen would never see. This Master eventually left the Ukraine and became an actuary in the U.S., but he never completely gave up his first hobby—although he admits that taking actuarial exams certainly put a damper on his chess career.

For those actuaries interested in pursuing chess as a more serious hobby, the Master recommended several things. First, you could get a good player to oversee your chess development, as a coach or mentor. There are also less pricey ways to get more serious about chess. There are many good books available, and computer software can help hone your skill and study games. Finally, once you've prepared yourself, you could enter tournaments and get a rating. But, as I've mentioned, it's a lot of work—and eventually you might play **Boris Privman**, FCAS. Given his rating of 2300, it would be a tough match.

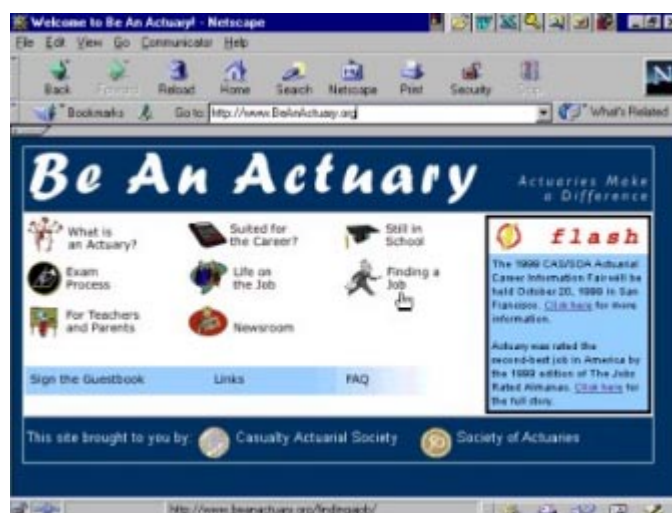
*The author, **Brian D. Haney**, is an ACAS who likes chess but avoids tournaments because a negative rating would be just too embarrassing. ■*

D.W. Simpson Makes CAS Trust Donation

The Trustees for the CAS Trust (CAST) are pleased to announce that D.W. Simpson & Company has donated \$15,000 to the Trust on October 4, 1999. This brings the total contribution of the D.W. Simpson & Company to \$40,000 to the Trust. The CAST was established in 1979 as a non-profit 501(c)(3) organization to afford members and others an income tax deduction for contributions of *Proceedings* volumes and funds to be used for scientific, literary, research or educational purposes. The CAS is grateful to the D.W. Simpson & Co. and its employees for their contribution to the advancement of actuarial science. ■

Actuarial Career Web Site Launched

A Web site devoted entirely to those interested in entering the actuarial profession has been launched through a joint effort between the CAS and SOA. The Web site address is <http://www.BeAnActuary.org>. The site is sponsored by the CAS/SOA Committees on Career Encouragement and Minority Recruiting and includes a database of entry-level actuarial positions, among other features. Pass on the Web site address to anyone you think would be interested in a career as an actuary. ■



www.BeAnActuary.org.

CAS Web Site News

Web Site Registers 2,000th Member

The 2,000th CAS member registered for access to the Members Only section of the CAS Web Site recently, demonstrating that membership interest in online services remains strong. With two-thirds of CAS members now registered for Web site access, and three-fourths receiving e-mail through the membership's e-mail distribution list, the CAS leadership has positioned the CAS as an electronic society through two new policy initiatives.

At their September meeting, the CAS Board of Directors approved a recommendation to offer CAS members the option of receiving the CAS *Forum* and *Discussion Paper Program* books electronically in lieu of traditionally printed documents (see story, page 20).

The Board of Directors also approved in September a policy for distributing announcements via e-mail. This policy authorizes the CAS Office to e-mail announcements that were previously sent only through the postal mail. Examples of documents that will be sent via e-mail include call paper program announcements, limited atten-

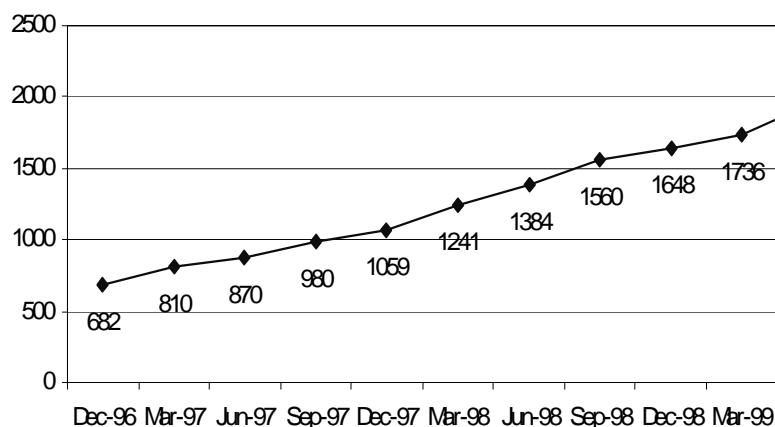


Figure 1 – Number Registered for Members' Section of CAS Web Site

dance seminar announcements, and various flyers to promote activities. The policy includes a provision that all persons not included on the CAS e-mail mailing list will continue to receive paper copies.

One reason for implementing the new initiatives is the large number of CAS members already using online services. The Committee on Online Services (COOS) has kept constant watch on the number registered for the Members Only section of the Web site (Figure 1), and marked the 2,000 member milestone with a prediction contest.

COOS posted a chart illustrating the growth in member registrations at three-month intervals from 682 in December 1996 to 1,648 in December 1998. The Committee then invited predictions, using whatever actuarial techniques deemed suitable, of the date when the 2000th CAS member would register for the member's section of the Web site.

The 2,000th CAS member to register for access was **Jacqueline Gronski**. Her access was registered on July 22, 1999. The prediction closest to the

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Institute of Actuaries of Japan Celebrates Its 100th Anniversary

TOKYO, Japan—CAS President **Steven G. Lehmann** joined in celebrating the 100th anniversary of the Institute of Actuaries of Japan (IAJ) at their Centenary Convention last August. In honor of the occasion, Lehmann presented the IAJ with a Steuben crystal eagle, a gift chosen to represent the finest in American craftsmanship.

"I know that many of your members also work in the general insurance field," said Lehmann in his address during the gift presentation. "We extend to you the hand of friendship." Lehmann also commented that the CAS would be interested in working with the IAJ to sponsor educational activities in the general insurance field.

Established in Tokyo on October 30, 1899 by nine founding members, the IAJ has grown to more than 3,300 members who are involved in the fields of life insurance, non-life insurance, and pension. The IAJ has hosted a number of international conventions and has held actuarial seminars for actuaries in East Asia since 1970.

The Centenary Convention celebrated IAJ's history and achievements as well as forecasted the development of global actuarial activities in the coming century. Representatives of all the North American actuarial organizations, including SOA President Howard Bolnick, as well as many rep-



CAS President Steve Lehmann, left, and SOA President Howard Bolnick, right, congratulate IAJ President Masakazu Nishibe, FIAJ, on his organization's centenary celebration.

representatives of European groups, attended the meeting, which featured presentations of papers on various topics of interest as well as panel discussions.

A highlight of the meeting was the presentation of a major internal study by Mr. Junzo Tanaka, a past president of Institute of Actuaries of Japan. Tanaka presented his findings as head

of a task force that studied the future direction of the actuarial profession in Japan.

Prior to the IAJ Centenary, ASTIN, AFIR, and IAA also held their meetings in Tokyo. The International ASTIN Colloquium was held on August 22-25, the International AFIR Colloquium on August 24-27, and the IAA met on August 30-31. ■

Web Site News

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tual date was submitted by **Brian Viscusi**, who predicted July 25. While the winning prediction was purely guesswork (he used the date of his wife's birthday), the contest runner-up, **Joshua Merck**, spent some time forming his prediction of July 26. Explained Merck, "I came up with [July 26] by deriving development factors for each 3-month interval of data. Then I selected the factors I thought would be in the next 12 months after the data.

Using this I predicted that the 2,000th member would come sometime between July and September. Then I interpolated to find development for each month. Given this, I assumed the 2,000th member would show up between July and August. Finally I interpolated to find development in each week in July and in the end came up with July 26 as the day."

The Members Only section contains a searchable membership directory, a change of address form, the CAS Strategic Plan, and Executive Council

Cycle Reports. Recent additions to the section include an index of e-mail sent to CAS members, the Report of the 1998 CAS Membership Survey Task Force, and the 1999 Report on the Review of CAS Research.

If you are a CAS member and do not currently have access to the Members Only section of the CAS Web Site, send your requested user name and password to the Webmaster at webmaster@casact.org. You will be notified when your access has been activated. ■

CORP- Accepted Papers Posted on Web

The CAS Committee on Review of Papers has released its quarterly update of recently accepted papers. The listing below includes authors who have been invited to present papers at the 1999 CAS Annual Meeting. The CAS appreciates the authors' contributions to actuarial literature.

Electronic versions of the accepted papers are located on the CAS Web Site at <http://www.casact.org/pubs/corponweb/papers.htm>. The CAS Editorial Committee is currently editing these papers for inclusion in the *Proceedings of the Casualty Actuarial Society*. As of October 18, 1999, CORP has accepted the following papers:

1. "The 1998 Table of Insurance" by William R. Gillam*
2. "Downward Bias of Using High-Low Averages for Loss Development Factors" by Peter Wu
3. "Modeling Losses with the Mixed Exponential Distribution" by Clive L. Keatinge*
4. "Residual Market Pricing" by Richard B. Amundson
5. Discussion of "Aggregation of Correlated Risk Portfolios: Models and Algorithms" by Shaun Wang—by Glenn Meyers
6. Discussion of "Loss Prediction by Generalized Least Squares" by Leigh J. Halliwell—by Dr. Klaus D. Schmidt
7. Discussion of Discussion of "Loss Prediction by Generalized Least Squares" by Halliwell—by Michael D. Hamer
8. Author Response to Discussions of "Loss Prediction by Generalized Least Squares"—by Leigh J. Halliwell

*Posted last quarter; presenting at the 1999 CAS Annual Meeting ■

Random Sampler

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passing CAS examinations (or something substantially close). It is simply unfair to the current and past students of the CAS exams and discriminates against people who would take the CAS exams to get their FCAS. Here are my reasons:

1. Travel time—I believe that it takes CAS members six to seven years on average to attain ACAS and eight years or more to attain FCAS. I believe it takes on average approximately five years to get the FIA, about one-third less time. An FCAS puts thousands of hours of study time into attaining this designation. Allowing a one-third reduction in travel time for a

select group of candidates is unfair to the other candidates.

2. Course credit substitutes for actuarial exams in other actuarial societies—In the current U.K. exam system, one can take certain university courses from certain universities and receive credit for many of the exams without sitting and passing them. (My understanding is that Australia has a similar system.) Some of the actuaries produced under this system cycle through the U.S. in company training programs, staying long enough to fulfill the proposed Mutual Recognition residency and experience requirements.

3. Existing reciprocal recognition arrangements—In some European countries, one qualifies as an actuary upon receiving a degree as an actuarial major from an undergraduate university. Because of the European Union, the U.K. actuarial society must recognize such an "actuary" as an FIA, despite essentially no exams and no experience. This issue may eventually confront the CAS as it heads down the path of Mutual Recognition of Fellowships.

4. FSA to FIA to FCAS path to CAS Fellowship—Again, the equity

issue: why should a foreign actuary Fellow, but not an FSA, be granted the FCAS designation? Is it because an FSA has passed no casualty exams? A British actuary has passed one casualty exam, so what about an FSA who takes the British general insurance (P&C) exam? Shouldn't that person be able to receive Fellowship through Mutual Recognition? And if every FSA is given this opportunity, hundreds (thousands?) of people could attain their FCAS through Mutual Recognition!

Furthermore, full voting rights in the CAS go hand in hand with full Fellowship in the CAS, and we risk diluting the voting rights of people who attained FCAS through the CAS exam process. This is not a minor point. Future CAS votes could reflect much

different CAS Fellowship demographics if the proposal is implemented. The non-CAS Fellows who gain Fellowship in the CAS through Mutual Recognition could vote in the future to broaden the Mutual Recognition rules even more.

What are we giving up by not enacting the proposed Mutual Recognition policy? Perhaps, by not implementing this policy, we might be giving up some reserving/actuarial opinion jobs, but Mutual Recognition of practice rights is very different than mutual exchange of Fellowships. In fact, I think the exchange of practice rights is feasible and should be examined, but not the exchange of Fellowships.

Our clients include senior management, consulting clients, shareholders of insurance companies, and policyholders of insurance companies. These clients look to us as FCAS actuaries to be able to understand, analyze and communicate complex issues in a reliable manner. The CAS has earned a very high professional reputation from the collective effort of its members over many years. Such a valued repu-

"The exchange of practice rights is feasible and should be examined, but not the exchange of Fellowships."

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2000 Spring Meeting Venue Changed

Due to hotel renovations, the CAS 2000 Spring Meeting in Las Vegas has changed from The Mirage to The Bellagio. Look for more information on the CAS Web Site or through a CAS e-mail message. ■

Random Sampler

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tation may be put at risk by lowering the high minimum standard of knowledge, experience, and understanding of property/casualty insurance issues and risks that is required of a Fellow of the Casualty Actuarial Society.

I have presented many reasons here why offering full Fellowship in the CAS (or substantially close to that) for Fellows of other actuarial societies who have not passed CAS exams is a bad policy. It should not be implemented. The negative effects far outweigh whatever positive benefits may be realized. Awarding the FCAS to people who spent less effort to get their actuarial Fellowship than those who passed the CAS exams seems especially unfair to recent CAS Fellows and current CAS students as they will be competing for the same jobs.

As of this writing, over 80% of the respondents to the Mutual Recognition survey on the CAS Web Site do not want to offer either ACAS or FCAS designations to non-CAS Fellows. The consensus seems to be that we position ourselves to maintain our worldwide leadership role in the property-casualty area and continue to guarantee that the FCAS designation denotes a high level of training.

What is a good Mutual Recognition policy? The appropriate level of credit to give for non-CAS exams towards the CAS designations is five out of nine exams (under the 2000 syllabus). In other words, the CAS should give no more than 5/9 credit towards the FCAS designation and 5/7 credit towards the ACAS designation. I think the CAS *Syllabus* states it well: "Individuals who claim competence in the areas covered by the examinations should not have difficulty demonstrating their competence by participating in the ex-

Brainstorms

Natural Disasters Present P.R. Opportunities

by Stephen W. Philbrick

The insurance industry doesn't exactly occupy an exalted position in the minds of many consumers. There is definitely room for improvement in the public perception of our industry in many areas. One of the few areas where we do get plaudits is for claims handling during and after hurricanes. The industry has done a decent job of getting people in quickly, and delivering money to recipients promptly. (The recent hurricane Floyd hasn't generated that same kind of positive press because so much of the damage was due to flooding, often uninsured.)

I think that the insurance industry could use hurricanes to do an even better job of putting its best foot forward. If implemented correctly, I think it would provide a happy coincidence of helping consumers and cutting costs for insurers, as well as positive public relations. At the end, I'll try to tie this in to an actuarial subject.

Media coverage of impending hurricanes wouldn't seem complete without the ubiquitous images of storeowners nailing sheets of plywood over store windows. A common story is the shortage of plywood, occasionally accompanied by reports of price increases. While one can be sympathetic to the inexorable economic forces of supply and demand, increases in prices for disaster supplies understandably rankles some.

My proposal is simple to state, although the logistics could take time to sort out. The insurance industry should stockpile plywood, oil lamps, and other supplies at strategic locations, and loan them in the event of an impending hurricane.

Timely provision of plywood and OSB sheathing could reduce the losses to policyholders as well as insurers. As a result, the industry might find itself "purchasing" advertising with a negative net cost. A good marketing expert can figure out how to get the most mileage out of the potential public relations. I would suggest creating some industry association with a catchy name. Until the experts take over, I'll suggest iHELP-insurance Hurricane Emergency Loan Program. Instead of television shots of drab brown plywood sheets, we would see brightly painted sheets of plywood emblazoned with an iHELP logo. Plywood intended for a single use is not coated, and will warp when wet. If this organization loans the plywood sheets and collects them after a storm it would make sense to go with coated material suitable for multiple uses. With proper planning, the industry could stockpile sufficient material to provide the necessary supplies for a major hurricane, and we would stop seeing the pictures of empty store shelves.

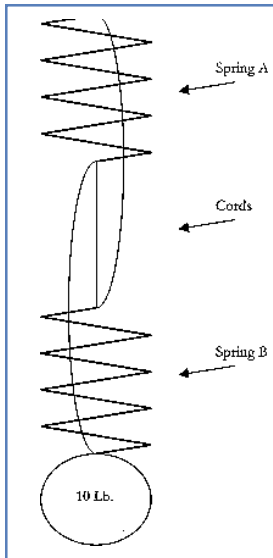
Detractors might argue that supplies such as drinking water or oil lamps would not mitigate insured losses. However, as the industry looks for federal legislation relating to tax benefits for catastrophe reserves and protected cells,

"...the insurance industry could use hurricanes to do an even better job of putting its best foot forward."

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Springs and Strings

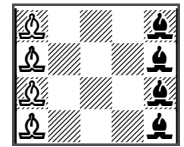
by John P. Robertson



Spring A and Spring B are identical coil springs, each of whose length is proportional to the force acting on it. The top of Spring A is attached to the ceiling. A 10" cord hangs from the bottom of Spring A, connecting it to the top of Spring B. A 10-lb. weight is attached to the bottom of Spring B. Initially each spring is stretched to 10" in length, so the weight is 30" from the ceiling. There are also two other cords, each 21" long, one attached to the ceiling and to the top of Spring B, and the other attached to the bottom of Spring A and the top of the weight. These two cords are slack initially. The 10" cord is cut. The weight starts bobbing up and down, and eventually comes to rest. How far from the ceiling is it?

Trading Places

The object of last issue's game was to maneuver chess pieces in a certain diagram so that four white bishops traded places with four black bishops, with no captures possible during the transfer. Assign numbers to the squares, starting in the upper left corner, and going across rows, so the first row is 1 to 5, the second is 6 to 10, etc. **Walter Fransen** interchanged the bishops on the white squares by making the moves 6-12, 20-2, 10-14, 12-4, 2-6, 14-18, 16-8, 8-20, 4-8, 18-10, 6-18, 8-2, 10-4, 18-12, 2-14, 12-6, 4-16, 14-10. This takes 18 moves. Similarly, the bishops on the black squares can be interchanged in 18 moves. A solution was also submitted by **John Herder**. ■



E-Publishing Offers Dues Discount

CAS members who opt to receive certain documents in electronic format can receive a discount on membership dues. Members were given the savings option on their 1999-2000 dues invoices, mailed in October. The CAS Board of Directors decided at their September meeting to implement the program, which offers a reduction in dues for those members who choose to receive the CAS *Forum* and *Discussion Paper Program* books in electronic form instead of the traditionally printed books.

CAS members choosing the electronic publishing option will receive an e-mail alerting them that the mate-

rial is available through the CAS Web Site.

In developing the program, the Committee on Online Services (COOS) pointed to various initiatives such as discontinuing the *Membership Information Update* and CAS Bibliographies, and establishing the CAS Membership E-mail Distribution List. These initiatives realized a significant reduction in expense as a result of electronic delivery.

Increased usage of the CAS Web Site shows that many CAS members have encouraged and welcomed electronic delivery of information. In addition, results of the 1999 Research

Survey found that nearly 9 out of 10 (86%) respondents would like to access the results of CAS research through the CAS Web Site.

Because it is not likely to be universally accepted and requires that virtually all members have reasonable access to the Internet, electronic publishing will not completely take the place of traditionally printed books. At this time, COOS favors giving members a choice for the method of information delivery.

The CAS Executive Council recommended assessing the program annually to determine if other CAS publications should be included and if the dues discount is appropriate. ■

In Memoriam

John R. Bevan

(FCAS 1953)
June 22, 1999

John H. Boyajian

(FCAS 1956)
August 29, 1999

Brainstorms

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it can only help the passage of such legislation if the legislators see the industry taking steps to help out people in the event of a hurricane. These steps should include a combination of things that simultaneously help the industry, and some that help the insured, but only indirectly help the industry (via good public relations.)

So how does this relate to an actuarial issue? As I think about the logistics of stockpiling materials—whether there should be a few large locations or more numerous, smaller locations—whether one moves material to a storm area by train or truck, it seems that we need good models—models of storm tracks as well as transportation logistics. And I'm convinced that actuaries can build good models. ■