



SOCIETY OF ACTUARIES

Article from:

The Actuary

June 1982 – Volume 16, No. 6

As One Man Sees Us

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posit but if you die a day after buying a life insurance policy someone gets a windfall. This was sloppy reporting in an otherwise well researched book.

What does the author say about actuaries?

"Actuaries forecast claims, crank in assumptions about interest rates and, thus armed, set insurance rates. They excel at statistics, probability theory, compound-interest calculations and the extrapolation of trends. They say things like (and I quote) 'The adjusted rates were graduated by a Jenkins fifth difference modified osculatory interpolation formula with fourth differences at the end points set equal to zero.' They tend to be conservative."

A bright spot is that although he complains of an excess of lawyers, underwriters, agents, and insurance in general, he never says there are too many actuaries.

...I needn't expound on Tobias' book; Valerie Sands did this capably in the *National Underwriter* (April 3, 1982). It is important that actuaries not dismiss this book with, "Who does this guy think he is to tell us how to run the industry?". This guy is basically an educated consumer; his misconceptions and gripes are those of the consumer, albeit expressed with sophistication; his solutions, the ill-advised as well as the feasible, will appeal to consumers. We should prepare ourselves with rebuttals to his misconceptions, and with our solutions to his gripes.

At least buy the book, it's deductible.

Actuarial Software Catalog Available

The first Actuarial Software Catalog, a project of our Committee on Computer Science described in our Sept. 1981 issue, has been published. To obtain a copy, send \$3.00 to Society of Actuaries, Box 98474, Chicago, IL 60693.

Systems for employee benefits are listed separately from those for life and health actuarial operations.

Shrinkage

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Assumption A: Level 1,200 Part 1 Passers

1985	9,678	3.9
1990	11,221	3.0
1995	12,725	2.5

Assumption B: Level 1,600 Part 1 Passers

1985	9,798	4.2
1990	11,932	4.0
1995	14,013	3.3

Assumption C: Level 2,000 Part 1 Passers

1985	9,918	4.5
1990	12,643	5.0
1995	15,300	3.9

Assumption D: 10% Annual Increase (from '81)

1985	9,722	4.0
1990	12,172	4.6
1995	16,203	5.9

Assumption E: 2% Annual Decrease (from '81)

1985	9,678	3.9
1990	11,117	2.8
1995	12,359	2.1

None of these five possibilities will achieve membership growth even approaching in percentage what we have experienced during the 1970's. Even to accomplish growth rates in the 3%-5% range—the second and third projections—would require a recruiting and publicity effort beyond the scope of anything presently contemplated.

Actuarial Notation

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difficulties that printers and even typists have with the notation are barriers to getting books and papers published.

The subsidiary arguments for change get into the practicing actuary's world. The present notation is difficult to convey by the spoken word—a problem in everyday work and even more so for the student attempting to comprehend a professor in the classroom. Computer incompatibility too has been identified as a practical problem, though less and less so as computer flexibility grows.

Our next article will begin to examine various proposals for change that have been offered.

AERF Dollars

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Unallocated funds, largely contributions by individual actuaries, support AERF's administrative activities and new projects still ahead.

Income and Expenditures

Income

Contributions	\$ 14.0 (thousands)
Interest	6.4
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	20.4

Expenditures

Halmstad prize	1.2 (thousands)
Administration	2.9
Fund solicitation	3.3
Research Director	7.1
Project development	1.3
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	\$ 15.8

AERF's Research Director is Cecil J. Nesbitt, University of Michigan. Its Directors are in our 1982 Yearbook, p.19.

SOCIAL SECURITY REPORTS

It is specially important this year that actuaries familiarize ourselves with at least the official summaries of the Social Security Trustees Reports. These help us to evaluate the funding and benefit proposals being made and criticized as the system's decision-making time approaches. There is also supplementary material useful to many of us. The following have been issued recently:

I. Trustees Reports

Single copies of two summaries are yours for the asking, viz.,

Summary of the 1982 Annual Reports of the Social Security Boards of Trustees. 23 pp. Request this from Office of the Actuary, Social Security Administration, Baltimore, MD 21235.

Summary of the 1982 Annual Reports of the Medicare Board of Trustees. 20 pp. This is a new summary that has been prepared, says Roland E. King, F.S.A. "because of public misconceptions regarding the nature of the trust funds and their financial problems." Request this from Bureau of Data Management and Strategy, HCFA, Office of Financial and Actuarial Analysis, Room 1-C-11 Oak Meadows Bldg., 6325 Security Blvd., Baltimore, MD 21207.

And of course actuaries who will read them should include in their letters requests for the full texts of the customary three Trustees Reports.

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SIGHTINGS

Louis Garfin sent along an open letter to Uncle Sam that appeared in the Orange Coast Daily Pilot, January 17, 1982. The writer "Cuzin Marmaduke, A Baffled Taxpayer," complaining that the federal income tax rates went up instead of down in 1981, closed with:

"What makes matters worse is those actuarial folks who keep right on raisin' life expectancy."

Donald J. Martineau brought us from Johannesburg an article in that city's Sunday Express criticizing South Africa's low civil service pay, but citing, seemingly as an exception, the Actuaries' Office. Its starting pay was given as R 4,900 p.a., which we calculate as equivalent to \$US 4,600.

Notes arrived (in the same mail) from Paul G. Schott (a) and Edward Scher (b) telling us that in George Bernard Shaw's "Mrs. Warren's Profession" (1893) Mrs. Warren's daughter, Vivie, (a) in Act I has a job "working away at actuarial calculations," and (b) ultimately decides to become a consulting actuary rather than to follow in her mother's older profession.

Paul Schott also spotted two other references to our craft. (1) In a story about one Peter Gould of Santa Fe, N.M. in the March 1982 National Geographic, Mr. Gould is said to have remarked that he introduced John Ehrlichman to Allen Ginsberg, which wouldn't have happened "had he remained in Athens (Texas) with his actuarial tables." (He apparently was an agent, not an actuary). (2) Carl Sagan in his "Cosmos", in the course of exposing astrology's quackery, refers, with an illustration therefrom (p. 51), to John Graunt's "1632 book on actuarial statistics."

From Louis M. Cornelis we have an article in the Globe and Mail, Feb. 23, 1982, quoting Joe Thauberger, president of a branch of Canada's Social Credit Party:

"The devil himself invented the compound interest rate—because compound interest will destroy Christianity better than any evolutionist or non-believer you ever saw. It's going to destroy everything."

E.J.M.

AGES OF OUR NEW FELLOWS

Headquarters having kindly sent the data, we are able to display the spread of new Fellows' ages, and to compare them with figures for Fellows by examination given by the late John R. Larus in *T.A.S.A. XXXIX*, 29. It appears that the more the median age changes the more it is the same.

AGES WHEN ADMITTED TO FELLOWSHIP

Year Admitted	Number	Average Age	Median	Highest	Lowest
1900-04	20	33	33	46	25
1905-14	45	30	29	48	23
1915-24	90	30	29	40	24
1925-36	205	29	28	50	23
1981	265	30	29	54	22

About his column of lowest ages, Mr. Larus commented:

"It may seem surprising to see Fellows by examination listed as entering at age 23, for since the spring of 1896 our constitution, until amended last fall (1937), has stipulated age 25 as the minimum. Facts, however, stare us in the face. . . ."

As to highest ages in 1981, we find one new Fellow at age 54, one at age 44, two at age 43, one at age 41, and one at age 40. At the low end, there was one at age 22, none at age 23, and there were twelve at age 24. Ages in this study are reckoned at (1981 minus year of birth).

E.J.M.

THEY LIKED THOSE RISK THEORY SEMINARS

by Linden N. Cole,
Director of Education

Our 13 risk theory seminars, to introduce Part 5A candidates to the new material were strongly supported, and, according to 109 questionnaires since received, were popular. Prevailing opinions were that these sessions boosted attendees' confidence in their ability to continue studying on their own, and their chances of passing the exam. □

BIGGEST BRIDGE HAND IN 53 YEARS OF COMPETITION

Our distinguished colleague Oswald Jacoby had never (reported Alan Truscott in *The New York Times*) held a hand in tournament play as potent as this one he picked up on March 22nd:

S.: AKQ7
H.: AKQ8764
D.: AK
C.: —

Mr. Jacoby (South) opened with an artificial two clubs and eventually bid seven hearts after North had supported that suit. East doubled to encourage West to lead clubs. "Jacoby promptly redoubled", said Mr. Truscott, "wrapped up 13 tricks briskly, and wrote down the unusual (and rewarding) score of 2,890."

E.J.M.

Social Security

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II. Actuarial Notes

Actuarial Notes Nos. 111 and 112 are now available from Office of the Actuary:

- No. 111. Computing A Social Security Benefit After the 1980 and 1981 Amendments, by Steven F. McKay, F.S.A.
- No. 112. Average Wages For 1980 For Indexing . . . And Automatic Determinations for 1982, by Eli N. Donkar, Ph.D., A.S.A.

III. "What If Price Indexing . . . ?"

Robert J. Myers has written a 2-page article examining what the result so far would have been if price (instead of wage) indexing had been adopted in the 1977 Amendments. Request a copy from him at National Commission on Social Security Reform, 736 Jackson Place N.W., Washington, DC 20503.

IV. "Social Security—The Only Way It Can Be Made To Work"

This is the title of a 2½-page essay by our editorial board colleague, Charles G. Groeschell, which he sent to President Reagan and to the above-named National Commission. He doesn't claim to present a definitive solution but explores possibilities for easing Social Security's financial problems by helping and encouraging its recipients to be productive during their retirement years. Request a copy from him at his Yearbook address.

E.J.M.