



SOCIETY OF ACTUARIES

Article from:

The Actuary

December 1967 – Volume 1, No. 8

PHILADELPHIA CLUB

(Continued from page 1)

- increased interest by the public, especially the younger generation, in equity purchases;
- increases of social insurance and employee benefit plans, which help to put individuals in a position for investing in equities.

The company considered the advantages and disadvantages of establishing its own fund or of making an alliance with existing mutual funds and decided that since it was desirable for one management to dictate the marketing of the joint product, it should avoid any "foreign entanglements." Within three months of this decision, approximately 10% of the agents qualified as registered mutual fund representatives.

Replying to a question whether the company made its decision to establish a mutual fund to gain profits from the management company or to increase the income of agents, Mr. Heintzberger stated that the primary purpose was to increase the sale of life insurance.

Unit Investment Trust

Donald Grubbs discussed the establishment of mutual funds to fund individual variable annuities in order to avoid dual regulation by both insurance commissioners and the S.E.C. It is virtually impossible for a major life company to serve two regulators. The insurance company, however, can establish a unit investment trust invested wholly in a single mutual fund to provide individual variable annuities; this way the life company may be subject only to insurance regulation, and the mutual fund subject only to securities regulations. At least one company has followed this route.

He mentioned that an independent organization is currently training the life company agents to pass the securities examinations required to become registered representatives.

One actuary stated that he is opposed to mutual funds, separate accounts and variable annuities. Rather than promoting them, the life insurance industry should be doing more to discourage inflation. If more people are encouraged to buy investment programs based on equities as a means of offsetting inflation, he suggested there will be an increase in the number of people who have a desire for inflation which will, in turn, increase the probability that inflation

will occur. He raised the question whether in the long run this would be in the best interest of the country.

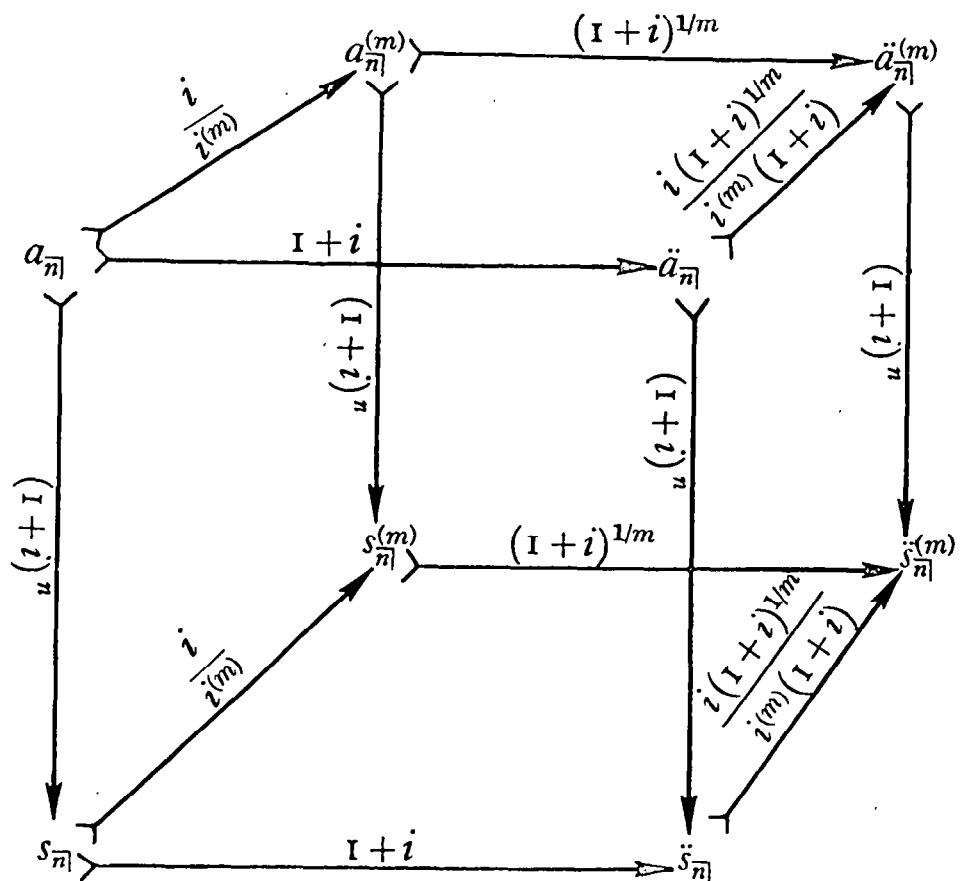
Kenneth H. Ross pointed out that one difference between mutual funds, separate accounts, and pooled funds of banks is that the latter two do not have any expense loading, whereas most mutual funds have a loading of about 8%. He discussed the variety of pooled funds of banks now available, indicating that some trustees now provide separate pools for stock investments, bond investments and mortgage investments. □

ROLL, JORDAN, ROLL

The Second Edition of *Life Contingencies* by C. W. Jordan, F.S.A., is available at \$9. Orders should be sent to The Society. The new edition adds a chapter on pension plans and disability benefits. The chapter on population problems has been rewritten and expanded. Changes were made to clarify the exposition and improve the form of the mathematical demonstrations. The exercise sets have been revised. □

Letter To Editor

FOLLOW THE ARROWS



Sir:

If you have as much trouble as I do trying to remember the relationships between the various annuity certain functions, you will welcome the attached diagram. For me, at least, it straightens out the relationship once and for all.

All you have to do to operate the diagram is follow the little arrows. If you multiply the function at the foot of the arrow by the factor on the arrow, you get the function at the head of the arrow.

If you want to go in the opposite direction, that is against the arrow, you divide by the factor on the arrow. And, of course, you can turn corners and go every which way, just so you follow the rules. In fact, by going all the way around and back again to the starting point you can easily prove that each function equals itself!

E. A. Dougherty