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FROM CANADA

CANADIAN ASSURED LIVES TABLES 1958-1964

The Canadian Institute of Actuaries has prepared Canadian Ordinary experience tables which, for the first time, were constructed separately for males and females. The basic data were obtained from 25 companies, representing about 84% of the life insurance industry in Canada. The period covered is that between the 1958 and 1964 policy anniversaries and includes both medical and non-medical standard issues.

The male data were adequate for the production of select and ultimate tables, but the female data were inadequate for the preparation of select tables. The tables are for comparisons of mortality experience and are not intended primarily for premium calculations.

Accordingly, the graduation was designed to provide a reasonably close fit to the basic data and the tables therefore reflect closely actual experience for the period of the study with no built-in mortality margins. This is the third set of tables produced in this manner.

For males, the deaths in the recent study totalled 63,345 by policies and about $229 million by amounts. For the female experience the deaths totalled 5,632 by policies and about $8.8 million by amounts. The total exposed to risk for male lives exceeded 13 million by policies and $65 billion by amounts; the corresponding figures for females exceeded 3.7 million by policies and about $6.5 billion by amounts.

The Mortality Committee of the Canadian Institute of Actuaries proposes that the names of the tables be "Canadian Assured Male Lives Table 1958-1964" and "Canadian Assured Female Lives Ultimate Table 1958-1964" and that the abbreviations for the names of the tables be "C.A. 58-64 Males" and "C.A. 58-64 Females Ultimate." The report of the Mortality Committee compares the graduated ultimate rates with those of other recent mortality tables.

Information regarding these tables was obtained from Mr. George W. Wilson, Chairman of the Mortality Committee of the Canadian Institute of Actuaries. A more complete report and copy of the tables will appear in next year's Reports Number of the Transactions of Society of Actuaries. □

CANADIAN NOTES

By Colin Jack

Like the Society, the Canadian Institute of Actuaries (C.I.A.) has a Committee reviewing the future course of the Institute. Foremost among the questions it must consider are those of education and examination, because Canadian educational backgrounds and practice in the fields of insurance, pensions and social security differ from those in the United States. Further, the Institute is concerned with licensing and accreditation of actuaries in the various Provinces. As one member of the Committee said:

> *"The C.I.A. cannot conscientiously recommend itself to the Provinces for accreditation and licensing unless it can say that its members have attained proper standards of knowledge of the fields in which the Canadian actuary will exercise responsibility."*

A Subcommittee headed by L. Blake Fewster is working with the Education and Examination Committee of the Society on a study of the Syllabus to see if Canadian practice is fully represented.

The work of the Subcommittee was on the agenda at the June meeting of the Institute and there was a lively discussion particularly on the question of education and examination. Some members took the view there should be separate Canadian examinations, at least in the later parts. Others were opposed to this—some fearing the Canadian Institute with its relatively small membership would find it impossible to undertake the work involved in separate examinations; some anxious to keep the advantage of a degree recognized in both countries.

Julius Vogel, General Chairman of the Society Committee on Education and Examination, was at the meeting. Mr. Vogel said his Committee considers it essential the Syllabus be revised from time to time to meet the changing requirements of the profession. He cited the rearrangement which had taken place as the result of the work of the Fitzhugh Committee.

The Committee recognized the need for the work being done by Mr. Fewster's group. "All efforts of the Society and Mr. Fewster's Committee," Mr. Vogel said, "are directed to the same end, to keep the education and examination system current and to maintain a high standard of professional qualifications." □

THE POPULATION GROWTH AND SOCIETY'S CHANGING VIEWS

George Immerwahr discussed the elements of the measurement of population dynamics and gave his thoughts on incentives to population control. He spoke on May 26 at the Middle Atlantic Actuaries Club.

Any population which has constant age-specific mortality and age-specific fertility rates will eventually become a stable population, he said. In such population, the proportion of people living at each age is constant from one period to the next, and the rate of growth for the total population and for each age is also constant, according to Mr. Immerwahr.

Mortality and Fertility

Introducing an improved mortality, but retaining the age-specific fertility rates, produces a population with a younger average age. Reducing the fertility rates, but with unchanged mortality, results in an age distribution with an increased average age. When the mortality rates and fertility rates are such that the number of births in the stable population does not increase from one period to the next, the result is a stationary population.

Mr. Immerwahr said the great acceleration in the growth of the world population — so far this century and expected during its remaining years — is not due to increased birth rates but rather to substantial reductions in death rates. These began in Europe and North America before 1800. They have been particularly significant in the underdeveloped countries since 1945 and are expected to continue so.

Past and Present Attitude

In past periods, he continued, each family had almost the sole responsibility for the welfare of its own children, and there were no national problems arising from overcrowding or a surplus proportion of children in the population. In this situation, Mr. Immerwahr stated, it could rightly be said that the number of children any family had was strictly its own business.

Society in the United States and Europe, and to some extent in other parts of the world, has now undertaken to guarantee the welfare of every child born. Mr. Immerwahr claimed society,

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TAX DECISIONS

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Deferred and Uncollected Premiums as Assets

Several questions involved the definition of assets under Phase I of the law. The formula for taxable investment income in Phase I causes the amount of tax to increase if assets are increased, and the definition of assets excludes those "used in carrying on an insurance trade or business."

Jefferson Standard had excluded deferred and uncollected premiums on the ground they were assets used in carrying on an insurance trade or business. But the Court held that the entire gross amount must be included in assets.

In the Franklin case, however, the company had included in assets in its tax return the *net* amount of deferred and uncollected premiums, the same amount as shown as an asset in its annual statement. The Court held this was correct, denying the government's claim that the *gross* amount should be included.

The Jefferson Standard decision also covered the question of due and unpaid accident and health premiums and held that the *gross* amount should be included in assets.

Mortgage Escrow Funds

This question is also one as to whether or not the item is to be included in assets. In both cases the Courts decided that funds collected from mortgage borrowers and held for the payment of insurance and taxes on the property did not constitute assets of the insurance company.

The facts of the two cases, however, were different. In the Franklin case the amounts arose from mortgages which the company itself serviced and were kept in the company's general bank accounts, rather than in special accounts. In the Jefferson Standard case the company (actually the Pilot Life on this question) had included in its assets the escrow funds on mortages which it serviced itself and these funds were not at issue. The question in the case involved only funds held in special accounts by mortgage correspondents servicing mortgages owned by the company.

Agents' Debit Balances

In the Jefferson Standard case the Court decided that agents' debit balances must be included as assets.

Bank Accounts

In the Franklin case the Court decided that the bank accounts of a company constitute money, which is specifically defined by the law to be part of assets.

Prepaid Unearned Investment Income

This question involves the year in which investment income accrues under Phase II of the law. In the Jefferson Standard case the Court held the total amount of interest collected in advance — including rents, interest on bonds and interest on policy loans — is to be regarded as having been received and accrued during the year without any deduction for the portion unearned at the end of the year.

This question was also involved in the Franklin case, but here only interest on policy loans was involved; and the Court reached the opposite decision — that only the earned portion of interest received in advance is to be regarded as interest accrued during the year. In the Franklin case the decision also applies to the amount of policy loan asset under Phase I, but the decision in the Jefferson Standard case is silent as to any effect on the amount of assets.

Increase in Loading on Deferred and Uncollected Premiums

The question here is whether or not the increase in loading on deferred and uncollected premiums, as reported in line 25 of the Summary of Operations in the annual statement, is deductible in determining gain from operations in Phase II of the tax calculation.

In the Jefferson Standard case the Court held it is not deductible. But in the Franklin case the Court decided it is, holding that it is not deduction for anticipated future expenses but merely an offset to avoid overstatement of premium income.

* * *

The foregoing questions seem to comprise those of the greatest interest in these two cases. The remaining questions in these cases involve situations peculiar to the companies concerned or seem to be of minor importance.

However, the Franklin case covered one general question separately from the specific issues of the case, and this is of some interest. It held the company's tax returns "were made under an accrual method of accounting in a manner consistent with the manner required for purposes of the annual statement approved by the National Association of Insurance Commissioners" and this method of accounting was in compliance with the law.

Although among the first under the 1959 law to involve a significant number of questions of interest to a great number of companies (an April 1967 Tax Court Decision in a case involving the Pacific Mutual Life Insurance Co. raised several different issues), it seems doubtful that companies' understanding of what the tax law means has been much advanced by them or that there will be much immediate effect on tax return reporting or on tax planning.

The facts that there are conflicts between the two decisions, that the reasoning of the Courts is given only in part, and that the decisions are only of District Courts serve to keep the decisions from lifting much of the veil of confusion which at present hangs over the meaning of the law. Both decisions will undoubtedly be appealed, and we will have to wait for the running of the appellate procedure for additional illumination. □

POPULATION GROWTH

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therefore, has the right to be concerned with the number of children any family, any group, or any nation has.

The problem, he declared, is how society can implement its concern and still adhere to processes that are not totalitarian. According to Mr. Immerwahr, the suggestion not to grant tax exemptions for children in large families is dubious. Moreover, it would not have any effect on low income families.

Still, he believes, some means of implementing society's concern must be found and this might possibly take the form of providing financial inducements to effectively discourage large families. □