



SOCIETY OF ACTUARIES

Article from:

# The Actuary

September 1968 – volume 2 - Issue 7



# The Actuary

The Newsletter of the Society of Actuaries

VOLUME 2, No. 7

SEPTEMBER, 1968

## LIFE INSURANCE IN U.S.A. AND IN AUSTRALIA

by Sidney W. Caffin

(Editor's note: We are glad to welcome a contributor from Australia. Mr. Caffin, F.I.A., A.S.A., is both Commonwealth Actuary and Insurance Commissioner.)

Recently I made a short visit to the U.S.A. and found a number of very interesting differences in the way in which the industry conducts its affairs and in the supervisory arrangements as between U.S.A. and Australia. I will mention some of them as I think they will interest readers of *The Actuary*.

### Number of Companies

In U.S.A. there may be as many as 1,700 companies writing life insurance amongst a population of about 220 million. In Australia, there are 45 life insurance companies (23 only 11 years ago) and our population is about 12 million. On this crude measurement, Australia has substantially more population per company. But I am not in any position to say whether the comparison is fair, as I do not know the details of the American companies and have not examined social characteristics. Perhaps one of your readers could do this.

By contrast with U.S.A., our companies are either well established Australian mutual or stock companies, or are branches or subsidiaries of relatively large overseas life and general insurance companies. In the past, these organizations have been from U.K., Europe, or New Zealand but recently three U.S.-owned companies have obtained registration. There have been no new companies formed since the war through the issue of stock to the Australian public and it is doubtful whether

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## CANADIAN MORTALITY EXPERIENCE

by George W. Wilson

The Mortality Committee of the Canadian Institute of Actuaries has extended the results of the continuous mortality investigation of Canadian Ordinary and Group life insurance policies to include an additional year's experience. Brief notes on the results follow.

### Ordinary Issues

Twenty-one companies contributed data to the experience between the 1965 and 1966 anniversaries under standard Ordinary insurance issues. The exposed to risk totalled about 4.6 million policies and \$23.3 billion. The actual deaths amounted to 23,300 policies and \$89.2 million.

The select and ultimate mortality rates from the Canadian Assured Male Lives Table 1958-1964 (see *The Actuary*, October 1967) were used to calculate the expected deaths for both

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### Schools Offering Actuarial Science Courses

A subcommittee of the Public Relations Committee has just completed a survey of schools in the United States and Canada that offer specific courses in actuarial science. The resulting list is published on page 8 of this issue of *The Actuary*. Any readers who know of additional schools that offer such courses are asked to inform Robert N. Houser, Chairman of the subcommittee.

The actuarial program in the College of Insurance was described in *The Actuary* for May by Walter Klem. Other institutions are invited to contribute an account of their programs.

## EVALUATIONS OF SPRING REGIONALS

by E. J. Moorhead

From the Philadelphia and Los Angeles and Milwaukee meetings, 198 actuaries have given evaluations and suggestions by completing a questionnaire designed by Thomas P. Bowles and authorized by the Program Committee. All who moderated, contributed or organized the sessions at these Regionals can relax — the meetings were successes!

Pulling the consensus from the reports, it can now confidently be said that members liked all of the following: the 9 a.m. starting time (93% favorable in Philadelphia, 98% in Los Angeles, 96% in Milwaukee); the new procedure for presenting papers; the topics on the program; the conducting of the sessions. One said, "I had almost given up attending meetings—they are getting better." Another said, "It was refreshing to have the meeting always run on schedule."

Criticisms, of course, are what were sought. Since actuaries are trained to have a jaundiced eye, there were plenty of criticisms for this and future program committees to mull over. The query that produced the greatest diversity of opinion was: "At the Spring Regionals, should there be more or fewer sessions and workshops?" (Booleans will note that this fails to cover all the available choices). Many would like even more than this year, producing smaller groups and presumably less formality. Others, however, feel torn between sessions going on at the same time on subjects in which they are intensely interested. A few suggest that the number of concurrent meetings must be limited by the number of effective moderators the Society can muster at a Regional.

Comments about particular sessions and workshops also show that the single

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## Australia

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such a formation would be practicable in view of the surplus asset requirements.

I was interested in the high volume of non-participating and temporary insurance business being written in U.S.A.: also, in the development of group pension plans with unallocated premiums and the variety of funding arrangements possible.

It is usual in Australia for a company to write a high proportion of ordinary policies as participating contracts (reversionary bonuses, not cash dividends) but there is a growing volume of temporary insurance, by way of rider to an individual policy or in conjunction with superannuation business.

Competition from mutual funds, unit trusts, savings and loan companies, etc., is not strong and, in addition, there are important taxation concessions attaching to premiums paid for individual policies and to superannuation contributions. An individual may claim up to \$A1,200 per annum for these purposes as a deduction from his taxable income, and this feature is a very attractive selling point.

The unallocated superannuation scheme business (you call it group pension business) is starting to attract a lot of attention in Australia. It seems likely to require considerable actuarial supervision and ample administrative plus computer capacity. Whether this type of business will be written in Australia in exactly the same way as in U.S.A. or will develop local characteristics because of our particular conditions is still uncertain, but I favour the latter prognosis.

I would add that I had a number of most interesting discussions on the philosophy underlying this type of business, particularly the aspect of no guarantee of results, and in relation to the current development of variable annuity policies. However, a visit as short as mine cannot justify any conclusion appearing in this note and I regret that the time was not available for a longer examination of this new and interesting development.

Australian legislation has defined an actuary for many years, generally as an F.I.A. or F.F.A. This feature cannot

## ACTUARIAL MEETINGS

Sept. 17, Actuarial Club of Los Angeles, Sheraton Wilshire Hotel

Sept. 17, Actuaries Club of Philadelphia

Sept. 26, Actuaries Club of Hartford

Oct. 2, Nebraska Actuaries Club, Omaha

Oct. 3, New York Actuaries Club, Hilton Inn, Tarrytown, N. Y.

Oct. 3-4, Canadian Institute of Actuaries, Quebec City

Oct. 6-7, Conference of Actuaries in Public Practice, Dallas

Oct. 8, Academy of Actuaries, Dallas

Oct. 13, Middle Atlantic Actuarial Club, Baltimore

Nov. 17-19, Casualty Actuarial Society (Annual), Washington, D. C.

Nov. 21-22, Southeastern Actuaries Club, The Riviera Motor Hotel, Atlanta

Dec. 3, Nebraska Actuaries Club

Dec. 3, Actuaries Club of Hartford

be regarded as surprising in view of our long-standing link with the U.K. and the tenor of the early friendly society and insurance legislation in that country. It was undoubtedly assisted by State-conducted inquiries late last century into the activities of Friendly Societies. The outcome was, in part, the appointment of State Actuaries, a portion of whose duties included the regular actuarial investigation of these societies, it being recognised that the societies could scarcely employ their own actuarial staffs.

Statutory recognition is highly valued as it gives a formal recognition to the profession which has extended into a surprisingly wide area of Government, legal and business activity.

I found in U.S.A. and elsewhere that actuaries talk much the same basic language. The only problem is the occasional variation in terminology, giving an initial difficulty in catching up with the local jargon. The solution was easy—to talk to an actuary.

Unlike U.S.A., Australia has had one Commonwealth Insurance Commissioner appointed under Commonwealth insurance legislation since 1946 when previous State life insurance legislation was

## COMMITTEE APPOINTED ON CONTINUING EDUCATION

Following the recommendation of the Klem Committee, a Committee on Continuing Education has been appointed with C. L. Trowbridge as Chairman. The fifteen-man membership is broadly representative of the Society as to geographical location and type of professional affiliation. Of perhaps even more importance, the other Committees of the Society with a special interest in continuing education are represented on the new Committee and certain members represent the younger generation—those who have become Fellows since 1960.

The Committee will review the present efforts of the Society in the area of continuing education, decide where (if anywhere) they need to be augmented, and then make recommendations to the Board as to what more might be done, and which of the various Society Committees should most appropriately undertake the new effort.

The other members of the Committee are: Warren R. Adams, John M. Bragg, Russell M. Collins, Jr., Samuel B. Eckler, L. Blake Fewster, John A. Fibiiger, James A. Gobes.

Also Robert T. Jackson, Meno T. Lake, Allen L. Mayerson, Stuart A. Robertson, Barry V. Smith, Julius Vogel, and Benjamin R. Whiteley.

superseded. I had very interesting discussions with some of your Insurance Commissioners and their staffs. I also visited Ottawa and enjoyed conversations with Superintendent Richard Humphrys and E. E. Clarke.

To an outsider, the key features of supervision are the annual statements and the examiner system. These arrangements with their "mechanical" content are essentially different from our system of annual returns, including audited accounts, and the wide discretion resting with the Commissioner as to the action he takes on these returns or on any other aspect of a company which may appear to justify his intervention.

There is a lot to be said for both systems as each is geared to a different situation. The U.S. and Canadian systems or variations thereon may well be essential where there is a large number of companies. □