



SOCIETY OF ACTUARIES

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CANADIAN REPLAY

Arthur Pedoe, *Life Insurance, Annuities & Pensions—Second Edition*, University of Toronto Press, 1970, 473pp., \$12.50.

by E. H. Wells

"There is no subtler, no surer means of overturning the existing basis of Society than to debauch the currency." Arthur Pedoe introduces his new edition chapter on *Inflation and Life Insurance* with this interesting quotation from John Maynard Keynes who, within two decades after he wrote it, established himself as the apostle of economic salvation by controlled inflation. The chapter could not have been written for the First Edition (1964) because of recent rapid developments in equity-linked life insurance contracts in Canada, brought about by eroding purchasing power of policy proceeds.

The text describes various plans involving term insurance plus equity units, policy dividends invested in equities, and attempts to include minimum guarantees so that regardless of stock trends the death benefit, for instance, will never be less than total premiums paid. The chapter reads like a novel, and like the rest of the book it bristles with documentation. Yet in another decade it may be out-of-date because linkage to the cost of living, as in certain European and South American countries, may well displace the use of fluctuating equity values as a yard-stick for policy proceeds.

Informative for U. S.

The book, like the First Edition, is intended to be a Canadian Text. It will well serve this objective, but it is no less informative to readers with knowledge of insurance practices primarily in the United States. The differences between the countries are a matter of degree, with Canada often in the lead. The author is to be commended for the readability of his text and the use of 22 charts, called "figures," which supplement numerous tables, enhancing the clarity of the presentation. In fact, this reviewer found it difficult to lay the book down after beginning.

Much of the text is factual, always interestingly presented, but no one knowing the author will be surprised by his occasional lapses into wistful defense of the *status quo ante*. Such defenses crop

STATE OF THE SOCIETY TODAY

by Charles Connolly

The President asks and what do you say?
The state of the Society? Now? Today?
Hirsute adornment is now the rule,
3% with hair so long that in many cities
they would be thrown out of school.
Another group, in the style of General
Burnside,
Have sideburns one and two-thirds
inches wide.
A few have grown mustaches
Which must be washed with Prell after
eating chocolate pie or smoking
hashish.
And now and then you see a fully
bearded man
Sometimes Van Dyke and sometimes
catch-as-catch-can.

up most frequently in the new chapters on *Taxation* and on *Social Insurance and Social Welfare*. The preferential tax position in Canada of the life insurance industry appears to be eroding to something akin to that in the United States.

On *Social Insurance*, the Old Age Security uniform benefit dating from 1927 has not only been liberalized, but is now supplemented by the Canada Pension Plan, starting in 1966, with benefits geared to earnings up to \$5,000 per year, and escalating with future inflation. Ultimately the total benefit, OAS plus CPP, is to reach 61% of \$5,000 with a retirement age down to 65 from the earlier age 70. Indeed it is estimated that, adding in the wide-spread private pension benefits which, in Canada, have been made "portable" by legislative requirement, i.e. vesting after age 45 with 10 years of service, the average old age income will exceed average per capita income. This puts Canada quite far ahead of the United States, even though Social Insurance income is subject to income tax in Canada.

The Social Welfare federal plans in Canada include Family Allowances, from \$6 to \$10 per month for each child under age 16, or age 18 when in school, and short-term unemployment insurance. Besides these benefits there are a variety of plans shared with the provinces, such as long-term unemployment assistance, universal hospital insurance, as well as assistance for the old, the disabled, the blind, mothers' and veterans' allowances,

and medicare. There are also Workmen's Compensation and Crop Insurance. The entire package is far beyond federal and state coverages in the United States, and is expanding as a political balloon.

The chapters on *Pension Plans* and *Funding Methods* have been extensively rewritten because of recent developments. Among the most important may be mentioned the emergence of insured plans involving segregated funds, at least in the accumulation period, and sometimes variable annuity benefits. The segregated funds may be held in a single pooled equity account, or may be based on (i) common stocks, (ii) bonds, and (iii) mortgages, in varying elective proportions, with allocated deposit administration, subject to usual guarantees, applicable to each employee's contributions. There is no mention of that United States peculiarity "generation interest," possibly due to the earlier legislative authorization in Canada for segregated funds. Canada unquestionably has an advantage in instituting certain innovations, because they can be started on a federal level, rather than requiring approval in numerous states.

This is not a review of Arthur Pedoe's complete book, but rather of selected sections that have been most changed since the First Edition. Throughout the book, tables and charts have been brought up to 1968, the revision being dated February, 1970. It is a truly monumental work without being excessively long. The revisions are well integrated and do not appear as patch-work. □

Actuaries Club of Toronto

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formalization, there is little chance for an informal discussion on non-business matter or to obtain informally some business information. Others apparently have thought so, too. Accordingly, in December 1970 there was constituted the new Actuaries Club of Toronto. We hope to keep our meetings informal and social, and to keep our membership somewhat under control by limiting it to Members of the Canadian Institute of Actuaries who live within daily commuting distance of Toronto.

The President is Donald J. Leapman, the Secretary is Horace W. McCubbin, and Treasurer is Ronald M. Walker. □