



SOCIETY OF ACTUARIES

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The Simple Life

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sumer. Some interesting points are made. One is that in the United States courts of law, it was decided that the cash value of a policy was not subject to distraint (seizure) in connection with unpaid federal income taxes as in the case of savings deposits.

The initial reaction of an actuary to this 30-page pamphlet dated June 1974 and with fifth printing, January 1975, is one of surprise that all this attention is being given to what appears so obvious. The fact is, that if a level yearly premium is to cover a benefit of a fixed amount payable on death with mortality increasing year by year, a fund must be accumulated by the insurance company on which to draw when the cost of the death benefit in later years exceeds the premiums then being paid.

Much attention is given in the report to the "cash surrender value." This is the simple fact of giving the policyholder on surrender of the contract other than by death, a share of the fund which the company must accumulate to carry out its obligations, and which is the basis of the non-forfeiture and loan benefits which are undoubtedly stressed by those selling the plan. Considerable emphasis on this "cash surrender value" is probably apparent in the sales methods used by companies and agents.

I, personally, have often referred to the straight life plan as the Scotsman's Endowment. This was to emphasize the long term nature of the contract and the substantial cash surrender values granted on survival to ages 60, 65 or later, the retirement ages. It stressed the lower premium payable on the Scotsman's Endowment as compared with the corresponding endowment insurance where the sum payable at the retirement age is the same as that payable on prior death.

The splitting of the straight life plan into "pure" insurance (protection) and "savings" elements was particularly stressed by the Insurance Commissioners in their request for a research report. Instead of being regarded as a mathematical exercise, critics stress that this indicates that the amount of insurance protection reduces year by year while the savings element increases, the total just equals the face amount of the

THE ACTUARY'S VADE MECUMS

The Society has provided two *assist*s for actuaries called upon to explain their profession, I for general presentation and II for encouragement of actuarial careers.

I

About three times as much material as could be included in the exhibit on actuarial history described in the December issue of *The Actuary* was collected. This factor together with the realization that the exhibit because of the problems of shipping, assembly, and frangibility would at best have limited use, led to the consideration of other ways of mining the gold lode of interesting documents collected.

A 35mm slide film accompanied by a taped narration seemed the perfect answer. The resultant slide presentation, which is independent of the 25th Anniversary Celebration and speaks to all phases of actuarial work, was designed to help answer many of the usual questions about the role of the actuary and the future of the profession. While this show is directed primarily at non-actuaries, it will still be of interest to actuaries, particularly to those whose knowledge of the history of the profession is not very extensive.

The presentation consists of 79—35mm slides along with a 30 minute tape narration in cassette form. The voice is that of a professional radio announcer. Herb Oscar Anderson. The complete set may be rented for a one time use for a cost of \$20.00. Arrangements may be made for purchasing the set at a price of \$100.00.

Interested actuarial clubs, other organizations, and individuals should get in touch with the Chicago Office.

policy. The continuing criticism is to compare the savings with other forms of investment with the cry "Buy term and invest the difference," as if the great majority of purchasers of ordinary life insurance would invest the difference of premiums between that plan and a term to 65 plan. The hope of the fault-finders is that such a procedure would reduce considerably the financial importance of the life insurance industry. Another effect would be to reduce considerably the savings by the population; a serious matter in this inflationary age.

The report does not mention that the existence of guaranteed cash values

II

The Careers Encouragement Committee has developed a Speaker's Kit to help actuaries speaking about their profession to students, vocational guidance counselors, and mathematics educators. Most actuaries in that position will probably rely, to a considerable extent, on their own experience and memory. The Kit provides not only an "assist" but a storehouse of information regarding the profession. The actuary who has an equal store of knowledge at his fingertips is probably not yet born. There is information about the history of the profession, about the varied duties the actuary may be called upon to undertake (including a host of definitions), and comments upon the opportunities for the actuary as well as helpful mathematical illustrations (with slides), simple and complex. There is a broad outline of suggested speech topics to be varied according to the audience. The Kit cannot fail to be helpful to any actuary called upon to address any group, even a group beyond the stage of entering upon an actuarial career.

A Speaker's Kit has been sent to the Chief Actuary of each firm employing a member of the Society of Actuaries, to the President of each actuarial club and to the members of the Society committees directly involved in disseminating information about the profession. Any other member of the Society can obtain a Kit by writing the Chicago office. □

serves as a restraint on the investment policy of life insurance companies requiring a greater degree of liquidity than would otherwise be necessary and that this affects the investment yield.

This research report contains much information which will interest actuaries and others but one wonders whether a simpler line of approach would not have been more desirable to avoid much of the repetition present in the report. The matter of cost comparisons is not touched upon.

Note: A copy of the report may be obtained on request from the Institute of Life Insurance. □