



SOCIETY OF ACTUARIES

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# The Actuary

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 articles, criticisms, and discussions in this publication.

## EDITORIAL

WE trust that the delay in sending out the February issue did not deter any of our readers from paying attention to Thomas Walsh's review of Barbara Lautzenheiser's article *Sex and the Single Table: Equal Monthly Retirement Income for the Sexes?* and that, as a consequence, Miss Lautzenheiser was deluged with requests for (free) reprints of the article which appeared originally in the *Employee Benefits Journal*.

The article is an excellent summary of the equality situation as it exists *today*—it may be worse *tomorrow*! If some of the court decisions were expanded, the logical conclusion would be the abolition of any selection or risk classification not only in life insurance but possibly in all forms of insurance. The industry and the actuaries have many problems to worry about but the reading of some of the courts' reasoning causes us to wonder if this problem of equality may not be the most serious one with which we are confronted.

To be concerned about the problem is easy but lamentation is no substitute for action and it is very difficult to decide what action we should take bearing in mind that basically the industry is faced with court interpretations of an existing law. To make matters more difficult, some of the states are trying to control the insurance operations of the insurers on this problem of equal rights. Fortunately, some of these proposed state regulations are being challenged by some of the insurers.

Could the actuaries be more helpful in educating the public and the courts? Have we done as well as we could in explaining the basic concepts of insurance? Take, for example, the expression "Expectation of life" which seems to crop up in all the arguments. "Expectation of life" was an unfortunate choice of words and we are still struggling to explain it to the lawyers and the laymen after many years. Perhaps it is impossible to avoid use of the terms but maybe we should try a little harder.

Another item that concerns us is the apparent lack of emphasis on the cooperative nature of any form of insurance. Sometimes, as we read the court decisions, we wonder if the court has even an elementary concept of what insurance is. The court seems to want to treat the individual as a separate entity without reference to the other policyholders. Maybe we should remind the public more often of the elementary principles of life insurance. As examples we quote two paragraphs from J. B. Maclean's *Life Insurance*.

"Every plan of insurance is, in its simplest terms, merely a method of spreading over a large number of persons a possible financial loss too serious to be conveniently borne by an individual."

The second quote is

"The first and most essential feature of every insurance plan, of whatever kind, is the cooperation of large numbers of persons who, in effect, agree to share the particular risk against which insurance is desired."

The current public relations activities of the life insurance industry are to be commended. Our suggestions are merely supplementary.

A.C.W.

## PENSION PLAN TERMINOLOGY

The Terminology Report of the Committee on Pensions of the Society of Actuaries was initially undertaken to assist the Academy's Principles and Practices Committee with recommendations it had been preparing. As indicated in the exposure draft of the Terminology Report distributed in March 1975, the scope of the project was subsequently broadened.

Responses to the exposure draft were reviewed and resulted in a Modified Report which was submitted to the Board of Governors with the recommendation that it be adopted. At the Toronto meeting of the Society, the Board unanimously resolved that the Pension Committee should:

(1) Issue the Report entitled "Actuarial Terminology for Pension Plans" as an Opinion of the Pension Committee pursuant to Article X, paragraph 2 of the Constitution;

(2) Refer the Report to the Committee on Standard Notation and Nomenclature, and to the Board of Publications, to encourage the use of the new terminology in Society publications;

(3) Issue the Report to the membership;

(4) Refer the Report to appropriate committees of the American Academy of Actuaries and the Canadian Institute of Actuaries with a recommendation that these bodies encourage the use of the new terminology; and

(5) Continue discussions with Federal administrative officials about an extension of terminology definition, with particular emphasis on terms found in the Pension Reform Act and related issuances, working with appropriate committees of the American Academy of Actuaries.

The Report is offered to promote better understanding of and more consistent use of, pension terminology. Where the existing terminology may be misleading, the Committee has developed preferred terms. This is particularly true with respect to the term "liability." The Report also comments upon characteristics of valuation methods.

With regard to item 5, efforts are being made to work with government officials and as they progress reports will be made to the members.

Copies of the report can be obtained from the Pension Committee. □