



SOCIETY OF ACTUARIES

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# The Actuary

The Newsletter of the Society of Actuaries

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## BOOK REVIEW

### Investing

*Investment Activities of Life Insurance Companies*. Huebner Foundation Lectures, edited by J. David Cummins, pp. 355, published for the S.S. Huebner Foundation for Insurance Education by Richard D. Irwin, Inc., Homewood, Illinois 60430, \$14.00.

by T. Athanassiades

It has been 25 years since "Investment of Life Insurance Funds"—a series of lectures on life insurance companies' investments—was published by the Huebner Foundation. In the meantime, the value of the dollar has been reduced by more than 55%. Assets of life insurance companies have increased by a quarter of a trillion dollars, cash flow from pensions has increased ten-fold, separate accounts have come into being, common stocks have become a significantly more important component of the investment portfolios. Annual acquisitions of investments by life companies have increased ten-fold (when including short-term paper).

All of these changes are reflected in this new book, a highly readable text of excellent educational and reference value. Similar to its predecessor, this book consists of a series of papers originally presented as lectures at the Wharton School. One third of the contributors are academic authorities, while the other two thirds are well-known insurance industry executives with acknowledged expertise in their particular topic.

The lead-off chapter on "Investment Strategy", enhanced by a battery of statistics on changes in life companies' portfolios, provides a good overview of investment activities and sets the stage for some of the later chapters. There are a couple of rather interesting sections in this chapter on the relationship between investment yield and portfolio mix and insurance product strategy.

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## COMMUNICATIONS MANAGER

Linda M. Delgadillo has joined the Society of Actuaries staff as the Communications Manager.

The responsibilities of this new position include improving communications on Society activities among the members and providing information on the actuary's work to employers and users of actuarial services.

Mrs. Delgadillo has a Bachelor's degree in Mass Communications from the University of Wisconsin—Milwaukee.

She was formerly a student communications consultant with AT&T in Lisle, Illinois. Her responsibilities included studying student needs and developing a recreational and cultural activities program at a technical training center for Bell System managers.

Before that Mrs. Delgadillo was for 8 years with the Southeastern Wisconsin Regional Planning Commission in the fields of public information, editing, and research analysis. She also provided volunteer public relations services at the Milwaukee Council on Alcoholism.

We welcome Mrs. Delgadillo to the official (Chicago) family and look forward to seeing her at Society meetings. □

## Welcome For New and Recent Associates

We are glad to learn that at the Dearborn and Portland Spring Meetings there will be a Special Session for new and recent Associates to introduce them to the Society and to the important fact that the Society is much more than an examination-setting organization. The Associates will have an opportunity to become acquainted with each other and an incentive for attendance at future meetings of the Society. □

## COPAFS

A new organization, the Committee of Professional Associations on Federal Statistics (COPAFS), is being formed with membership composed of associations with an interest in U.S. federal statistics. The Board of Governors of the Society has authorized the Society's participation in COPAFS on a trial basis for one year. COPAFS will (i) monitor developments in the federal statistical system of interest to the associations, (ii) call attention to significant developments, and (iii) facilitate communications from the member associations to the government. COPAFS will also have a longer term function of reviewing and appraising features of the federal statistical system of concern to the members of the constituent associations.

The formation of COPAFS is one of the recommendations in the final report (March 1978) of the Joint Ad Hoc Committee on Government Statistics (JAHCOGS).

Details about JAHCOGS were published in *The Actuary*: December 1976, *Statistical Reformation*, and April 1977, *Society Response on Reforms of U.S. Federal Statistics Urged*.

The Society has been represented in JAHCOGS since early Spring 1977 by Robert J. Johansen and he will be the Society's representative in COPAFS.

While one of the tasks of the Committee of Professional Associations on Federal Statistics will be to keep its constituent associations informed on changes and proposals affecting government statistics, its effectiveness will depend on feedback from members of those associations. For the Society to take an active role, its members must take active roles. Continuation of the Society's membership will depend on whether the Society members show interest in and benefit from COPAFS.

Any member of the Society who makes

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**Letters***(Continued from page 7)*

basis of the system can no longer be described as "current cost", I would assert that the resulting interest receipts are valid and are not the same as general-revenue financing.

If the trust funds did not hold the government bonds and other obligations representing these large balances, then private investors would hold such obligations and would be paid interest on them at approximately the same rate as would the trust funds. Thus, the cost to the Federal Government for interest on its obligations would be the same under either circumstance. Accordingly, the interest that would be paid to the trust funds is valid and is not a government subsidy.

In connection with this discussion, I find it most interesting that this subject of interest on the trust fund investments not being valid tends to surface every once in a while. Those who take the position that the interest is not valid and is the same as a government subsidy do not "pull the curtain aside" and see the fact that any debt obligations held by the trust funds would otherwise have been held by some individual or organization in the private sector and, as a result, the cost of servicing the national debt is the same under either circumstance.

I delved back into the distant past and reread my first discussion before an actuarial body, which happened to be on this very same subject (see *TASA XXXVIII*, pp. 551.) Quite admittedly, I was pleased to note that the argument that I made then as to interest on the fund and government subsidies has stood up reasonably well over the years.

Robert J. Myers

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**Adjusted Premiums**

I wonder whether Ms. Hicks and Mr. Sonheim, in their letter published in *The Actuary* for February, understand that Jordan's formula 6.11 is merely the algebraic expression of the requirements of the Standard Non-Forfeiture Law as to *minimum* cash values. If it is desired to grant values which at some or all points exceed the minimum, those values may be calculated by any method whatever, subject only to the condition that each resulting value is not less than the legal minimum. □

One method of achieving this would be to reduce one or more of the terms in equation 6.11; and if this were done, the resulting adjusted premiums would be "correct" in the sense that they would lead to cash values which meet legal requirements. There is no necessity, of using adjusted premiums or the assumed initial expense which Jordan designates *E'* if some other method of producing the desired results is preferable.

James E. Hoskins

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**Publications**

The following publications have just been released.

**American Council of Life Insurance**

*Pension Facts 1977.* This annual publication is an information source for writers and editors as well as for those in business, government, and other areas who are involved with pensions and other employee benefits.

*Life Insurance Buying.* This is an Analysis of Ordinary Life Insurance Purchases in the United States 1975-1976 disclosing individual characteristics, e.g., age, sex, occupation, policy plan, mode of premium payment, etc. of the persons insured by these policies.

*TAP Report #16: "Death, Dying and Life Extension."* This Report analyzes the changing public attitudes towards death, covering as well the prospects of prolongation of life.

Individual copies of these reports can be obtained on request from Statistical Services, American Council of Life Insurance, 1850 K Street, N.W., Washington, D.C. 20006.

**Health Insurance Association of America**

*Health Care in the 1980's.* This sets forth the Principles and Recommendations of the HIAA Special Task Force on Health Care.

*National Health Insurance in Canada.* This is a summary of a paper specially prepared by the HIAA on the Canadian Health Care System.

Copies of these publications may be obtained on request to the Health Insurance Institute at the address given above. □

**Deaths**

Arnold B. Brown  
Eugene H. Pakes

**Actuarial Meetings**

June 8, Baltimore Actuaries Club  
June 8, Actuarial Club of Indianapolis  
June 8, Joint Meeting Actuaries Clubs of Boston and Hartford  
June 12, Southeastern Actuaries Club  
June 15, Actuaries Club of Southwest  
June 21, San Francisco Actuarial Club  
July 13, Baltimore Actuaries Club

**MEDICAL RISKS**

A list of Errata in the above volume has been sent to all purchasers of record. Some orders were for more than one copy of the book for internal distribution and the Errata sheet may not have reached these users. Copies of the sheet are available on request from the Chicago office, Society of Actuaries, 208 South LaSalle Street, Chicago, Illinois 60604.

**CONGRESSIONAL STAFF REPORTS CONNECTION WITH SOCIAL SECURITY LEGISLATION**

Mr. Robert J. Myers has prepared a detailed review of the several committee prints which were developed during the course of the 1977 amendments. There are 23 reports in all dating from May 1975 to December 1977. There is much valuable background information in these prints that is not readily available elsewhere.

The report will be published with the next issue of the book reviews from the *Transactions*. □

**COPAFS**

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use of government statistics in any field, demography, economics, etc. or whose employer or client would be affected by changes in the gathering, availability, quality or reporting of statistics by the federal government, should maintain an active interest in the new organization. Members are asked to let the Society know what their needs are, what statistics they use, what they believe the Society's attitude should be.

A summary of the JAHCOGS report will appear in a future issue of *The Actuary*: All communications should be sent to Robert J. Johansen, Metropolitan Life, 1 Madison Ave., New York N.Y. 10010. □