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HOSKINS, CRAIG—and FINLAISON

From England comes word of another three-of-a kind; grandfather, father and son all actuaries. That trio was John Finlaison (1783-1860), first President of the Institute of Actuaries (1848-1860); his son, Alexander Glen Finlaison; and Alexander's son, Alexander John Finlaison (1840-1900), thirteenth President of the Institute (1894-1896).

The actuarial families of Hoskins and Craig were described in our November 1978 issue. We are pleased that an old friend, Mr. Charles F. Wood, F.I.A., A.S.A., a Past President of the Institute, noticed the item, recollected the Finlaison history, and sent word along to us.

Ed. Note: It is with great regret that we now learn from Mr. Norman J. Page, Secretary General of the Institute, of Mr. Wood's recent death in a road accident. □

Letters

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"It's Called Creative Accounting"

Sir:

An article, by *Forbes* Associate Editor Paul Gibson in the April 2nd issue of *Forbes*, notes the recent flurry of activity in ownership changes of life insurance companies and then speculates on the reasons for that activity: "The attractions, if obscure to a layman, are crystal clear to financial analysts. A life inusrance company is essentially a pool of money, belonging to the policyholders but in fact available for the benefit of whoever controls the company."

The article notes that the industry's growth rate is modest, roughly 3% compounded annually, adjusted for inflation but that its earnings flow is consistent and highly predictable, typically 12% on equity after tax.

It attributes other benefits to owning a life insurance company:

(1) By consolidating highly liquid balance sheets with their own, many non-insurance companies greatly improve their overall credit worthiness.

(2) There are creative bookkeeping possibilities for managing earnings.

As to this last point, Sam Turner of Tillinghast, Nelson & Warren is quoted as saying, "There's currently plenty of leeway in restating net assets as they move from one company to another. This is a never-never land. You can reprogram future earnings. You can take earnings reported in the past and report them again in the future. Or you can take earnings that will have been reported in the future and bring them back into current equity to avoid creating goodwill on your books." The *Forbes* writer comments that this is all legal and seemingly blessed by the accounting profession. Moves are afoot, however, to bring out a set of guidelines to limit some of the accounting artistry now taking place. But don't hold your breath."

Articles such as this are indeed worrisome to the actuarial profession, which bears an important responsibility in the valuation of life insurance company assets and liabilities. Is there an appropriate response out there?

Henry B. Ramsey, Jr.

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Proposed Merger

Sir:

Various merger proposals have circulated in recent years and, I confess, I paid them very little attention. Perhaps that was because I was not an F.S.A. and would have no vote in the matter. Now, the first Society vote has arrived and I now have voting rights.

The general objectives of reorganization are certainly desirable. For better or worse, it is a changing and political world and actuaries must join the fray. To this end, I commend decisions by the American Academy which have broadened its membership base. The existence of such a "least common denominator" umbrella organization is necessary.

However, the lowered standard of the Academy makes it more imperative than ever that high standards for attainment of actuarial Fellowship (be it FCAS, FFA, FIA, FSA, etc.) be maintained and that areas of actuarial expertise not be further blurred.

Some have argued that the number of FAA members in question is small enough to be of no practical significance. Not long ago, I might have agreed, except for the dangerous precedent this merger would set. Now, I feel principle and ultimate practicality require that this proposed amendment be defeated.

Richard Moroney

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Looking Far Outward

Sir:

The Actuary, January 1979, invites 50-year veterans to prophesy. Here goes:

(1) The computer, the actuary, and others will influence H.M.O.'s, etc. to a vast improvement in citizen health and productivity.

(2) Amish, Israelite Kibbutz, and Chinese respect of elders will influence our way of life. Actuarially, it will introduce barter to moderate inflation, and will completely change ideas about retirement. Probably it will make partial retirement common — the elderly often serving as consultants with strong voices in decisions.

(3) Actuaries who think independently will be in great demand.

Harry M. Sarason

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WE'RE BEING NOTICED!

The aim of our Special Contest (February issue) was to find out how often the word "actuary" and its derivatives turn up in the general press during a selected week. If the returns are taken at face value, the answer is:

In Canada	0
In the U.S.A.	6

But there's good reason to believe that these returns measure contestant nonchalance more than scarcity of mentions. Here are the entries:

Found by	*Where*
Dwight Bartlett	U.S. News & World Report, Apr. 30
Josephine Beers	National Review, Apr. 27
Josephine Beers	Los Angeles Times, Apr. 25
Ronald T. Hirsch	Fortune, Apr. 23
Ronald T. Hirsch	Orlando Sentinel Star, Apr. 25
Ronald T. Hirsch	Orlando Sentinel Star, Apr. 27

Exciting but ineligible items came in from Ralph Edwards and Robert J. Myers.

Why is it obvious there must have been many more mentions than these? Because despite the prominence of some of the publications, there was no duplication of entries; and because one industrious contestant managed to find three items, and another two.

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