The Actuary

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The Actuary

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LIFE INSURANCE AS SAVINGS

A brisk article in this issue by two Canadian actuaries contends that the life insurance business in that country has been imprudently narrowing its sphere of usefulenss by neglecting to attract savings dollars. The primary cause cited is slowness to design plans that can compete for short-term savings. Doubtless their criticisms apply with roughly equal force in the United States.

But, in the U.S.A., have we not lost even more ground by playing down the usefulness of our most venerable product—the whole life policy—as an instrument for giving death protection while it is most needed, and building savings for the time when the survivors' need for retirement income will outrank that for continuing death protection?

To some extent the denial that a whole life policy's beauty lies in its ability to perform both these tasks seems to stem from belief that to advance such a thesis would be a losing cause. A life insurance policy just isn't an efficient savings instrument, some say. We deny that such a dim view is justified in the case of participating whole life policies issued by life companies whose investment results are good, and whose expenses are relatively low. Many still are "too much on the defensive in presenting the favorable investment features of cash value life insurance," words uttered by L. J. Kalmbach, FSA, 15 years ago.

It is not clear that industry people are doing either the insuring public or the industry a favor by impugning the merits of a good whole life policy as a savings instrument. We were somewhat horrified to read the following statement of position in ACLI's *Council Review* for February/March 1979:

> "The cash values that develop as a by-product of the level premium are no more a savings fund than is the equity that builds upon one's home when it is bought on the installment plan."

What intelligent home owner fails to recognize the equity in his home as very much a savings plan, and preferable to many other forms of saving he or she might choose?

One drawback of the "Life insurance isn't savings" campaign that may end by impairing the public's faith in what life insurance people say, is that it interferes with the policyholder's opportunity to give sound consideration to what he should do with his life insurance after he has retired and when the spread between the face amount and the cash value has shrunk. The day will come when companies will see it as their duty to take the initiative in explaining to elderly policyholders the valuable choices their policy gives them.

Finally, we gently challenge ACLI to produce evidence supporting their assertion that most actuaries concur with lawyers in perceiving the whole life contract as an indivisible entity. The only test along this line that we know of, reported in XXV *T.S.A.*, D 206, produced divided opinion among actuaries who were asked to choose the best nontechnical description of a whole life policy. Furthermore, every actuary who calculates dividends by the century-old contribution plan splits the policy into amount at risk and reserve as a matter of course.

E.J.M.

LETTERS

Remembering A Dean

Sir:

It is a pleasure to reminisce on request about the dean of Canadian actuaries until his recent death at age 95 — Jack Laing.

Jack was born on a farm. After graduation from the University of Toronto in 1904 he joined Mutual Life of Canada's staff in Waterloo, and remained there for the whole of his working life, 44 years. This illustrates one of his outstanding traits, steadiness of character. He faced problems calmly; it was always easy on the nerves to work with him.

His starting salary was $25 a month. In those days emphasis was laid on future prospects. One hesitates to think what his salary would have been if the authorities had realized how bright the prospects for the life assurance industry really were. The staff in 1904 numbered 20 — it is now 1,000; it had one hand-operated multiplying machine — now a large computer section.

Before becoming a Fellow of the Actuarial Society in 1912, Jack had obtained his Associateship by examination in the Institute of Actuaries. It was the custom of Canadian actuaries in those days to qualify in both organizations, probably reflecting uncertainty as to where the best future development lay. While this association with the British body continues to be highly valued, the American relationship has, for social and practical reasons, become the fundamental one for Canadians.

Jack excelled in sports. He held the company tennis championship in the nineteen twenties and thirties more often than not. In 1966 he turned in a golf score that was less than his age—score 82, age 83.

His interest in his church was deep. He was an accomplished pianist; I have heard that he was playing his piano on the morning of the day he died. He succeeded in reaching the speculative part of the Mortality Table, and kept his interest in life to the end.

Horace Holmes

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