

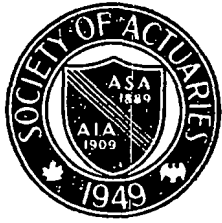


SOCIETY OF ACTUARIES

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## INFLATION AND LIFE INSURANCE

by Fergus J. McDiarmid

*Ed. Note: This is the first of a series of reflections by actuaries who made observations 20 years ago on portentous questions of those times.*

Back in 1958 I presented a paper, "Inflation and Life Insurance," to the Society. In it I said that fundamental changes in our society, our economy and the world, made continuing inflation likely. The long but historically exceptional period of relatively stable money values, which had lasted from the end of the Napoleonic Wars to World War I, and which had a twilight zone up to World War II, seemed to have ended. Our 1958 dollar had less than half the 1940 dollar's purchasing power. Particularly disturbing, after World War II there had been no reversal of the upward price trend such as had followed prior major conflicts.

### The Prospect 20 Years Ago

All this, it seemed, had broad and serious implications for such long-term fixed-currency media as life insurance, which had grown to maturity against a background of fairly stable money values and expectations that these would continue. This was particularly so for plans whose time span between collection of premiums and payment of benefits was long; term insurance of modest duration was, of course, the exception. I suggested that as a partial hedge against inflation, new insurance and annuity policies be devised in which a substantial part of the reserves would be invested in common stocks. That was at a time when inflation rates were 1% to 2% a year; recent rates, sometimes in double-digit figures, were not then envisaged.

That paper received substantial but very mixed reviews. People engaged in

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To All Our Readers,  
A Happy New Year!  
The Editors

## THE ACTUARIAL POLITICIAN

An Interview with W. Paul McCrossan  
FSA, MP

*Ed. Note: This is one of a series of articles about actuaries in public service.*

*Question:* Paul, do you have the honor of being the first actuary ever elected as a Member of Parliament in Canada?

*Answer:* Yes—perhaps I may claim to be the second as well as the first. In the fall of 1978 I was elected M.P. for York-Scarborough in a by-election. Then in May 1979's general election I was re-elected in that same riding.

*Q.* Why twice in an eight-month period, for goodness sake?

*A.* Hardly had I managed to get elected to fill a vacancy than the Prime Minister exercised his option to call a more than usually postponed general election, sending me back onto the hustings without much of a breathing spell.

*Q.* What is the York-Scarborough riding?

*A.* A riding is the Canadian equivalent of a congressional district in the U.S.A. York-Scarborough, in southern Ontario, happens to have the largest voting population; and perhaps the largest resident population of any Canadian riding.

*Q.* And your secret in getting the nod from the voters in so substantial an area?

*A.* There were two hurdles—first to win the nomination of my party (the Progressive Conservative) against two others, then to win the election against

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## "SECTIONS AND DIVISIONS" IDEAS

More than 2,300 Fellows and Associates have given the Society's Task Force on Special Interests plenty to think about. Your answers to our mail enquiry last July were well spread across the range from "hate the idea" to "best thing you ever came up with." Many of you indicated that we hadn't given you enough information.

The Task Force was appointed by the Executive Committee, as part of its long-range planning function, to look into the professional and special needs of all our members, and the various ways in which the Society might better respond to those needs. We were also asked to determine how well-represented various groups of actuaries were, and whether or not the Society could be more responsive and flexible both in representing you currently and in meeting whatever needs might emerge in the future.

After considerable preliminary analysis, we began to consider a concept of "Sections" to meet the professional needs of those who were interested in more specific services than are currently provided. We also began considering the concept of "Divisions" as a possible approach for providing improved representation, by general specialty.

In July, we gave you a brief outline of the concepts of Sections and Divisions. We didn't ask whether you liked these ideas, mainly because they were not fully developed and, certainly, they were not adequately explained. What we wanted to find out was the degree of interest which might exist, if Sections or Divisions were to be set up.

We received comments from 546 of you. Those in favor of our concepts mentioned the Society's increased size, the growth of specialties, and weaknesses in services to some special interests.

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