

SOCIETY OF ACTUARIES

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EDITORIAL

OUR LONDON COMPANION

"FIASCO" is the catchy (rather than imposing) title of the newsletter published in London that performs somewhat the same function for members of the Institute of Actuaries as *The Actuary* undertakes for Society members. FIASCO was launched in February 1978, and has faithfully adhered to its orginally announced "approximately eight times a year" publication schedule.

That journal is, in fact, a publication, not of the Institute itself, but of the Institute of Actuaries Students Society. But when one appreciates that the Students Society is not an organization just of those who are preparing themselves to take actuarial examinations but embraces also any member of the Institute, or of the Faculty, or of any other body of actuaries who cares to pay its modest fee, and that many, many Fellows and Associates are members, and that FIASCO goes out with regular Institute mailings to all its members, a reasonable conclusion is that these English and North American newsletters enjoy comparable readerships.

Between their journal and ours there are many similarities and a few differences. FIASCO so far has more of a social flavor than we have; for instance, it announces members' promotions and job changes. Also it accepts, for a fee, advertisements by organizations seeking actuaries.

That the volume of acceptable material has been picking up is shown by FIASCO's recent expansion from an original four $21x29\frac{1}{2}$ cm. (say, $8\frac{4}{x}11\frac{3}{4}$ ") loosely filled pages to six more tightly packed pages.

FIASCO has scooped our newsletter by introducing an Around The (Actuarial) Clubs column. As may be guessed, it gives outlet to its contributors to gratify the British penchant for humour and joy in extravagant punning. An early issue displayed a letter from our own Andrew C. Webster wishing them success and remarking thus:

Actuaries, as you know, are not supposed to have the light touch. FIASCO goes a long way to dispel that myth.

Unlike the said ACW who still paces our newsletter's bridge as we prepare our 131st issue, FIASCO's first Editor, G. J. Lagden, bowed out after his twelfth. The incoming Editor is Peter Turvey, and the Associate Editor Miss C. A. (Tina) Bishop.

Recently the editors of FIASCO and *The Actuary* met in London to talk over what editors hope, fear, and brag about. We decided to launch a reciprocal practice of notifying our readers about items of interest in the other journal. Here is our first such announcement, which we are happy to make:

LETTERS

Life Insurance As Savings Sir:

In your May editorial you sought evidence on whether most actuaries perceive whole life as an indivisible entity.

If we read the whole life contract, we find it whole. Its face amount is to be paid to the beneficiary. There is only one premium, not two parts. The policy may be surrendered for its cash value not, "You may withdraw the deposit and do as you like with the term insurance."

What, at bottom, is all this splitting of policies and chopping of logic about? It is modeling, I submit. That modeling may be pure mathematical manipulation starting from basics of life insurance or may be built upon a lay interpretation; this usually reduces to cash flow analysis and comparisons involving interest. The thing to remember is that these are not reality, but models of reality in particular terms. As such they can be useful, but not universally or exclusively so.

In a life insurance policy, the utility of the whole is more than the sum of the utility of the parts. Contrast whole life to "term plus fund." These two simply do not work the same; this is an objective fact, not a subjective appraisal, and not a theoretical point. The asset value in whole life differs from a deposit account, and surely is not an "investment", (the investing of money or capital for income or profit). The main use of the cash values is to permit continuance of insurance through many years at a level premium. This concept leads away from presenting whole life in terms of yield on savings. The asset values (both living and survivor) are used primarily for insurance; a thing should be presented in terms of its primary use.

Having said that, certainly both the protection and savings features of whole life insurance are important in their own right. Though the whole may be more than the sum of its parts, the parts are nevertheless important.

Also, I strongly second the idea that policyowners whose needs may be changing (particularly those, say, in their 60's) should get good information on their choices: to keep the insurance going, to take paid up insurance, to settle for cash or under a payment plan. These

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FIASCO Issue No. 8 includes at least two contributions of interest to actuaries in North America. One, by C. D. Daykin, urges widened extension of index-linked pension benefits to persons already retired. In the other, Miss Geraldine Leigh, a recent visitor to a Society of Actuaries meeting, deplores the falling status of the actuarial profession. She wonders if a decrease in the number of new Fellows should be sought, perhaps by making the examinations more difficult. E.J.M