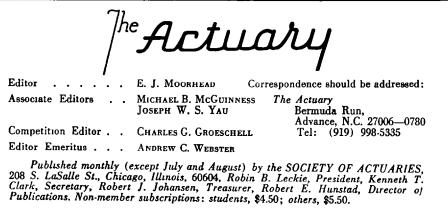


## SOCIETY OF ACTUARIES

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#### EDITORIAL

#### LIFE INSURANCE REGULATION

R. FRED RICHARDSON, whose letter appears in this issue, may not be alone in maintaining that the vagaries of our regulatory system handicap companies to the point that United States policyholders get poorer value for their premium dollar than do those in other countries.

Even though spokesmen for the U.S. domestic industry seem satisfied that state regulation is preferable to federal, why not study the question whether, within a single company that operates in several countries, the value given to its United States policyholders lags seriously behind that it gives elsewhere? If indeed this is so, perhaps causes for this discrepancy can be isolated.

In bygone days, our students were required to be familiar with a 1928 paper by a leading actuary-Henry Moir, who carried after his name the imposing series F.I.A., F.F.A., F.A.S., F.A.I.A., F.C.A.S.-entitled "Divergent Developments of Life Insurance in Britain and America" (T.A.S.A. XXIX). It had been provoked by a British actuary's remark that the big United States offices of that day "provide their policyholders with an article which is much inferior to the article with which we are able to provide our policyholders." After extensive comparison, Mr. Moir reached the guarded conclusion that some U.S. policyholders (those who lapse or surrender or who die early) fare better than their British counterparts, while others don't. Possibly a fresh study would yield an equally indeterminate result, but it seems worth trying.

Admittedly, a problem with our state laws is not just that they are there, but that fifty people tinker with them and interpret them. If this were all, more cooperation among insurance departments and more centralized effort should help. But a much deeper question, which for the second time in our history has come to the fore, is whether guaranteed withdrawal values are the boon to the public that most of us have been brought up to believe.

Can it aptly be said that American insurance executives are so used to our form of regulation, and so unaware of what the rest of the world is like, that they don't see what damage our system is doing? Or, is Mr. Richardson mistaken in believing that the damage he sees outweighs the system's benefits? Effort devoted to an international study might tell us all some things we need to know.

### LETTERS

Another Voice For Repeal—

Sir:

Henry K. Knowlton's advice (May issue) deserves consideration by us all. Today's political climate at last favors de-regulation of industry. We should take advantage of it to remove shackles. from the life insurance business in the interests of policyholders, our industry and the country's economic health.

Consider the British experience: British insurance law does not, and never has, required guaranteed cash or loan values, or guaranteed loan interest rates. Britain's life insurance industry has weathered a decade of worse inflation than ours without cash flow crisis; has adapted to new products, achieved real increase in sales, and has increased its role and share in the savings market. British policyholders have been given consistently better value for their money than we've been able to give ours. They don't try to cope with each new problem by creating new and usually more complicated laws.

The one blot on Britain's life insurance escutcheon, in the early 1970's, resulted from the foray by a few companies into income bonds with guaranteed cash-out values. Such guarantees were not required by law. Those failures resulted in a wave of criticism, quite unjustified, of government regulation, and a wave of rules and regulations, none of which will stop such mismanagement, but some of which will hamper U.K. product initiative.

In the U.S.A. we have a basically unsound financial structure, imposed by laws framed ostensibly to protect the public.

R. Fred Richardson

Ed. Note: An editorial on this topic is in this issue.

#### -And A Voice For Tax Incentive Sir:

In today's climate of savings stimulation, what, if anything, are life insurance people doing to protect our socalled share of the investment dollar?

Why shouldn't an individual be able to get the same tax advantage from sav-

E.J.M.