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The Actuary

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Letters

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Describing Ourselves

May I suggest a broader definition of an actuary than was proposed by Frederick W. Kilbourne (June issue), one that would cover areas not necessarily involving direct financial implication, such as demography:

> The work of an actuary involves analysis of a clearly defined status (one or more, such as life, disability, unemployment, habitat) for a group of individuals through a definite period of time.

This perhaps is even less "melodious to the man-on-the-street" than Mr. Kilbourne's QAV, but of some help with that identity crisis. I first offered it in my December 1951 *CLU Journal* paper, "Developments in Actuarial Work."

Manuel Gelles

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Not Dividends

Sir:

Some are saying that the excess of the ceiling premium for a non-par indeterminate premium policy over the premium charged for any policy year is a dividend under the Life Insurance Company Federal Income Tax Act. But this is at odds with the definition in the Act's para. 1.811-2, which reads thus:

> "The term (dividend) includes amounts returned to policyholders where the amount is not fixed in the contract but depends on the experience of the company or the discretion of the management. In general, any payment not fixed in the contract which is made with respect to a participating contract (that is, a contract which during the taxable year contains a right to participate in the divisible surplus of the company) shall be treated as a dividend to policyholders. Similarly, any amount refunded or allowed as a rate credit with respect to either a participating or a nonparticipating contract shall be treated as a dividend to policyholders if such amount depends on the experience of the company."

My assertion is that the premium charged on one of these policies is not surplus distribution related to the company's experience. Such a premium is determined in advance of the policy year; it is guaranteed; if it proves too large, nothing is returned; if it turns out to have been too small, no assessment is made and there may be no recouping the loss from future premiums.

Furthermore, there are precedents for charging a rate lower than a maximum guarantee, in which the difference isn't treated as a dividend. One is on life annuity settlement options—another is the so-called fifth dividend option (purchasing one-year term insurance with dividends on a participating policy).

Donald R. Sondergeld

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BOOKS ACTUARIES SHOULD KNOW ABOUT

Robert J. Myers, *Social Security*, Second Edition 1981. pp. xxxiv, 925. Richard D. Irwin, Inc., Homewood, IL 60430. $20.00.

This is a thorough revision of Mr. Myers' authoritative 1975 book, bringing facts and figures right up to the end of 1980. This text was locked up before its author was appointed to his present post, Deputy Commissioner of Social Security.

Little remains unrevised except the book's structural division into five major sections. The following table gives a clue to where the largest changes have been made:

		pp. in 1st Ed.	pp. in 2nd Ed.
Part I.	Introduction	18	18
II.	Old-Age, Survivors and Disability Insce.	200	374
III.	Medicare	178	206
IV.	Allied Programs	202	228
V.	Foreign Programs	38	38
	Appendixes, Bibliography & Indexes	55	61
		691 pp.	925 pp.

This new release makes its forerunner obsolete. Among many examples, the issue of taxation of benefits, explored on new pages 359-60, wasn't even listed in its predecessor's index.

The author has rearranged his material so that many details have been segregated in footnotes and chapter appendices, helpfully for the general reader.

D. Don Ezra, *Understanding Pension Fund Finance and Investment*, 1979. pp. 239. Pagurian Press, 335 Bay Street, Toronto.

This solidly practical book by a Society member has just recently come to our attention. Its purpose is to explain, for the benefit specially of those engaged in pension investment and administration, the roles of actuaries and investment managers, and to show how these roles can be co-ordinated. In our opinion the book achieves this goal.

This volume's five major sections are:

Part One	The Financial Background to Pension Funds
Part Two	Characteristics of Assets and Liabilities
Part Three	The Importance of Understanding
Part Four	Investment Policy and Asset Mix
Part Five	Control

Although references and examples naturally are largely Canadian, this doesn't seriously detract from the book's usefulness in other countries.

E.J.M.

Now You're An F.S.A., So What!!!

The above is the title of a new kind of workshop specially for *new and recent Fellows*, to be introduced at our Atlanta meeting in October. It will feature informal exchanges of ideas between our young Fellows and experienced practicing actuaries. Pension actuaries and insurance actuaries will gather in separate sessions.

Subjects will include the alternative ways for continuing professional development, the role of the Society, and the responsibilities involved. If you're eligible, don't miss it!