



SOCIETY OF ACTUARIES

Article from:

# The Actuary

February 1982 – Volume 16, No. 2

## THE E. & E. CORNER

*Ques.: Why not return to each student his or her graded essay papers?*

*Ans.:* Among the reasons why we don't return essay papers are these:

1. Because no examiner's markings are made on them, they wouldn't give any idea of strong or weak points in the answer. The best way to see how good answers are constructed is from the illustrative solutions, usually available before the next exam.

2. Anyway, there would be delay because the Committee needs to keep the papers for several months in case challenges or even cheating charges have to be investigated.

3. Reassembling the papers would be necessary; they will have been sorted by question number and dispersed to the graders.

*Ques.: Why doesn't the Committee publish the numerical distribution of exam grades so candidates can evaluate their position? Without this, grades aren't much more helpful than Pass or Fail.*

*Ans.:* Surely candidates find it useful to know how close they were to a passing grade. Knowing how many others happened to receive the same grade seems of no real extra benefit.

*Ques.: Has a student's request for regrading ever resulted in a change from Failed to Passed? How should such request be made, and how soon?*

*Ans.:* For essay questions, as explained in our January 1982 Corner, the grading procedure makes regrading changes from Failed to Passed practically impossible. For multiple choice questions the same is true; answers stored in the computer are checked carefully, and the computer scoring itself is checked by hand-grading several papers to compare with computer results — also any statistically peculiar result actuates a recheck to make sure that the prepared answer is correct and that there is no other correct answer. In rare cases of mistakes, the gradings are rectified without any student initiative.

Students' requests for regrading are thus refused. But we do recheck on request the clerical work of adding the score, even though errors are rare. Also, for an exam that covers several distinguishable subjects, the Part Chairman will tell inquiring students their relative

## Spring Exam Preparation Seminars

University of Waterloo will offer four one-week seminars:

|        |               |
|--------|---------------|
| Part 4 | May 3-8       |
| Part 5 | Apr. 19-24    |
| Part 6 | Apr. 26-May 1 |
| Part 8 | Apr. 19-24    |

Obtain particulars from Prof. M. A. Bennett at his Yearbook address.

Georgia State University will conduct seminars during April for each of the following:

|         |             |
|---------|-------------|
| Part 2  | Part 5B     |
| Part 3  | Part 6, SOA |
| Part 4  | Part 6, CAS |
| Part 5A |             |

Information from Prof. Robert W. Batten at his Yearbook address.

performances on the different subjects so that they can make special efforts to master areas of weakness the next time. Such requests should be made in writing to the Society office promptly after exam results have been released. □

## A SEER'S CHRONOLOGY OF UNIVERSAL LIFE

*Ed. Note: This is the gist of a November 1981 actuarial club presentation by Robert D. Shapiro.*

1981. Universal Life proliferates in an atmosphere of high interest rates (short-term higher than long-term), efforts to minimize company federal income tax, and worrying about policy loans and lapse rates. Progressive companies remove Elizur Wright's portrait from their walls, replacing it with a likeness of James C. H. Anderson, the herald of Cannibal Life Insurance Company.

1982. Amid declining interest rates, short- and long-term rates begin to return to their historic relationship. A tax law change is clearly in the wind; nearly every state is expected to approve variable loan interest rates. As interest rates on Universal Life decline, consumers press for some kind of excess interest spreading to limit premium variability. Uncannibal Life introduces a product that spreads investment and mortality gains over two years. Two-Year Life is ridiculed in several full-page *Wall Street Journal* spreads by a Universal Life writer.

1983. Interest rates have dropped well below 10%. Long-term rates now clearly exceed short-term. The tax law is obviously about to be changed to produce parity between stock and mutual companies and between traditional and new products. Variable and pass-through policy loan rate provisions have rescued the industry from its trauma of volatility. Lower and lower excess interest credited to Universal Life causes Uncannibal Life to lead a parade into Ten-Year Life wherein gains are spread so as to keep premiums level for ten years. The bulk of the industry now follows the current piper only where their well-defined long-term strategies dictate.

1984. Economic, tax and persistency conditions have stabilized. Companies that have introduced Ten-Year Life are giving Universal Life companies fits by replacing their policies, but have, under intense consumer pressure, adopted spreads to age 100 in place of 10-year spreading. True to its creative reputation, Uncannibal Life dubs this plan "Whole Life". Elizur Wright's picture reappears alongside of Mr. Anderson's.

1990. As the second year of the new liberal federal administration begins, interest rates start a dramatic rise. James C. H. Anderson demonstrates at a Pacific Insurance Conference meeting that Whole Life won't work in the evolving economic environment. Surviving life companies, banks, stockbrokers and other financial institutions join in a chorus of "Here We Go Again." □

## Scope of Society Research

(Continued from page 1)

### Study phase:

Formulation, calculation and analysis needed for developing actuarial principles and business practices.

### Conclusion phase:

Actual development of business practices and principles and recommendations leading to their adoption.

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Having undertaken the Study phase, the Board of Governors (may be faced with whether or not to) carry through the Conclusion phase. (Decision not to do so) is particularly appropriate (when) a recommendation involves a choice among several reasonable alternatives. □