The Actuary

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SOME VITAL STATISTICS

Figures in Table I and Table II are for the U.S.A. If a Canadian reader will do us the favor of supplying corresponding data for Canada, we will gladly print them.

Table I. Births, Deaths, Marriages and Divorces Per 1,000 Population

Year	*Births*	*Deaths*	*Marriages*	*Divorces*
1972	15.6	9.4	11.0	4.1
1975	14.8	8.9	10.1	4.9
1978	15.3	8.8	10.5	5.2
1981	15.9	8.7	10.6	5.3

—from Population Reference Bureau

Table II. Motor-Vehicle Deaths

		Death Rates		
	Number of Deaths	*Per 100,000 Population*	*Per 100 Million Vehicle Miles*	*Per 10,000 Motor Vehicles*
1972	56,278	27.0	4.43	4.60
1977	49,510	22.9	3.35	3.33
1978	52,411	24.0	3.39	3.41
1979*	52,800	24.0	3.45	3.31
1980*	52,600	23.2	3.48	3.19

* Estimated

Figures for Table II were given us by Frederic Seltzer, whose corresponding article in our April 1979 issue gives those for the missing years 1973-76. He considers that the figures speak for themselves, but we will just mention that the 55 m.p.h. Federal speed limit came into effect in 1974. □

ECHOES OF A 1949 DEBATE

In *The Canadian Journal of Life Insurance*, March 1982 issue, George R. Dinney, reflecting on his actuarial student days, wrote:

"Happily, (my boss) was Darrell Laird, a man of considerable genius, imagination and personal warmth who encouraged reasoned skepticism . . . One of his intriguing theses was that life insurance could be regarded as a commodity and that the industry would benefit from studying the explicit parallels in the product design and the merchandising of ideas and commodities. This idea was unsettling to many conventional insurance people of the 1950s and is just as unsettling to their counterparts today."

Mr. Laird's paper in *T.A.S.A.* 50 (1949), "The Revenue of the Period of Account and Its Relation To Premiums, Valuation and Dividends," which emerged after lengthy interchange between its author and the then Committee on Papers, set forth some of the views that Mr. Dinney recalls, and is indeed worth pondering today. Reading it now, one needs to remember that it was written long before actuaries in the U.S.A. entered the maze of GAAP statements, before premiums were graded by policy size, and before life actuaries began paying more than passing attention to risk theory.

To summarize, Mr. Laird saw three problems: first, finding a comprehensive way to measure a life company's real performance; second, displaying sales and administrative expenses revealingly to management; third, distributing surplus equitably among holders of individual policies. The paper's major theme was the well-known problem of "low earnings when business is good, high earnings when business is poor," a difficulty which the author aimed to solve partly by full recourse to a form of gross premium valuation, partly by a new way of displaying company operating results, at least to management if perforce not to regulatory authorities.

Five actuaries—some of whom may be prompted to comment after a third of a century has gone by—discussed Mr. Laird's paper. His views may be said to have garnered no immediate champions; certainly the lèse majesté that the author had committed by saying that the venerable creators of the contribution method of surplus distribution may have offered it because the elements of a better system were lacking, evoked expressions of intense loyalty to that method.

After rereading those thoughts of so long ago, we asked Mr. Laird, now in retirement, for his appraisal today. He responded thus:

"I have reread the paper and the discussions, and am pleased to find that I am quite unrepentant.

"Underlying the suggestions I then made about the purpose and arrangement of the Income Statement, the need when calculating premiums to recognize the importance of expected volume of sales . . . and the importance of asking what equity between policyholders can mean, there are two ideas.

"The first is that the actuary's approach to his responsibilities must be firmly and consistently forward-looking, or, in actuarial language, prospective. . . . We can't help being prospective in fact. We should be prospective in thought.

"The second underlying idea follows from this. We don't know the future, but when we plan, we apply opinions about the future. Income statements as well as premiums are matters of subjective opinion rather than of objective fact.

"A book could be written about the implications of these ideas and, in fact, I am writing one. It is, however, difficult to move from the first glimmer of an idea to a clear concept of it. I found that when I wrote my paper; I am finding it now, and so I may never finish the book."

We believe that, whether or not Darrell Laird ever becomes content with the clarity of his concept, our profession will be the loser unless he reveals the outcome of his cogitations.

E.J.M.