



SOCIETY OF ACTUARIES

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Universal Life

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Among other changes that will simplify life for the companies: the requirement of written state approval of variable life contracts has been eased to the usual state requirements applicable to non-variable forms; thus, companies will be able to use deemer provisions in states that have them, i.e., allowing companies to deem their forms approved if the Commissioner has not responded within a prescribed time—requirements for filing sales literature and for commission disclosure have gone—the “standards of suitability” provision has been lightened by removing the filing requirement, formal Board of Directors action, and lapsation measurement.

Yet To Be Done

The primary need now is to get the new Model adopted in individual states. And at the federal level, relief must be sought from the 1940 Act as has been granted for traditional variable life policies. The focus of this is to get the exemptions of SEC's Rule 6e-2—particularly the part that permits companies to pay commissions of the life insurance pattern—made applicable to the new variable products. It's expected that the industry and the SEC will agree during 1983 on a new exemptive rule.

In general, the outlook is that by early 1984 companies will have authority to offer these new products through their regular distribution channels in about half the states. The prospect for sales shown by the growing market shares of both universal life and variable life individually, by the TEFRA 101(f) amendment that specified rules under which benefits of flexible premium life insurance qualify as “life insurance proceeds”, and by the growing aversion to disintermediation risk inherent in non-variable forms, suggests that those who regard any kind of variable life insurance as permanently in the doldrums are likely to prove mistaken. □

NOTE TO “FRUSTRATED”

Your message is relevant and poignant, but, alas, we don't print unsigned contributions. Please tell us who you are.

The Editor

THE THREAT OF TOO LITTLE KNOWLEDGE—A VIEW FROM LONDON

by Patrick S. Carroll, F.I.A.

Ed. Note: As was clear from William W. Truckle's J.I.A. paper reviewed in our April 1982 issue, North American actuaries aren't the only ones puzzling over the curriculum questions aired elsewhere in this issue. We are grateful for Mr. Carroll's permission to print excerpts from his discussion of Mr. Truckle's paper, and parts of his reply to an enquiry that we sent him.

From J.I.A. 109, Part II, 178:

“(Mr. Truckle) has brought to our attention a great danger facing our profession. Insurers are appointing statisticians or even accountants to posts that actuaries should fill when the task is statistical analysis of insurance data using computers. Actuaries completing the examinations in the last few years have had no chance to specialize in statistics, although statistical methods capable of application to insurance have been developed. The use of linear models has gained much impetus through the availability of interactive computer packages. Likewise, methods for analysis of contingency tables are now more powerful. . . .

“Regression analysis is more widely used than ever. Whole new subjects have grown up in the last 10 years very close to the traditional expertise of the actuary. Investigation of lapses and withdrawals in life insurance may be possible using the techniques of survival analysis.

“There is an opportunity to remedy these deficiencies. More post-qualification courses of a statistical nature could be introduced. Links with universities and with the Royal Statistical Society could be strengthened. If this opportunity is not taken, the Institute will become a society of insurance practitioners. Would it not be better for actuaries to build on the reputation they have inherited from their distinguished predecessors, of being experts in applied probability and statistics?”

From Mr. Carroll's Letter To “The Actuary”:

I regard the updating of the statistics content in actuarial training as the central issue determining the future of the profession. It would be very sad if the Institute puts up a sign saying, “Statisticians Not Wanted”.

Statistical expertise now is given little scope in the Institute's examinations. For example, the Institute has a tradition of not employing matrices in its mathematical and statistical papers.

There is a growing awareness among actuaries that (our educational) system, which absorbs so much of our precious manpower, is leaving us out-of-date and ill-equipped to analyze the data insurers have on their computers today. (But) there is no popular demand among actuaries for more advanced statistics.

As a lecturer in Statistics I don't hope for popularity among actuaries but I do hope for understanding that statistics can be taught and examined satisfactorily, whereas the practice of insurance is frustrating when made the subject of examinations. Tutors and examiners differ as to what is the right answer to a question; students struggle for years, not knowing what is required of them. When it is difficult to advise a good student of probability and statistics to embark on actuarial training, the profession's standing is being eroded.

Yet I don't advocate introducing advanced statistical theory en bloc throughout the syllabus. Rather I think the major statistical topics should each be considered for inclusion on their merits.

(Mr. Carroll goes on to discuss separately the merits of including Multivariate Methods—“Actuaries ignorant of these are at a disadvantage in analyzing market research data”—; Regression Analysis—“One would like actuaries to know more about this”—; Econometrics—“I don't advocate including this”—; Survival Analysis—“Actuaries are remarkably uninterested in this subject which is very close to their traditional expertise with life tables, but I don't think they can ignore it much longer”—; Risk Theory—“Now a feature of the Institute's syllabus”—; Mathematical Demography—“Should be a basic skill for actuaries”—and Time Series—“The Institute has fostered their use in connection with maturity guarantees for unit-linked policies”.)

I favor introducing much that is new. But I don't advocate dropping much of what is traditionally taught. Rather I find after two years of teaching Survival Analysis that the two subjects complement each other rather well. □

— REMINDER —

SOCIETY'S ANNUAL \$500 PRIZE

Members' attention is drawn to the particulars on page 66 of the 1983 Yearbook, of the Society's prize for the best paper released to members between July 1, 1982 and June 30, 1983, to be repeated annually provided a paper meets the judges' requirements.

One reason for mentioning this here is to prevent it from being confused with the L. Ronald Hill Memorial prize announced elsewhere in this issue.