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THE CASE FOR POLICIES WITHOUT GUARANTEED CASH VALUES

by Lorne Campbell

The pricing actuary's task is formidable. Each year, although the raw materials that determine the price of his product are often becoming more expensive, that price must, at least ostensibly, drop.

Policy issue and maintenance costs move inexorably with inflation levels — selection costs rise alarmingly — lapses eat up record amounts of unamortized acquisition costs — the government seeks ever larger contributions to its coffers — competition from other purveyors of financial services pushes up costs of our traditional distribution systems — and increased regulation, e.g., from the S.E.C., adds dramatically to compliance expense. And all this is happening in an uncertain economic atmosphere, requiring actuaries to understand and cope with the risks associated with uncertainty.

Nevertheless, an insurable person today can generally buy permanent insurance at apparently lower cost than ever before. How has this been achieved?

It has been accomplished by mercilessly squeezing profit margins, by assuming recent lapse experience to be a passing phase, by swallowing mortality declines as quickly as they appear, by weakening valuation and non-forfeiture standards, and by invading traditional field compensation. We have introduced non-guaranteed premiums, we have designed interest-sensitive, universal and variable products, and soon a combination of all these innovations may sweep the market. Yet the downward pressure on premiums continues. If our product objective must be to offer minimum-cost guaranteed-premium, permanent insurance, then

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TROWBRIDGE TO BECOME EDITOR OF THE ACTUARY

We announce with great pleasure that C. Lambert Trowbridge has accepted our President's invitation to become Editor of this newsletter.

Elected to Fellowship in 1946, Mr. Trowbridge has been both a major contributor to our literature and a leader in our committee and administrative work. He served as Society President in 1974-1975. In his business career he has performed with distinction as a company actuary, as chief actuary of the Social Security Administration, and as a professor of actuarial science. Now retired, he and his wife live in Seattle.

From Mr. Trowbridge our contributors are assured of incisive yet sympathetic editing, and our readers of stimulating issues.

E.J.M.

IDEAS FOR POTENTIAL AUTHORS

by Robert B. Likins

Since sharing expertise is an important part of professional development, we of the Committee on Professional Development offer readers a reminder of several ways they can foster their own professional development through submitting their ideas for publication. The editors of all the actuarial journals listed here are eager to hear from authors.

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The purpose of the Society newsletter is to let actuaries and students say what they want. There are no written guidelines except that contributions must be signed and are subject to editing. Articles or letters may generally run up to two columns in length (about

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DEMOGRAPHY AND EMPLOYEE BENEFITS IN PEOPLE'S REPUBLIC OF CHINA

by Robert J. Myers

In the course of a visit lasting about 21 days to the People's Republic of China in April, I made certain random investigations of demography and employee benefits that subsequent cross-checking seems to confirm as valid.

Because of its huge population and relatively limited natural resources, China has for several years had a strong policy that there should be no more than one child per couple. Couples who have "over-quota" children are penalized, e.g., by having to pay the medical charges for them, and even by reduction in salary.

China has no nationwide social security program for either the government agencies and individual factories and other work establishments (almost all owned by the government), or the communes or districts that comprise the remainder of the country and economy (these engaged mostly in farming). Once persons begin employment, they rarely leave their original work establishment or commune.

The communes have no old-age, disability, or survivor pensions. Protection in these areas is provided through the extended-family approach; in the few cases of individuals without a family, the commune gives subsistence.

But there is a general governmental requirement that government agencies, factories, and other work establishments have pension plans with certain common characteristics. The pension starts at the mandatory retirement age—60 for men, 55 for women. My enquiry why men and women aren't treated equally yielded no really adequate response; one woman described

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POTENTIAL AUTHORS

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500 words); those too long for one issue may be run in two or more parts. Variety of subjects is the spice of this newsletter's life.

Sharing your thoughts in *The Actuary* is a good first step toward writing more formal pieces for other actuarial publications. Articles should be sent to *The Actuary* at its masthead address.

Actuarial Update

This American Academy of Actuaries newsletter has as its purpose to tell its members about Academy activities and to enable them to share ideas.

A rough guideline for article length is up to 350-400 words. Potential authors shouldn't be afraid to write; professional editors will gladly help put good ideas into shape. Send submissions to the Managing Editor at the masthead address.

Enrolled Actuaries Report

This, also an Academy publication, is devoted to the special needs of pension actuaries. Its contents are a bit more technical than those of *Actuarial Update*. Articles may run to 350-400 words. Send submissions on pension topics to the Managing Editor at the masthead address.

The Actuarial Digest

This gratis publication, produced by a private enterprise not an actuarial organization, is mailed to practicing actuaries and other interested persons in the U.S. Its lead articles aim at describing problems that face actuaries, and suggesting solutions. A prospective author is welcome to send a topic outline before investing time in composition. Lead articles may be up to 1,600 words.

Transactions

The Society's Committee on Papers is responsible for deciding upon suitability in accordance with the requirements on pages 65-66 of the 1984 *Yearbook*. Note that if a paper proves unacceptable, the Committee may make suggestions and invite resubmission.

The Committee Chairman tells us that the flow of submitted papers is strong these days, but there's a need for more discussions (see below).

Discussions for the Transactions

Preparing a Discussion is an excellent way to contribute to our *Transactions*. Watch for arrival of preprints, allowing about three months for sending written discussions.

A discussant may comment on any aspect of the paper or on its entire theme. Discussions should be sent to both the Editor of the *Transactions* and the paper's author.

ARCH

The Actuarial Research Clearing House, *ARCH*, is sponsored by the Society's Committee on Research. Don't overlook this one. It's an informal publication whose primary goal is speedy dissemination of current thinking and aids to research, rather than publishing thoroughly developed papers. The Editorial Board will accept any reasonable paper on actuarial research; it needn't be particularly technical or mathematical.

The primary emphasis is on short notes on specific research topics, but longer papers are also acceptable. Submissions should be sent to one of the Editors listed in the inside front cover.

The Proceedings

The Conference of Actuaries in Public Practice publishes this journal. It is to the Conference as the *Record* and the *Transactions* are to the Society. Articles are reviewed by at least five readers in the Conference's Papers Committee.

The Chairman of the Papers Committee encourages potential authors to contribute; they need not be Conference members. Papers should be sent to the Chairman at his *Proceedings* address.

Section Publications

Several of the Society's Sections have newsletters that publish articles written by members. See pages 26-28 of the *Society Yearbook*.

The Record, The Journal and the C.I.A. Proceedings

The *Record*, the Society's report of its meetings, the Academy's equivalent, the *Journal*, and the *Proceedings* of the Canadian Institute of Actuaries, give verbatim reports of what is said at their sessions. The way to have one's words appear in any of these is to take part in meeting discussions and to comply with

submission requirements set forth in meeting program booklets.

These are some life and health actuarial publications in the U.S. and Canada. If I've missed other "author-friendly" publications out there, please tell me about them.

RISKY BUSINESS

On the Risk, a quarterly journal covering all manner of underwriting-related topics, is about to be published. It's under the joint sponsorship of HOLUA and IHOU (if you're interested in the journal, you probably know what those initials stand for); the first issue is due out this September.

Hank George, Manager of Medical Services at Northwestern Mutual Life, is Editor-in-Chief of *On the Risk*. Hank is a dynamic, creative guy, and a wonderful writer. He also loves to stir up controversy, so this publication should be good reading.

Hank wanted me to alert the actuarial profession about his journal for two reasons:

1. Anyone who's interested in reading *On the Risk* can get a copy from their company HOLUA or IHOU member.
2. Hank would love to get contributions from us. He's looking for all kinds of things, ranging from humorous items (he's certainly come to the right place!) to serious, scholarly articles. Interested authors should get in touch with Hank, Jess Mast (Lincoln National Life), or Dale Johnson (Safeco Life).

D.A.P.

SPEAKER'S KIT

Members who request, by phone to the Society receptionist at (312) 773-3010, the Society of Actuaries Speaker's Kit will not regret having done so. It contains clearly written sections on Effective Communication, Important Dates, Definitions of an Actuary, Examples of an Actuary's Work, Mathematics Examples for Students, and an Outline of a Sample Speech on Becoming An Actuary. The packet also has numerous pamphlets on our profession and how to enter it.