SOCIETY OF ACTUARIES

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Letters

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Belth Method

Sir:

In today's marketplace, the vast majority of life insurance policies sold have a large element of cost that is not guaranteed.

Thus, when measuring relative cost (Query for Actuaries, Nov. issue) of two or more policies at time of purchase, much judgment must be used in attempting to evaluate which policy will prove the best in retrospect. One can guarantee that it will not always be the one with the lowest illustrated cost.

For this reason, I believe that Prof. Belth's Benchmarks may mislead the public by implying a precision that is unjustified.

Paul J. Overberg

Ed. Note: Actuaries experienced in policy cost comparison do not seek precision, and nor, we think, does Prof. Belth; they seek a method that will separate the sheep (of which there are many) from the goats (ditto). The Query still stands.

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Definitions

Sir:

Student J. P. Kinney III (Dec. issue) gives a simple definition of an actuary by describing himself as an "insurance (or pension) engineer". I, having graduated from Georgia Tech, find that comparable to calling an M.D. a biological engineer.

The ingredient that Mr. Kinney's high-tech terminology fails to convey is professionalism. Engineers are bound together by no organization of any true ethical or political significance other than the college that granted their degree.

Until completing the Society examinations we are, perhaps, insurance engineers; upon completion we become actuaries.

James C. Epstein
(an engineer)

Ed. Note: Oakley E. Van Slyke has responded to Mr. Kinney with a fable, "The Engineer and the Actuary", printed elsewhere in this issue.

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Smokers

Sir:

David S. Williams ("Actuaries and Wellness", Nov. issue) is too timid in suggesting that smoking actuaries be assigned a small corner of the room at Society meetings. Why not a separate room connected by closed-circuit television? Those wishing to participate in discussions could be allowed to do so upon exhaling vigorously three times before entering the main meeting room.

Of course, smoking should be banned at Society functions. Is it less obnoxious for actuaries, who are now in the best position to understand the group effects o. smoking, to smoke than for physicians to smoke?

James H. Hunt

"IT'S THE LAW"

A column by William D. Hager, Esq., Des Moines, Iowa

Shelter Framing Corp. v. PBGC

This is a case recently placed on the Appellate Docket of the U.S. Supreme Court (see 52 LW 3478), being appealed from the Ninth Circuit Court of Appeals. That Circuit Court held (705 F.2d 1502) that the Multiemployer Pension Plan amendments Act, which imposes liability on employers who withdrew from multiemployer plans, is unconstitutional as applied to employers who withdraw before the Act's enactment but after its retroactively effective date.

The issues presented to the Supreme Court include the following:

1. Does that Act violate the Fifth Amendment's guarantee that property will not be taken for public purpose without just compensation?
2. Is an employer who is required to make withdrawal liability payments to a multiemployer pension plan prior to a hearing before a judicial officer, deprived of due process under the Fifth Amendment?
3. Does the Act violate the Fifth Amendment's guarantee of the right to hearing before an impartial and detached tribunal in the first instances, when the initial review of withdrawal liability assessments is submitted to the trustees who computed liability and who have a direct pecuniary interest in the outcome of any dispute?
4. Does the Act violate Due Process Clause by requiring that legal and factual conclusions reached by plan trustees in reviewing their own assessment of withdrawal liability be presumed to be correct unless shown to be unreasonable or clearly erroneous?
5. Does the Act, which requires that factual questions concerning accuracy of assessment of withdrawal liability be determined in compelled arbitration without benefit of trial by jury, violate the Seventh Amendment?

The case was filed on a Petition for Certiorari, and as such the Supreme Court must first decide whether to accept the case for review. We will keep readers posted.

Federal Trade Commission

The U.S. District Court for the Eastern District of Pennsylvania has held that an investigation by the FTC into whether finance companies and auto dealerships were engaging in unfair and deceptive practices by representing that purchase of credit life insurance was required as a condition to obtain financing, was not outside the FTC's power. Lawyers for the retailers argued that the FTC investigation centered on practices which constituted the "business of insurance" which, under the McCarran-Ferguson Act, the federal government is pre-empted from regulating. See *FTC* v. *Dixie Finance Co.* and *FTC* v. *Manufacturers Hanover Consumer Services Inc., 52 LW 2116.*

Baldwin-United Case

The rehabilitation plan for Baldwin-United annuities, of which actuaries have heard much, would refund $3.7 billion to the annuity holders; payouts would be deferred three to five years with interest at below-market rates ranging from 3.6% to 9%.

Several groups have initiated legal action in Arkansas, Indiana and elsewhere. Challengers range from annuityholders who dislike the delay, to creditors who fear that all the assets will be distributed to annuityholders, to Baldwin-United itself which needs assets to reorganize successfully.

In the end, the plan's success will illustrate whether state regulators can truly deal with a nationwide insolvency without federal resources, and whether such apparently risk-averse products such as long-term annuities really carry any form of assurance to the consumer.