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The Actuary

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A PUBLICATIONS GAP?

Much of the recent effort within the Society's Publications Committee has been in the exploration of what has come to be called the "publications gap". A Task Force within the Committee believes that there is a considerable body of valuable editorial material, actual or potential, that goes unpublished because the several established Society publications — the *Transactions, Record, ARCH, The Actuary, Yearbook,* annual Committee reports, and the publications of the Sections — do not always provide an appropriate home. The Task Force seems to be especially concerned where timeliness and informality are important, but the material is too extensive for *The Actuary.*

In keeping with this premise the Task Force has recommended, and the Publications Committee has agreed, that a new publication should be instituted. Director of Publications Anthony Spano presented this recommendation at the May meeting of the Society's Board. At this same meeting Preston Bassett, the immediate past-president of the Society and the current president-elect of the Academy, suggested a new magazine-type publication, initially co-sponsored by the Society and the Academy, but eventually to represent the entire profession. The Society Board took no definitive action in May, though it later authorized a joint study of the Bassett proposal.

A modification of the Publications Committee recommendation was presented to the Executive Committee in late August. To avoid the proliferation of actuarial publications, and the considerable expense, effort, and delay of a new one, Mr. Spano proposed that *The Actuary* expand. Though *The Actuary* of the past has had no more than 8 pages published 10 times annually, these limitations are easily lifted. *The Actuary* is much more timely than the *Transactions* or the *Record,* and its style may be better suited to the additional material contemplated.

The Director of Publications' suggestion has appeal. *The Actuary* can expand easily, with little fanfare and not much risk of failure, especially as compared to launching a new publication; but the real advantage may lie in the opportunity afforded to test the existence of the publications gap.

The Actuary has great difficulty in finding any considerable body of material, already written or only imagined, that falls into the presumed gap. We look back upon unintentional 6-page issues, and upon beating the bushes to keep the quantity up. Perhaps the real problem is not a lack of publication opportunity for those actuaries willing and able to write, but rather that these persons are too few or submit too infrequently.

Until these matters may be resolved, by Board action or otherwise, *The Actuary* stands ready to publish articles or papers that in the past may have been considered too long, to expand its size or its publication frequency, and to help with the closure of any demonstrated publications gap. We hope that such expansion can and will take place.

We recognize the strong possibility, however, that the gap may prove to be a myth; and the pressing problem may be that of too little editorial material to meet the goals of the publications we already have.

C.L.T.

WORKDAY PROBLEMS

No new problems have so far been submitted for this embryo column devoted to matters that come up through everyday actuarial work. We have received an interesting discussion of the problem outlined in the May issue under the heading Loan Account Projection. We are pleased to publish the following, coming from Solomon Goldfinger and the New York Life.

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At my company, considerable thought went into the problem described by Robert Likins of projecting loans on a closed block of business with a 5% policy loan rate. We did this as a component of the asset/liability model built for our individual lines of business.

The most important step in developing a formula that will work (and probably the one most often overlooked) is to dissect historical information of net increases in loans into its main components — (1) new loans less voluntary repayments, (2) loans cancelled by death and, (3) loan cancelled by surrender.

Assuming the experience of my company is not atypical of other companies, an attempt to correlate the combined effect of all 3 of these factors with interest rates will simply not work. The net increase in loans at my company for the last 3 or 4 years is considerably below our historical peak levels; this drop cannot be explained by any reduction in interest rates during most of this period. However, if one looks at the 3 components listed above, a different picture emerges: net increases in loans decreased over this period not because of any significant drop in new loan activity but because of sharply higher levels of loans cancelled by surrenders. The company might have reported a small increase in net loans for one of these years, but this might have been caused by several hundred million dollars of new loans, offset by several hundred million dollars of loans cancelled by surrender. An actuary concerned about cash flow should not necessarily derive much comfort from the fact that the net increase in loans is low.

Once the 3 main components of changes in loans are recognized, formulas to project each component

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