



SOCIETY OF ACTUARIES

Article from:

The Actuary

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What Do You Think About *The Actuary*?

by Linda B. Emory

Included with this issue, you'll find a questionnaire soliciting your comments on *The Actuary*, which was redesigned with the September 1987 issue in hope of making it a more effective communications vehicle.

I want to thank the many members who have contributed articles and letters this year. I especially thank our Associate Editors — Bob Berin, David Brown, Dan Case, Rick Kischuk and Irwin Vanderhoof — who have provided the variety of content, and our Assistant Editors — Gary Dahlman, Steve Frankel, Charles Habeck, Curtis Huntington and David Lee — who wrote and solicited articles. Charlie Groeschell provides a unique service which is greatly valued in his Actucrostic and Actucrossword. Deb Poppel, our Features Editor, suggested and provided the new interview format. Susan Pasini and Linda Delgadillo, our Society office staff, did an excellent job in designing the new format and with the editing and production. We welcome Diana Montgomery as the new staff editor.

What do you think of the changes? As Editor for the last 10 months, I would like your comments and suggestions. The changes in *The Actuary* are largely a result of your advice, which was solicited in a membership questionnaire more than a year ago. We tried to listen carefully to what you said. More than 70% of respondents wanted more articles on current events relating to actuarial practices and market developments; 53% wanted more debates of issues; 44% wanted more articles on regulatory developments. Pension actuaries felt we weren't including articles useful to them.

Please take a few minutes to fill out the questionnaire. Your suggestions will help the Editorial Board of *The Actuary* plan for next year's issues.

Linda B. Emory is Vice President and Corporate Actuary, Life Insurance Company of Georgia. She is Editor of *The Actuary*.

Dear Editor:

Life Insurance Sales Illustrations — A Call to Action

We have reached the stage where a life insurance sales illustration is hardly worth the paper it is printed on. Yet thousands of agents are confidently presenting these illustrations to frequently unsuspecting clients. And millions of dollars are being spent to develop and maintain software to support this questionable activity. As competition intensifies, pressure is brought to bear on companies to improve their illustrative results. They respond by introducing illustrative gimmicks without substantial value to the consumer, and the cycle continues. Sooner or later, surely, the whole house of cards will come tumbling down.

I have yet to discuss this issue with anyone in the industry — home office or field — who doesn't agree that the current situation is a mess. But everyone also agrees that no single company can try to institute change by withdrawing from the illustration game.

So what will happen? Policyholders will complain; regulators will step in; Band-Aids will be applied to the existing structure; the industry will comply; and everything will start all over again.

I suggest it's time for actuaries to get involved, to address all aspects of this problem from our unique, professional perspective. Why couldn't we research the components of a completely new and different approach to life insurance illustration. If successful, this research could form the basis for new and different regulation in this area.

By "new and different," I don't mean a new set of rules and disclosures to be added on top of the current approach; I'd prefer to see the research be "zero-based." Shouldn't we ask ourselves what we would do today if the current structure had never existed? Shouldn't we consider whether the consumer is really served well by long strings of numbers that are frequently not too easy for actuaries to understand? Shouldn't we recognize that there is more to the actual cost of a life insurance policy than the interest rate, and that mortality and expenses also have a

significant likelihood of changing in the future? Isn't it important to point out to a consumer that high interest rates usually mean high inflation, and reduced benefits in terms of real dollars? Or to point out the income tax implications of certain transactions? Or the possibility of premium increase or reduced benefits in the future if current assumptions don't continue? I think so. But it's also important to recognize that the life insurance industry doesn't exist in a vacuum, and that there is also competition from external sources.

There probably isn't a perfect solution to the illustration problem. But surely this effort is worth pursuing. It's time for someone to act in this area, rather than react. And it's time for that action to occur in a professional environment unrestrained by competitive pressures. If we succeed, our efforts will be to our credit. If we fail, at least we will have tried.

Daphne Bartlett

Faculty of Actuaries Students' Society

I was interested to read the editorial "Beat Bristol" in the February 1988 *Actuary* and to see the reference to the Glasgow Actuarial Students' Society. I would like to draw attention to the fact that the senior and larger actuarial students' society in Scotland is the Faculty of Actuaries Students' Society based in Edinburgh. It was established in 1920.

Most winters the Society has six formal meetings to discuss prepared papers as well as various social events, but from the point of view of your Society and Clubs, I would mention particularly the last paper each year — "Current Topics." This is prepared and discussed a short time before the actuarial examinations and normally presented by one or a group of recently qualified actuaries. It covers in a fairly detailed summary all aspects of statutory changes affecting life and pensions business, economic conditions and matters of professional interest which have occurred in the last year. It proves invaluable to students so that they can impress the examiners with their up-to-date knowledge — and is no bad way for all actuaries to keep up with aspects outside their immediate concern.

Alistair Neill

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