Article from:

The Actuary

December 1981 – Volume 15, No. 10

The Actuary
The Newsletter of the Society of Actuaries
Vol. 15, No. 10 December, 1981

NEW RISK THEORY STUDY NOTE SIGNALS CHANGE

by Alastair G. Longley-Cook

In a new contingencies textbook being written by five distinguished actuaries, there are five chapters dealing almost exclusively with Risk Theory. As these chapters are self-contained, the E & E Committee is circulating these to May 1982 Part 5 students as a study note. Others interested may order them by sending $6.00 to the Society Office.

Introduction of this new material marks something of a milestone in our profession's progress. Until now Risk Theory has been treated as a separate subject, useful perhaps for pricing reinsurance, but not part of the mainstream of actuarial work. The new textbook firmly embraces the study of variations from expected values as being at the heart of actuarial science; consideration of deviations in experience, traditionally the domain of Risk Theory, has become an integral part of the study of contingencies.

The E & E Committee realizes that initially such a fundamental change will not be unanimously applauded. Some may find the terminology and concepts unfamiliar; others may consider this approach academic, "not useful to the practicing actuary." Hence the Committee is trying to introduce this new approach in a way that will emphasize its true usefulness. A carefully chosen group of fourteen practicing actuaries has worked with the textbook authors to ensure that the material will be readily assimilated by actuaries not closely connected to the academic world, and that mathematical sophistication no greater than presently covered on Parts 1 and 2 is required.

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SPECIFICATIONS FOR 1980 CSO MONETARY VALUES

Recognizing that actuaries' prevailing need is for programming aid rather than for volumes of derived values, the Society has formed a committee to design specifications on the 1980 CSO Tables and *has no plans to publish the traditional books.*

Specifications visualized include: monetary values, reserves and cash values, interpolated select mortality factors, age last birthday and joint life functions.

Suggestions are welcome. Please send them by phone or letter to Godfrey Perrott, Chairman at his Year Book location.

HELP NEEDED WITH ONE OF THE SOCIETY'S FINEST PROJECTS

We believe that some actuaries who have neglected reading their mail will welcome a reminder on behalf of the Minority Recruiting Program.

276 U.S.A. employers of six or more actuaries were solicited by letter for a contribution of $20 per actuary on their staff. 83 replied, sending $31,415.

6,000 individual Society members were solicited through an editorial in the September issue of this newsletter. 4 replied, sending $65.

The consequence is that the response thus far is below last year, and below what the task requires.

Those who care to do something about this, please make your check payable to "SOA/CAS Minority Recruiting Program" and send it to the Society (or Casualty Society) office. Contributions are tax-deductible in the U.S.A.

E.J.M.

UNIVERSAL LIFE IN THE U.K.?

by Seamus Creedon

We who have watched from a distance the development of Universal Life perceive two key influences:

i. the need to make the form of life assurance contract more responsive to the client's changing circumstances and to volatile economic environment;

ii. pressure of competition from a wide range of savings and investment media.

These influences have also been at work in the United Kingdom, although in a different regulatory and fiscal climate.

The key elements of Universal Life design—transparent investment returns, flexible premium and benefit structure and generally lower expense loadings—are increasingly found in United Kingdom new products. Most notably, unit-linked policy types (under which policy benefits directly reflect the performance of a segregated account) have steadily increased their share of industry sales. Some recurring single premium life products and most individual pension plans are very similar to Universal Life in their structures.

An important difference here is that policyholders are allowed a partial tax deduction in respect of individual life premiums. This deduction is subject to constraints on product design—policies must be for level annual premiums and for a minimum term—which have inhibited development of Universal Life as you have it. And this favourable tax treatment may have given our industry a built-in advantage over other savings media and thus avoided pressure on expense loadings.

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