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## LIFE INSURANCE IN U.S.A. AND IN AUSTRALIA

by Sidney W. Caffin

(Editor's note: We are glad to welcome a contributor from Australia. Mr. Caffin, F.I.A., A.S.A., is both Commonwealth Actuary and Insurance Commissioner.)

Recently I made a short visit to the U.S.A. and found a number of very interesting differences in the way in which the industry conducts its affairs and in the supervisory arrangements as between U.S.A. and Australia. I will mention some of them as I think they will interest readers of *The Actuary*.

### Number of Companies

In U.S.A. there may be as many as 1,700 companies writing life insurance amongst a population of about 220 million. In Australia, there are 45 life insurance companies (23 only 11 years ago) and our population is about 12 million. On this crude measurement, Australia has substantially more population per company. But I am not in any position to say whether the comparison is fair, as I do not know the details of the American companies and have not examined social characteristics. Perhaps one of your readers could do this.

By contrast with U.S.A., our companies are either well established Australian mutual or stock companies, or are branches or subsidiaries of relatively large overseas life and general insurance companies. In the past, these organizations have been from U.K., Europe, or New Zealand but recently three U.S.-owned companies have obtained registration. There have been no new companies formed since the war through the issue of stock to the Australian public and it is doubtful whether

(Continued on page 3)

## CANADIAN MORTALITY EXPERIENCE

by George W. Wilson

The Mortality Committee of the Canadian Institute of Actuaries has extended the results of the continuous mortality investigation of Canadian Ordinary and Group life insurance policies to include an additional year's experience. Brief notes on the results follow.

### Ordinary Issues

Twenty-one companies contributed data to the experience between the 1965 and 1966 anniversaries under standard Ordinary insurance issues. The exposed to risk totalled about 4.6 million policies and \$23.3 billion. The actual deaths amounted to 23,300 policies and \$89.2 million.

The select and ultimate mortality rates from the Canadian Assured Male Lives Table 1958-1964 (see *The Actuary*, October 1967) were used to calculate the expected deaths for both

(Continued on page 5)

## Schools Offering Actuarial Science Courses

A subcommittee of the Public Relations Committee has just completed a survey of schools in the United States and Canada that offer specific courses in actuarial science. The resulting list is published on page 8 of this issue of *The Actuary*. Any readers who know of additional schools that offer such courses are asked to inform Robert N. Houser, Chairman of the subcommittee.

The actuarial program in the College of Insurance was described in *The Actuary* for May by Walter Klem. Other institutions are invited to contribute an account of their programs.

## EVALUATIONS OF SPRING REGIONALS

by E. J. Moorhead

From the Philadelphia and Los Angeles and Milwaukee meetings, 198 actuaries have given evaluations and suggestions by completing a questionnaire designed by Thomas P. Bowles and authorized by the Program Committee. All who moderated, contributed or organized the sessions at these Regionals can relax — the meetings were successes!

Pulling the consensus from the reports, it can now confidently be said that members liked all of the following: the 9 a.m. starting time (93% favorable in Philadelphia, 98% in Los Angeles, 96% in Milwaukee); the new procedure for presenting papers; the topics on the program; the conducting of the sessions. One said, "I had almost given up attending meetings—they are getting better." Another said, "It was refreshing to have the meeting always run on schedule."

Criticisms, of course, are what were sought. Since actuaries are trained to have a jaundiced eye, there were plenty of criticisms for this and future program committees to mull over. The query that produced the greatest diversity of opinion was: "At the Spring Regionals, should there be more or fewer sessions and workshops?" (Booleans will note that this fails to cover all the available choices). Many would like even more than this year, producing smaller groups and presumably less formality. Others, however, feel torn between sessions going on at the same time on subjects in which they are intensely interested. A few suggest that the number of concurrent meetings must be limited by the number of effective moderators the Society can muster at a Regional.

Comments about particular sessions and workshops also show that the single

(Continued on page 7)

## Consumer Price Index

(Continued from page 6)

the contract, a State Insurance Commissioner or even the dean of a local business school.

4. *When is the index published and how is it made available?* Shortly after the 25th of every month you will see a newspaper article (in recent months usually a first page headline) about the Bureau of Labor Statistics release on the cost-of-living. This monthly news release is scheduled for the 25th of each month and sets out the calculation for the previous month. Interested parties can be put on the mailing list for this news release. (Note that the index represents a full calendar month—it is not as of the first, 15th or last day of the month, rather it represents the price level during the entire month.) Thus on or about June 25 a release will be made describing the results of the calculation for the month of May.

And that announcement is "final" (unlike the wholesale price index which is subject to later adjustment). Most plans base benefits in one month on the index for three months earlier, which means the May index, announced on June 25, will determine August benefits.

This procedure has been criticized as being insufficiently current. In the usual situation of once-a-year pension benefit changes this is not a significant problem since the change in the index over 12 months can be used—*i.e.*, from 15 months prior to change date to three months prior. The only error possible would be due to acceleration or deceleration of inflation, and even that would be temporary.

5. *What are the limitations of the CPI?* The Labor Department is careful to describe the possible sampling errors and the difficulty in keeping quality, as opposed to price, changes out of the index. Seasonal price changes are not eliminated from the basic national index, although certain seasonally adjusted index information is published. Such seasonal changes appear to be relatively minor.

The reporting of prices is subject to error. There is a great deal of careful research in all of these areas aimed at better achieving the price measurement goal of the index. Actuaries interested

in this aspect of the CPI can obtain many weeks of reading matter from the Labor Department—mostly articles from the *Monthly Labor Review*.

6. *How should the index be expressed in a contract?* Some of the contract problems have already been touched on, *e.g.*, a three-month lag is probably needed before using the index, the revision contingency should be allowed for. And it may be desirable to change the benefits just once a year, if the seasonal variations in the index are a concern. One can refer to the index for a certain month or the average for a year. A complete identification of the index is "The Consumer Price Index, All Items, U. S., 1957-59=100" with the reference to the '57-'59 base identifying the numerical basis for the contract.

Many wage contracts relate so many cents per hour to a point change in the index. However, most benefits being considered by actuaries would probably apply the percentage change in the index over a period to the old benefit in order to compute the increase or decrease. A multitude of limitations on benefit changes are possible, such as corridors before a change is made, maximum limits on changes year-by-year or over a span of years, putting a floor under the benefit.

In summary, we can probably define the CPI change "contingency" better than many others we deal with. The Bureau of Labor Statistics is likely to be more consistent in its computation of the CPI than, for example, our courts will be in giving a uniform interpretation to disability definitions. The CPI is carefully prepared to reflect price changes for the largest population group and can be used for segments of that group or for others with reasonable confidence that it will satisfy our objective of relating benefits to prices. □

## Evaluations

(Continued from page 1)

most vital determinant of success or mediocrity is the behavior of the moderator. He must be forceful without giving offense. He must have a clear plan. He must be jealous of time so that the advertised segments of the topic all get their fair share. He must have the moderator's equivalent of the physician's bedside manner. □

## LIAISON COMMITTEE ON MORTALITY STUDIES

One of the recommendations of the Klem Committee was that the Society establish a more formal relationship with the Association of Life Insurance Medical Directors.

The cost of current mortality investigations within the industry has caused the actuaries and the medical directors to hesitate before embarking upon any medical impairment studies. New methods must be devised within the industry and new sources of information sought without the industry.

To these ends a new Liaison Committee of the Society and the Association will devote its energies. The Committee members are: for the Association — Drs. Richard B. Singer, Richard A. Nelson, Paul S. Entmacher; for the Society — Alton P. Morton, Joseph B. Crimmins, and Edward A. Lew. This committee will have the responsibility of initiating future impairment studies and supervising their completion. □

## CONSULTING ACTUARIES FORM INTERNATIONAL ORGANIZATION

Consulting actuaries from ten countries met in Munich, Germany, on June 13 and formed the International Association of Consulting Actuaries (IACA).

Geoffrey Heywood (Great Britain), James Hamilton (U.S.A.) and Maxwell Lander (Great Britain) were elected Chairman, Vice-Chairman and Secretary-Treasurer, respectively. The Executive Committee of IACA is comprised of Preston C. Bassett (U.S.A.), J. A. T. M. Brans (Netherlands), John A. Carson (South Africa), Henry G. Devitt (Canada), Georg Heubeck (Germany), Carroll E. Nelson (U.S.A.) and R. C. Palmer (Australia).

The purpose of the new organization is to facilitate the exchange of information and views among members on matters affecting their professional responsibilities as consulting actuaries.

Among the subjects discussed were: the relative roles of the actuary and the accountant in pension fund work; the integration of occupational pension plans with state or government statutory pension arrangements; and the speed and method of funding occupational pension plans. □