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SURRENDER VALUES

J. David Cummins, *Development of Life Insurance Surrender Values in the United States*, S.S. Huebner Foundation for Insurance Education, University of Pennsylvania, distributed by Richard D. Irwin, Inc., Homewood, Illinois, 1973, pp. 81, \$2.50.

by Arthur Pedoe

This is Monograph No. 2 of the series being published. Its ultimate objective is described as "a historical analysis of the evolution of the concepts and practices which culminated in the present surrender value legislation." The treatment is chronological and in effect may be said to cover the century 1850-1950.

Professor Cummins confines himself solely to ordinary life insurance in the United States; Canada and Britain are barely mentioned. There is no reference to annuities or industrial insurance or case law concerning surrender values. One is most impressed by the historical detail uncovered by the author.

One cannot but enquire for whom the monograph is intended. A fair knowledge of life insurance development is assumed. To give one instance. There are several references to the tontine idea; that on page 71 reads: "For the most part the surrender value problem was submerged in the morass of the tontine struggle until 1879 . . ." but nothing is said about the tontine struggle which is essential to an understanding of U.S. life insurance development in that period.

There is much emphasis on Elizur Wright's work as one would expect. He undoubtedly started the train of rigid legislation of almost every facet of life insurance practice which is a characteristic of U.S. life insurance and which has engendered its own problems. This glorification of Elizur Wright, who has even been called the Father of Life insurance, can be overdone. The monograph names many actuaries who have made

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To All Our Readers,
A Happy New Year!
The Editors

A VIEW OF THE REGULATION OF VARIABLE LIFE INSURANCE IN THE UNITED KINGDOM

by James C. H. Anderson

Since 1870, there has been legislation regulating life assurance companies in the United Kingdom. In addition to the Companies Act 1948, which has general application to all companies, contemporary legislation is embodied in the Insurance Companies Act 1958 as amended and extended by Part II of the Companies Act 1967 and the recently enacted Insurance Companies Amendment Act 1973. The Department of Trade and Industry is responsible for enforcement of legislation affecting all insurance companies life and non-life, and has similar responsibility with respect to the Unit Trust (Mutual Fund) industry. Prior to passage of the 1973 Act, and possibly subsequently, legislation allows extensive freedom of management on a scale not found in other developed countries. By comparison with other countries, the life assurance industry in the United Kingdom appears to be hardly at all regulated and the record of the industry, both recently and over many years, supports the view that it has served its policyholders well and responsibly.

In 1971 a major motor insurance company and two other small general insurance companies became insolvent. These events and the subsequent inquiry raised serious questions as to the adequacy of existing legislation and the competence of the Department of Trade and Industry to protect policyholders

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PROFIT SHARING

by Gerald A. Levy

Pearl Orlando (Ed.), *Guide to Modern Profit Sharing*, pp. 230, Profit Sharing Council of America, Chicago, Illinois 60606, 1973, \$10.00.

The Profit Sharing Council represents over 1,400 employers with profit sharing plans. Seven hundred and two of them submitted information for this book. This is the most comprehensive investigation of profit sharing plans ever made in the 50 years that such plans have been officially recognized.

In addition to a wealth of data, the book contains articles by 18 knowledgeable practitioners. We find chapters by attorneys, corporate heads, accountants, management consultants, and actuaries. Where appropriate, after each chapter, there is a companion survey chapter indicating plan practices and trends.

The book is divided into three major sections. The first introduces the subject matter, describing the different types of profit sharing plans: cash only, combination cash and deferred, deferred only, and savings and thrift plans. There is a review of the nature of profit sharing plans, how they relate to pension plans and the objectives they serve.

The second section covers in great detail the provisions of profit sharing plans qualified under IRS Regulations. Twenty-four chapters are devoted to plan provisions. Also, detailed statistical information is given on the frequency of use of different provisions by age and size of plan. We are able to observe the latest trends from a comparison of plans most recently adopted with their counterparts of 5, 10, and 25 years ago. Data is also presented to indicate any significant differences of plan provisions by size of employer and whether there is a companion pension plan in existence.

The last major segment of the book deals with the operations of profit shar-

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PACIFIC INSURANCE CONFERENCE

by E. J. Moorhead

The Pacific Insurance Conference is an organization strongly supported by actuaries. At present all its officers are members of the Society; in fact, of its 28-member Executive Committee, 12 are actuaries, 10 of these being members of the Society.

The Conference exists for the purpose of helping to spread ideas about the conduct of life and health insurance through the countries in the Pacific Rim area. Its sixth biennial meeting was held this year at Hotel Mt. Fuji, Lake Yamana, 80 miles north of Tokyo. This event was attended by 143 delegates and 32 spouses; of these, 26 delegates and 13 spouses were from U.S.A. and Canada.

Actuaries who are thinking of attending the 1976 meeting of the International Actuarial Association in Japan may be assured that the renowned organizing ability and warm hospitality of the Japanese people are every bit as strong as ever. The general Chairman of the 6th P.I.C., Gen Hirose, President of Nippon Life Insurance Company, and his organizing committee (especially its chairman, Masao Fujimoto, and its secretary, Tamao Kobayashi, who served also as acting chairman during Mr. Fujimoto's illness) put together a Conference the most colorful and exciting of those yet held.

The procedure for the meetings is to solicit in advance papers on the several Conference topics. These papers are a valuable source of information on life insurance activities in the Pacific Rim countries. While they last, sets of these papers are available for a modest fee as follows: for the 1973 meeting, from Meno T. Lake, Los Angeles; for the 1971 meeting, from E. J. Moorhead, Winston-Salem, N. C. Also available, gratis, is a history of P.I.C. written by Professor Robert I. Mehr.

The 1975 Conference will be held in California under the general chairmanship of Mr. Lake, and the 1977 meeting probably again in a country on the other side of the Pacific Ocean (not Japan). If you are interested in more details of what transpired at the 1973 meeting and what the organization is accomplishing, ask any of the following Society members: Charles M. Beardsley, Kevin V. Claridge, (Hong Kong),

Profit Sharing

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ing plans. This includes communications to employees, administration of participant and trustee record keeping, and the reporting required by governmental agencies.

To illustrate the format of this book and its information, consider a typical chapter, 36 (Investment of Profit Sharing Funds) and its companion statistical data chapter, 37 (Investment Provisions of Member Plans). The first chapter gives the reader a perspective of the subject. Most of the important considerations are identified and discussed: who has primary responsibility of investing trust assets; legal and moral obligations of trustees; problems created by investments in employer securities; liquidity needs of profit sharing plans; differences of risk assumed by participants in pension and profit sharing plans and implications to investment policy; criteria to judge good investment management and establishing realistic investment goals.

Chapter 37 starts off with highlights from its survey of member plans: investment of company contributions is determined solely by the Trustees in the majority (60.1%) of member plans; investment committees are responsible for investments in 25.6% of plans and share the responsibility in 6.4% of plans; slightly more than a fourth (26.9%) of member plans permit investment in employer stock.

Survey details are given showing who determines plan investments (Trustee, Investment Committee, Plan Provision, Participant, Investment Counsel) by the characteristics of type of plan, size of plan, age of plan and pension coverage in effect. Similar data is given for investing in employer stock.

The book is concise, covers much territory, and should prove to be an excellent reference book for all interested in this subject. □

George R. Dinney, Peter N. Downing (England), Ardian Gill, Narindra Nath Handa (Singapore), Richard Humphrys, Meno T. Lake, Douglas R. McCulloch, Ian G. Michie, Wendell A. Milliman, E. J. Moorhead, Emeterio Roa, Jr. (Philippines), Walter W. Steffen, George N. Watson, Huntly G. Walker (Australia).

Actuarial Meetings

Jan. 10, Baltimore Actuaries Club

Jan. 21, Chicago Actuarial Club

Letters

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Centenarians

Sir:

The letter from Wilmer Jenkins (*The Actuary*, September 1973) stirred memories of the long history of the study of centenarians. Two instances may be mentioned.

Charles Babbage, FRS, the well-known mathematician, published in 1826 *A comparative view of the various institutions for the assurance of lives*, which included a table relating to 1,751 persons reaching the age of 100 and upwards. In this he was, perhaps, less critical of the ages than he should have been.

Thomas Emley Young, who was President of the Institute of Actuaries in 1896-98, published at about that time a book *On centenarians and the duration of the human race*. It was a careful and full enquiry which listed 27 cases of undisputed centenarians.

It is a pity that so much treasure lies forgotten and unworked.

Maurice E. Ogborn, F.I.A.

Another Definition



TERM

(Courtesy of Trinity Universal Insurance Company of Dallas, Texas)