SOCIETY OF ACTUARIES

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Unfair Gambling Practices Act

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Furthermore, those who bet on My Friend Flicka, which came in second, were also discriminated against. The race was 1,000 lengths long. My Friend Flicka finished 50 lengths behind National Velvet, which means that My Friend Flicka completed 950 lengths in the same time that National Velvet completed 1,000 lengths, only a 5% difference. So it's grossly unfair that National Velvet returned $1.43 while My Friend Flicka returned nothing. Those who bet on My Friend Flicka should have received 95% of $1.43.

Here again, the industry started talking about "odds". They said that if My Friend Flicka had won, the pay-off would have been $100/$29, i.e., $3.45. But this is all wrong—the pay-off should have been at most 5% larger than on National Velvet because she's only 5% faster than My Friend Flicka.

I plan to introduce legislation to correct the industry's problems. My bill will require that the winner's purse per $1 bet not vary according to how many bets were placed on a particular horse, nor upon what the industry calls "form". This requirement won't apply to races already run for which purses have been distributed—but it will govern all future races, including those for which bets have already been placed.

The industry's objection to applying this legislation to future races for which bets have already been received is that this would be unfair to those who placed bets on long shots when the understanding of how winnings would be distributed was different. This is a smokescreen. The industry can solve this problem by paying out winnings equal to the greater of those under my system or the old system.

This practice of discriminating against swift horses must end !! □

Deaths

Bohdan M. Chesiuk, F.S.A. 1978
Michel Giasson, F.S.A. 1974
Frank W. Lackie, F.S.A. 1978
Lester H. Vetter, A.S.A. 1947
William H. Wetterstrand, A.S.A. 1976

AN ACTUARIAL QUIZ OF LONG AGO

by John C. Angle

The 7th Annual Report (1866) of the New York Superintendent of Insurance, available in the New York Public Library, includes the following story:

> "The Superintendent has recommended the passage of (an) act establishing the English Life Table No. III for males as the legal standard of expected mortality, and the assumed interest rate of five percent . . .
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> "As preliminary to legislation . . . , the Superintendent addressed a Circular Letter to the Actuaries and Presidents of the Life Insurance Companies transacting business in this state, requesting their opinions as to the best Table of Mortality, and the proper rate of interest to be assumed in making valuations and other obligations of American Life Insurance Companies. . . ."

The Superintendent, William Barnes, had enclosed with his Circular Letter valuation information—age at issue, month and year of issue, face amount, plan—for each of 17 policies for $68,000 issued between 1833 and 1864. Numerous responses came in, including "a communication from Mr. John Paterson of Albany, an eminent Scholar and Mathematician" (possibly father of the John S. Paterson, born 1848, who became actuary of that same insurance department in 1883), but just six actuaries submitted valuations of those 17 policies, giving the following results:

Name & Title Given	*Basis Used*	*Calculated Reserve*
C. F. McCay, Augusta, Georgia	His own table, 4%	$ 9,723.51
Consulting Actuary of the Southern Mutual Life Insurance Company		
John F. Entz, New York	English Table 3, 5%	10,785.67
Consulting Actuary of the National Life Insurance Company of New York		
Hon. Elizur Wright	Actuaries, 4%	8,928.39
Consulting Actuary of the Knickerbocker Life Insurance Company of New York		
Sheppard Homans	English Table, 3, 5%	8,018.21
Actuary of the Mutual Life Insurance Company of New York		
D. P. Fackler	Actuaries, 5%	8,097.00
Actuary of the Brooklyn Life Insurance Company of Brooklyn		
Wm. J. Coffin	(i) English No. 2, 4%	8,808.03
	(ii) English No. 3, 5%	8,817.69
Actuary of the Home Life Insurance Company of Brooklyn		

Sheppard Homans, a quarter-century later to become the first President of the Actuarial Society of America, submitted the lowest valuation, but that by David P. Fackler (fated to succeed Mr. Homans) was only slightly higher. The conservatives proved to be the southerner, Charles F. McCay, and John F. Entz of New York. It is noteworthy that the lowest and highest valuations were arrived at from identical mortality and interest assumptions; Entz, though, loaded his single premiums by 33⅓% before deducting the present value of future valuation premiums, which were gross premiums less anticipated renewal expenses.

I enjoyed reading the clear and forceful writing of William Barnes (1824-1913), the influential first Superintendent of the New York Department. J. Owen Stalson seems correct in his verdict (*Marketing Life Insurance: Its History in America*, p. 346) on our "wonderful good fortune of having Wright and Barnes in office" during the formative years of life insurance. □

FALL EXAM STATISTICS

PART 1

	Passed	*C.R.E. Credit*	*Total*	*New Associates*	*New Fellows*
Nov. 1980	588	30	618	280	226
Nov. 1981	585	23	608	230	179
Nov. 1982	669	28	697	197	118

For May and November 1982 combined, the number of Part 1 Passers was 1,336. This means that the long downward trend reported by Linden N. Cole (June 1982 issue) has been at least interrupted, if not reversed.