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## MY GREAT-GRANDFATHER THE ACTUARY

by Daniel F. Case

The flurry of accounts of three-generation actuarial families having waned pro tem, perhaps I may spark new genealogical interest by reporting the actuarial spanning of four generations.

Charlton T. Lewis (1834-1904), my mother's grandfather, became a Fellow of the Actuarial Society of America in October 1889, six months after its formation. No actuarial proclivities showed up in the next two generations, so fifty-nine years were to pass between his death and the arrival on our family scene of the next Fellowship.

My great-grandfather's qualification for membership seems to have been twofold: the right background—he was a mathematics professor at age 22—and his role in 1871 as organizer and then secretary of the Chamber of Life Insurance. That organization of life companies, though destined to last only seven years, was described in Lewis's obituary as in a sense the forerunner of the Actuarial Society (because of its fact-gathering efforts); it was equally a precursor of the American Council of Life Insurance.

Lewis had two papers in our old *Transactions*, both on trends in interest rates. Testimony to his forecasting success can be found in a 1919 discussion of inflation and interest rates (R.A.I.A. VIII):

"You will perhaps recall that just about twenty years ago one of the large life insurance companies published letters from distinguished financiers on the future course of the interest rate. Those letters were almost unanimous . . . in predicting

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## THE E. & E. CORNER

(Ed. Note: Please send your questions for future response to James J. Murphy at his Year Book address).

*Ques.: How is the passing grade determined? Is the resulting proportion of successful candidates a factor? How is the minimum score (grade zero) arrived at?*

*Ans.:* The minimum passing score is determined by considering: quality and difficulty of the examination compared to prior years; the passing scores of those prior exams; a review of scores near the tentative pass mark to see if there's an empty space that would clearly separate "pass" from "fail". A grade "0" signals any score less than 50% of the minimum passing score.

*Ques.: How are multiple-choice questions graded?*

*Ans.:* A correct answer receives 1 point, a wrong answer no points, an omitted answer 1/5th of a point. Any question discovered to be defective is thrown out, leaving scores and rankings as they would have been if the defective question hadn't been asked.

*Ques.: In the multiple-choice exams, does anybody read the written solutions that the candidate sends in along with the answer sheet? Is any credit given?*

*Ans.:* No. Only the answer sheet determines the score. No partial credit is granted even if the booklet shows a partially worked or correct solution.

J.J.M.

## REASON BY NUMBERS

Nearly, not quite, all readers' requests for P. G. Moore's book (reviewed last October) have been filled by bulk order from London. And actuarial friends over there are sending us another (third) shipment. E.J.M.

## CANADIANS CONSIDERING ECONOMIC FORECASTING

by Chris D. Chapman

The Committee on Economic Statistics of the Canadian Institute of Actuaries has recommended that the Institute sponsor an Economic Forecasting "Board" composed of actuaries and economists. Its role would be to develop formal projections of interest rates, inflation rates, productivity and wages. These would be "pure" projections (i.e., with no built-in margins or intentional bias), to serve as reference points for assessing the reasonableness of existing or proposed assumptions used by Institute committees, by regulators or by the courts.

### Why This Comes Up

More and more, questions that arise between actuaries and public bodies such as provincial pension commissions, courts of law, company auditors, insurance departments and the Department of National Revenue, hinge upon views about the economic outlook. In the absence of any authoritative, well researched source of long-term forecasts or officially sanctioned actuarial guidelines, such bodies have shown increasing inclination to employ their own favored economic factors. Each public unit tends to promote its own version, and practicing actuaries have been plagued by differences between these assumptions. Also, the Institute's Guiding Principles call for internally developed technical support to assist the Canadian actuarial profession to discharge its responsibilities.

### Now Or Never?

At the Institute's meeting on March 10th, members had the opportunity, which they readily grasped, to debate

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## Deaths

Norman M. Hughes, F.S.A. 1926  
Charles E. Clarke, A.S.A. 1965

## My Great-Grandfather

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further decline in the interest rate, as it had been declining for some thirty years. . . . The one man who stood out against that view was Mr. Charlton T. Lewis, in his very scholarly paper . . . (1899). . . . You know the facts are that Mr. Lewis was right."

At an 1897 Society meeting, Lewis contributed the following views on non-forfeiture values:

"Inasmuch as the very suggestion of a surrender charge involves a reference to a reserve, as if the owner of the policy had some peculiar claim upon that reserve, so-called, as a separate and independent fund, I protest against the use of the term 'surrender charge'."

That view seems in tune with much later efforts—which may resume—to sever the traditional link between statutory nonforfeiture values and reserves.

Lewis was active in a myriad of non-actuarial fields. In addition to being a mathematics professor he taught the classics. At various times he was a Methodist minister, U.S. Deputy Commissioner of Internal Revenue (before income tax days), a practicing lawyer, managing editor of the New York *Evening Post*, and for twenty years Counsel of Mutual Life of New York. He was said to have delivered the most effective speech at the Gold Democratic Convention of 1896. And he co-authored Harper's Latin Dictionary, a 2,000-page standard reference.

His death notices (except the one in *T.A.S.A.* VIII) did not even mention that Charlton T. Lewis was an actuary. Our profession's profile was indeed low in 1904.

*Ed. Note:* In 1853, H. W. Porter, *F.I.A.*, remarked (*J.I.A.* 4, 109): "A perfect actuary should be a kind of 'admirable Crichton'." Mr. Case's ancestor was of that breed. □

## "INDEXING LONG-TERM FINANCIAL CONTRACTS"

The above is the title of an extraordinary, and surely controversial, paper by A. D. Wilkie, *F.F.A.*, *F.I.A.*, read to the Institute on March 23, 1981. Quoting from its introduction:

This paper has two functions: first, to present briefly the results of some recent investigations into the behaviour of a price index (in the United Kingdom) in order to gain some insight into the possible future progress of inflation; secondly, to present the arguments in favour of the linking to a price index of financial instruments, in particular government stocks, life assurance contracts and pension fund benefits. . . . I am convinced that widespread index-linking of long-term contracts would have a beneficial effect on the conduct of our financial affairs. It is up to those who disagree with me to put their case in the discussion; but I hope my supporters will express their views too.

A striking feature of this paper is its charting of the U.K. price index all the way from 1661 to 1980. *E.J.M.*

## Economic Forecasting

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the wisdom of, and procedure for, entry into the slippery field of Institute-sponsored forecasts. Among questions discussed were:

Since all forecasts will inevitably be wrong, would their publication adversely affect the Institute's credibility?

Would such forecasts tend to become legislated or to be seen as professional standards, thereby unnecessarily restricting the actuary's professional freedom?

What alternatives are available to the CIA in fulfilling its mandate to provide technical support to its members?

The discussion proved distinctly helpful. The spectrum of choices open to the Institute is broad; so is the diversity of opinion amongst Canadian actuaries on what should be done. The resolution of this matter will be one of the more interesting challenges facing the CIA Council in 1981. □

## AN ACTUARIALLY STAFFED CONSUMER GROUP

by James H. Hunt

Actuarial expressions won't be Greek to the National Insurance Consumer Organization (NICO), a new non-profit organization. Its President is J. Robert Hunter, *FCAS*; I am a Director, as also is Howard B. Clark, *Esq.*, a former South Carolina Insurance Commissioner. A consideration in forming NICO is the lack of adequate insurance expertise within the consumer movement.

Public comments have already been made by NICO on several life and health insurance issues of concern to Society members, viz.

- *Life Insurance Cost Disclosure:* We called the NAIC Model confusing and misleading, made technical comments on and expressed reservations about the NAIC Task Force's recent proposal, and supported rate-of-return disclosure.

- *Replacements:* We said that unrestrained replacement of participating cash-value policies is causing substantial public harm, that companies have done too little to conserve old business, and that a suitability test, like that of the SEC for variable life policies, should be placed on replacing companies. We characterized the NAIC Model Replacement Regulation as worse than nothing.

- *Deposit Term:* We called the design of these policies an "actuarial trick" because their implied rates of return (7% to 10%) aren't matched by performance, and because they are being used in wholesale replacement, usually to policyholders' disadvantage.

- *"Project Update":* We have urged insurance commissioners to demand that companies emulate Northwestern Mutual Life (see *The Actuary*, June 1980) in improving their old policies. We have said that failures of non-par companies to improve theirs constitute a cruel judgment that it is more profitable to rely on policyholder ignorance.

- *Credit Life Insurance:* We said that profit margins have increased faster than states have been reducing permitted rates. We filed objection to the Federal Reserve Board's proposed loosening of disclosures. We have a major report due in March on the implications of the

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