



SOCIETY OF ACTUARIES

Article from:

The Actuary

September 1981 – Volume 15, No. 7



The Actuary

The Newsletter of the Society of Actuaries

VOL. 15, No. 7 (SUPPLEMENT)

UNIVERSAL LIFE

SEPTEMBER, 1981

WHO CONCEIVED THIS INSTRUMENT?

Subject to responsibility being accepted (and documented) by somebody else, we hold that the father is George R. Dinney, and the place of conception Winnipeg, Canada. In response to our enquiry, Mr. Dinney recounts the history thus:

"John Galsworthy said that the beginnings and endings of human undertakings are untidy. I do not recall the exact moment when I first shouted 'eureka', but it most certainly was in the period 1962-63. This conceptive 'eureka' has been followed by other cries of 'eureka palin' (I have found it again) and, belatedly, by a simple, and at times congratulatory 'eurekas' (You have found it).

"In 1962 I was engaged in developing and promoting new Group insurance products. The Universal Life Plan was conceived as an improved Group Permanent plan. The product name, i.e., with Group preceding the other three words, served two purposes. It evidenced my predilection for generic solutions; it also permitted expressing the fundamental characteristic in a simple slogan; 'Make your life insurance problems disappear with one GULP!'"

WHO BROUGHT IT INTO THE INSURANCE WORLD?

Quoting further from Mr. Dinney's answer to our letter:

"In the mid-1960's I explained the plan to Thomas P. Bowles. In 1975 Mr. Bowles' associate, James C. H. Anderson, made a singular contribution to the technical development of modular product in his paper, 'The Universal Life Insurance Policy,' to the 7th Pacific Insurance Conference in California."

IS UNIVERSAL LIFE HERE TO STAY?

by John F. Fritz

Ed. Note: This essay came from Mr. Fritz at the invitation of the Society's Committee on Continuing Education, of which he is a member.

The question that forms my title has often been asked since the first Universal Life product was introduced in 1979 by Life Insurance Company of California, now E. F. Hutton Life. I believe it's good for policyholders, is good for the industry, is here to stay, and will be a major force in life insurance future.

Since 1979, about 25 companies, including some of the larger ones, have entered the market place with a similar product. That number may increase to 100 or more by 1982.

Yet, the product's future rests in regulators' hands. The entity that will have greatest impact within the U.S.A. is the Internal Revenue Service. State insurance department decisions also will be influential. Will the consumer triumph? Here are three of the major questions.

Policyholder Federal Income Tax

In January 1981 the IRS issued a private letter ruling on issues affecting taxability of E. F. Hutton Life's product.

Are death benefits (including the cash value) life insurance proceeds as defined by IRS Code Sec. 101 (a) (1), and thus excludable from the beneficiary's gross income? Are death benefits payable under two term riders attached to the policy likewise excludable? Will there be no constructive receipt by the insured of the inside build-up of cash value, and hence no income tax incurred unless cash values withdrawn exceed premium payments?

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OUR PRODUCTS DO MEET PEOPLE'S NEEDS

by Ian M. Rolland

Ed. Note: This is taken from Mr. Rolland's remarks at LIMRA's 1980 Annual Meeting.

Life insurance products are far from static—they evolve to suit the markets they serve and the public's needs. Companies who look ahead and whose product development cycles are suitably short will keep abreast of change and still yield a reasonable return on shareholders' capital. Thus our industry confirms its role as handmaiden to economic needs.

A new generation of permanent life insurance products not only answers criticism directed at whole life plans but also stands apart as uniquely attractive financial products. Among these are: (1) *New Participating products* with variable premiums, and dividends designed for cost effectiveness in specific markets; (2) *Flexible premium non-par policies*—necessary for stock companies to compete in long-term net cost with participating policies in these economic times; (3) *Variable Life*, an early Seventies innovation now being reintroduced with new funding vehicles and other variations that will make it interesting to watch as an inflation-fighting product; (4) *Adjustable Life*, ultimate in flexibility though its administrative complexities challenge even sophisticated data-processing systems, and specially well suited to the pension trust market; and (5) the "Universal Life" concept, dividing the whole life contract into term insurance and investment elements, giving choice of face amount and premium, and permitting the buyer's term premium to be paid out of the investment fund, which accumulates at current interest rates.

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