

ACTUARIAL SOCIETY OF AMERICA

Report of Fall Convention Held in Montreal, October 10th and 11th

The Actuarial Society of America held its fall meeting in Montreal, Thursday and Friday, October 10th and 11th. The meeting was arranged in Montreal at the invitation of the Sun Life Assurance Company, of which the president, Mr. Thomas B. Macaulay, is a former president of the Actuarial Society, and Mr. Arthur B. Wood, actuary, is now a vice-president of the society.

The society on Thursday evening held its usual dinner at which were present, besides the members, a number of invited guests, among them being a number of the officers of the Sun Life. The meeting itself was devoted almost entirely to the reading of papers on actuarial subjects and the discussion of papers read at the previous meeting, all of which appear in the "Transactions."

At a time like the present, when so many new and important problems arising both directly and indirectly from the war, the importance to the actuaries and to the companies they represent of a meeting where they are able to interchange views and discuss such questions is enhanced very greatly.

Disability Claims.

Among the papers presented were the following: "An Analysis of Claims for Total and Permanent Disability Benefits," by Arthur Hunter. The at all general adoption of policies providing for benefits in the event of total and permanent disability is a recent thing. There is very little experience under such policies available. Mr. Hunter in this paper has brought together the experience of three companies in regard to claims allowed. This experience is not that of the expected to the actual claims, of which an investigation had not been made, but merely the proportion of the claim allowed assignable to each cause of disability.

In his analysis different factors such as age of policy, type of disability benefit granted and methods of selection which might very considerably vary the proportion in which different causes of disability appear were examined. For instance, attention was called to the fact that if a company were more liberal in granting in policies, disability benefits in case of light-weights at young ages or where there was tubercular family history, the proportion of the claims due to tuberculosis would naturally be greater than in the experience of a company which was less liberal in accepting such risks. A company in which more of the policies had been of short duration would show a higher proportion of claims from tuberculosis than from some cause which took longer to develop.

On the other hand with regard to the same cause—tuberculosis—Mr. Hunter called attention to the fact that the duration of the disability was not apt to be long, so that an average claim from this cause of disability was of far less financial importance than where the cause was something which would mean payment of the benefit for a much greater number of years. An examination of the claims of the company showing the largest proportion of claims from tuberculosis showed that within two and one-half years after the claim was approved, three-quarters of the insured had either died or recovered.

The figures that he obtained showed tuberculosis gave by far the largest percentages of claims. The percentage varied from 45 of the total claims where it was highest to 30 per cent. where it was lowest. The next percentage of claims come under the heading of "Insanity and Paresis." This runs in the different companies from 31 per cent. to 23 per cent., the company having the 31 per cent. from this cause being the one that had 30 per cent. from tuberculosis. No other one cause showed a percentage of claims to compare with either of these mentioned.

A further interesting analysis is that of the tuberculosis claims for one company according to the weight of the insured at time of application. It showed that 77 per cent. of these claims were for those underweight or average weight, so that only 23 per cent. were on those over average weight. A little different grouping showed only 11 per cent. of these claims to be on risks which were over 5 per cent. above the average weight.

Mortality and Temperance.

A paper was read entitled "Note on Mortality by Habits Representation," by P. H. Evans. This paper adds another investigation on the question of the effect of alcohol. The policies were divided into four groups, classified according to the use of alcohol. Mr. Evans took note, in speaking of the results, that there was a tendency of those who drink a considerable amount to under-estimate the amount of alcohol used, with the result that undoubtedly many really heavy drinkers would be included with the class of moderate drinkers. The results are in accordance with the results in previous experience of various companies—namely, that the total abstainer class showed the lowest mortality and the mortality increased with the amount of alcohol taken. The four groups that Mr. Evans made were:—

1. Total abstainers.
2. Moderate drinkers in which was included those who did not exceed Anstie's limit of $1\frac{1}{4}$ ounces of alcohol a day.
3. Regular beer drinkers which included those taking four or more glasses in any one day or a daily use of one or more.
4. Regular spirit drinkers.

The results found for the different classes were by the standard of the "Medico-Actuarial Table of Mortality," and were found to be 83-3/10 per cent. for total abstainers, 97-2/10 per cent. for group 2, 111-3/10 per cent. for group 3, and 128-9/10 per cent. for group 4.

Bond Holdings.

Another paper read at the meeting was "Valuation of Bond Holdings of a Life Insurance Company," by Frederick H. Johnston. In this paper, the situation of a company changing from a market to amortized values of its bond holdings is considered. A difficulty in such change is the extreme fluctuation it would make in the valuation because by the amortization method bonds are valued on the cost basis, whereas practically all bonds now have a much lower market value than that of a few years ago, and consequently, for bonds bought some time ago, a much lower value than the cost basis. This is true even where an average market value is taken as the basis of market valuation, instead of the actual value on December 31st. A change from market to amortized valuation would, under such circumstances, make a jump in the company's assets, and a comparison of the two years' statements would not at all reveal the true trend of affairs in the company. Mr. Johnston proposes, as a remedy for this, to use for bonds purchased prior to 1917, the market value as of the end of 1917, and later valuations by the amortization method, thus substituting the value in 1917 of bonds already held in place of the cost price. In this way a change from market to amortized valuation would involve no abnormal fluctuation. Thus, the paper is a suggestion of a method of avoiding the confusion of a change from one plan to another.

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The Leaside branch of the Imperial Bank of Canada opened its doors for business on October 8th. The building is on the south side of Laird Avenue, opposite the new administration building of the Leaside Munition Works, and conveniently situated to take care of the banking business of Leaside. Mr. E. Kirkbride is the manager. Many accounts were opened by employees of the munition works and others.