

PERSONAL LIFE ASSURANCE—WHAT THE PAST TELLS US

BY E. SHORT, M.Sc., F.I.A.

(A paper presented to the Society on 2 February 1982)

LIFE assurance has for many decades been one of the major long-term savings media in the United Kingdom, from the long-established humble with-profits endowment to the more recent sophisticated unit-linked contracts. The importance of life assurance in the savings market is recognized by successive governments in a tangible form—Life Assurance Premium Relief.

The saver, coming to the life assurance market, has before him a comprehensive array of savings contracts marketed by a host of life companies. Only unit trusts can offer such a range. The savings schemes from banks and building societies have a very similar look about them, with little variation in return. It is easy to compare contracts and the choice of building society or bank is not really crucial.

It is quite different with life assurance. The saver's choice of contract and of life company is vital to his ultimate return. Unlike some bank and building society schemes, the cost of switching between life companies can be expensive. One minor objective of this paper is to highlight the differences in return. So how does the saver or his adviser assess the prospects of the various contracts and the prospects of the life company in making his choice? Almost invariably, they fall back on past results and project into the future.

Those close to the marketing side of life assurance will be familiar with the with-profit maturity quotation or the fund performance projection. Forward projections and past performance tables are the tools which the adviser uses in recommending a contract to a client. The paper endeavours to look at the efficiency of such tools to see how reliable they have been in the past in predicting the future.

Actuaries are well aware of the uncertainties of predicting the future, being familiar with Redington's "expanding funnel of doubt" and are thus sceptical of projecting the past without reservations. Intermediaries have no such qualms and rush in where actuaries fear to tread.

The paper first looks at with-profits, then at the unit-linked market. It goes on to look at past results as they affect the continuing controversy between with-profits and unit-linked schemes, a controversy that still continues between advisers, even if the leading protagonists have been quiet of late. Finally, the paper concludes with some observations on switching between funds for linked savings contracts. It has the following sections:

1. Introduction

2. With-Profits Schemes
 - 2.0 Background
 - 2.1 Past Performance
 - 2.2 Projections
 - 2.3 Alternative Means of Assessing Life Company Prospects
3. Linked Life Assurance Regular Savings
 - 3.0 Background
 - 3.1 Past Performance
 - 3.2 Future Projections
 - 3.3 Other Points
4. Unit Linked v. With Profits
 - 4.0 Preliminary Considerations
 - 4.1 Past Performance—Global
 - 4.2 Past Performance—Individual Companies
 - 4.3 Past Performance—Continuous Review
 - 4.4 Conclusions
5. Switching
6. Finale

References are cited in footnotes throughout.

MANAGEMENT DEVELOPMENT

BY N. H. TAYLOR, F.I.A.

(Synopsis of a paper presented to the Society on 2 March 1982)

THE paper provides a brief survey of the subject of management development with some emphasis on the needs of the actuarial profession.

Possible definitions of a manager are given and the subject of management development is split into management education, off the job, and management training, on the job.

The change in attitudes towards management development since the 1950's is discussed.

Two of the many theories on the types of manager are set out, one on individual management style, the other on style in a management team.

A manager's requirements are discussed under the headings personal qualities, technical expertise and organizing ability. The need to diagnose individual needs and the objectives of management development are mentioned.

There is a section of the ways to develop managers; the prerequisites together with the types of course available, the merits of internal and external courses, education methods, debriefing and management development schemes are covered.

An appendix gives information on some of the management courses available.