



**Taken to Task**

I wish to bring to your attention the very absurd notion presented by the writer of the article “Til Death Do Us Part,” which apparently implies that all Muslims are terrorists.

I fail to understand that how does a professional body allow such an article to be published at such a sensitive time. Such articles would only fuel the differ-

ences. I suggest that such individuals need to be checked and need to apologize for such blatant remarks.

I hope you would do something to prevent any such future incidences and would ensure that the person who wrote the article is made to realize [sic] of his comments including the chief editor of the magazine.

**ABDUL RAHIM**  
KARACHI, PAKISTAN

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Your lead feature in the Sept. 2002 *Contingencies* was marred by the following paragraph:

“Earl Hilliard, D-Ala.-7, has already lost in his primary, because he was censured by the House for actions that would be multiple felonies in the real world, and for accepting substantial contributions after 9/11 from those with ties to terrorists. Cynthia McKinney, D-Ga.-4, may lose in her primary (to take place after this goes to press) for taking one-third of her donations after 9/11 from contributors with ties to terrorists.”

Sadly, it appears that the author has branded all Americans of Muslim faith and Arab ancestry as “those with ties to terrorists.” The editorial staff of *Contingencies* should also be more careful that such unnecessarily provocative statements not be part of any article published in the magazine.

**YAHYA ADNAN AHMAD**  
KUALA LUMPUR, MALAYSIA

**John Armor, the author, responds:**

*I did not say, never have said, and never would say that “all Muslims” are “terrorists.” The article noted, correctly, that a minority of the donations to Reps. McKinney and Hilliard came from such sources. For example, Sen. Torricelli accepted just one donation from an organization on the attorney general’s list, but it was for more than \$100,000. How much that single donation affected the re-election efforts of Sen. Torricelli we’ll never know. But it was up to the people of Georgia and Alabama to decide the electoral fates of Reps. McKinney and Hilliard, respectively.*

*The information I used about Reps. Earl Hilliard and Cynthia McKinney was drawn from print media articles in the New York Times and elsewhere. (I ignored broadcast media sources.) The donations to those members of Congress from people with “terrorist connections” came from people or organizations that were 1) on the attorney general’s list of terrorist organizations, 2) under indictment for such activities, or 3)*

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under investigation for such.

In addition, I looked for myself at some of the Federal Election Commission records for donations to Rep. McKinney. All the questionable donations are matters of public record at the FEC. Anyone interested can get those names, do an Internet search of news stories, and get the histories of the individuals.

The second point is the timing of the donations. There were substantial donations from "Jewish connected" organizations that came into the campaigns of the challengers who defeated both of these representatives. (None of these were from "terrorist organizations.") Those donations came in after the "terrorist connected" organizations became known.

As I say in the article, no one commits funds on the order of \$100,000 or more to any campaign of any challenger to an incumbent until the challenger has demonstrated that he or she has a real chance to

win. That means the challenger has to demonstrate organization, successful personal fundraising, and reasonable poll numbers before people with major resources will take them seriously. As a matter of timing, the contributions to Reps. Hilliard and McKinney came before those to their challengers.

### Clarification

It was good to see the regulatory alert article in *Contingencies* magazine on the various new regulations and guidelines that impact life insurance. I think it will go a long way in educating actuaries that may not closely follow NAIC activities.

I do have one clarification, however, which will impact those actuaries who are dealing with UL secondary guarantees using shadow funds. The reference in the article to Actuarial Guideline AXXX states that the "shadow fund guidance would

only apply beginning in the calendar year after the guideline is approved." I think that statement may not be completely accurate. Actuarial Guideline AXXX does apply retroactively to policies with shadow funds.

The guideline states: With the exception of "Step Three" through "Step Nine" of Item #8, the application of this guideline shall be retroactive to the earlier of a state's adoption of the revised Model or the statutory accounting practices and procedures as set forth in the NAIC Accounting Practices and Procedures Manual. All of Item #8 shall be applicable to policies and certificates issued on or after the later of the date of a state's adoption of the revised Model and January 1, 2003.

Note that "Item #8" is the shadow fund guidance referenced above and the "revised Model" referenced in the guideline is Regulation XXX.

Therefore, Steps 1 and 2 of Item #8 do

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Pinnacle

apply to shadow funds retroactively. Steps 1 and 2 specify you have to apply XXX to policies with shadow funds and you do that by assuming the specified premiums are equal to the minimum premiums needed to fund the guarantee. Steps 3 through 8 of Item #8 are the only parts that are not retroactive, and these address how to handle shadow funds that are overfunded.

I hope this clarification is helpful.

**TOM CAMPBELL**  
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### Clarification Clarified

Tom's clarification reminded me of a concern I've had for some time—that the broad applicability of Item 8 in AXXX may not be fully appreciated. Some that I've spoken with are under the impression that Item 8 applies only to "shadow fund" products, and the *Contingencies* article does nothing to dispel that. However, I think Item 8 also applies to some products that wouldn't be thought of as having a "shadow fund" as the term is commonly used.

As can be found in AXXX, Item 8 applies to "[a]universal life policy (that) guarantees the coverage to remain in force as long as the accumulation of premiums paid satisfies the secondary guarantee requirement." There is no requirement that the premiums be accumulated in a "shadow fund," which would typically accumulate premiums with interest and deduct specified COIs and possibly expenses.

Further, Step 3 under Item 8 specifically describes how to apply the method to products without shadow funds.

"For policies with no shadow accounts but which specify cumulative premium requirements, this excess will be the amount of the cumulative premiums paid in excess of the cumulative premium requirements; the cumulative premium payments and requirements should include any interest credited under the secondary

guarantee (with interest credited at the rate specified under the secondary guarantee)."

My impression, based on conversations with the authors of AXXX, is that Item 8 is meant to apply to any policy that allows prefunding of the secondary guarantee, regardless of the method used to track that prefunding. As a simple example, a policy with a secondary guarantee that's in effect if the sum of all premiums paid is greater than or equal to the sum of premiums required to date would be subject to Item 8.

**MIKE SMITH**  
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### Piece of Pi

In the July/August issue of *Contingencies*, in the Booklinks section, Don Sondergeld wrote a short review of a



book entitled *The Kingdom of Infinite Number*. In this review, Don recounted a humorous story involving an actuary as follows:

"In conversation with an actuary about the chances that at the end of a given time a certain proportion of a group of people would be alive, De Morgan quoted the formula for this calculation, which involves pi. De Morgan interpolated into the discussion the geometric meaning of pi as the ratio of the circumference of a circle to its diameter. The actuary was astounded at this revelation: 'My dear friend,' he exclaimed, 'that must

be a delusion. What can a circle have to do with the number of people alive at the end of a given time?'"

Having read this review, I must admit that I agreed totally with the actuary as quoted. What can a circle have to do with the number of people alive at the end of a given time? I got a copy of *The Kingdom of Infinite Number*, only to find that it provided no extra information about the question except the words quoted above.

But, having access to a university library, I was able to find the original De Morgan tome as written in 1872. Unfortunately, this only gave slightly more information. In particular, there existed a hint in the fact that the author noted that the probability to be determined applied to a large number of persons. The original question was: "What is the chance that the number of survivors of a large number of persons now alive would lie between given limits of numbers at the end of a certain time?" De Morgan says the answer contains the constant, pi.

For any individual in the group, the chance of surviving (or dying) is binomial. But for the group (of a large number of persons) the Central Limit Theorem says that you can approximate the multiple binomials with the Normal Distribution. And, of course, the evaluation of the Normal requires the constant, pi.

I believe that is the basis of this reference, and I continue to agree with the actuary in question (who is referred to as a mathematician, but not of the higher branches!) that there is no relationship between a circle and the number of people alive at the end of a given time.

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**Correction:** Douglas J. Collins's article, "So Much for Global Warming" (March/April 2002), should have acknowledged earlier contributions to the subject by C.W. Landsea, R.T. Musulin, R.A. Pielke Jr., and others. We regret the omission.