

## **Actuarial Assistance to the Legal Profession**

Much attention has been paid in recent years to the role of the actuary in assisting the courts to quantify damages. This attention has focussed on loss of income and costs of future care arising from fatal or disabling accidents.

The purpose of this note is to describe areas, other than assessment of damages, where the actuary's specialized training may be of assistance to lawyers.

### **Mortgages**

Most mortgage documents describe the final payment as "the balance owing." In the majority of cases this wording is used so that the lender will be able to recover any outstanding amounts at the end of the agreement. In some cases, however, the final instalment is a "balloon" payment which may be so large as to necessitate re-financing. It is important for borrowers to know the size of the last instalment and it is a relatively easy task for an actuary to calculate.

### **Reversionary Interests**

A frequent provision in trusts is that one party may be entitled to the use of the entrusted property, or the income therefrom, while a second party will obtain title to the property on the death of the first. For reasons such as tax planning, or settlement purposes, it may be desirable to know the value now, of each party's share. This process is complicated if the income from the property is unusually low or high in relation to the value of the property. In such cases, a thorough discussion of the principles of the valuation, between counsel and the actuary, will ensure that the estimated values are appropriate.

### **Termination of Trust-Type Wills**

In certain jurisdictions, a will may be "broken" and the assets of the related trust distributed to the parties. This, of course, requires consent of all beneficiaries and a certain judicial process. The desire for such action may arise where, for example, the capital portion of an inheritance cannot be paid to the younger beneficiaries until after the death of a much older one. An actuary can calculate the equitable share of each, if given their age, sex and physical condition.

### **Wrongful Dismissal**

While there seems to be an upper limit of two years' salary on wrongful dismissal awards, in some situations the loss of pension benefits alone may exceed that figure. Actuaries are able to quantify such pension losses and to separate them into their earned and prospective components.

### **Dissolution of Marriages**

In a property settlement it is usually the case that certain assets of significant value can be neither split, nor assigned nor converted to cash. A frequent example is the pension earned by one partner or both. An evaluation by an actuary can be of assistance in arranging a suitable division of properties between the partners.

### **General**

Bearing in mind that the training of an actuary involves major studies in pensions, insurance, probabilities and life contingencies, as well as minor studies in medicine, law, economics and accounting, there are no doubt areas not identified above, where the practices of law and of actuarial science overlap. Perhaps the examples in this note will encourage more interaction between these professionals.

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