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CHICAGO PANEL DISCUSSION ON EDUCATION DRAWS COMMENTS

by John C. Angle

(This article is the substance of a talk at the Nebraska Actuaries Club, Dec. 14, 1967).

If the purpose of the panel at the Chicago meeting was to stimulate thought about the Society's educational system, then, in my case, this objective was attained. I wish to react, to record comments, and say what I would do given a free hand. There is recognition that the forces of change, both within and without the world of the actuary, may have somehow rendered less than perfect the educational procedures that have served us so well for many years.

Education is becoming recognized as a lifelong activity to enable us all to stay abreast of the developments of our day and age. Nowhere is the awareness of change greater than in the world of education — an awareness that evidently exists within our own Education and Examination Committee.

Information or Principle?

Now as to some reflections of my own. The first would be to ask if we have not been misled in a quest for "comprehensiveness" into a set of Fellowship examinations that are overly concerned with information. Our associateship examinations deal largely with the mathematical techniques that James C. Hickman rightly calls the key element in the actuarial approach. But such topics as life insurance law, investment of life insurance funds, welfare plan disclosure laws, and social insurance often involve information rather than principle.

Alfred North Whitehead, writing on "The Aims of Education" in 1917, cautioned against "... 'inert ideas'—that is to say, ideas that are merely received

(Continued on page 6)

NEW 'FRINGE BENEFIT' — REJUVENATION

by Arthur Pedoe

It arose at a recent meeting of the Canadian Pension Conference.

A panel of officers in charge of staff benefits outlined their company practices regarding fringe benefits for employees, active and retired. In one company the benefits enjoyed by the retired seemed not only elaborate, but much was said of plans for the extension of these benefits in the future.

When questions were asked from the floor, the writer enquired as to the business carried on by this company which could be so profitable as to afford such elaborate and generous benefits for retired employees. As to future extensions he enquired whether they had considered the benefit to meet the needs of the aged mentioned in *The First Book of the Kings*, Chapter 1, Verses 1 and 2.

"Now king David was old and stricken in years; and they covered him with clothes, but he gat no heat.

"Wherefore his servants said unto him, 'Let there be sought for my lord the king a young virgin; and let her stand before the king and let her cherish him, and let her lie in thy bosom, that my lord the king may get heat.'"

A Scientific Basis

It is often possible by a touch of derision to place an overstatement in proper perspective — and this was the writer's intention. However, it was a million to one chance that the writer, in the course of his reading, and within a short time after the meeting, should come across two references to King David's plight which indicated the remedy had a scientific basis, with a

(Continued on page 5)

SOCIAL SECURITY AMENDMENTS REVIEWED

by Robert J. Myers

After almost a year of extensive legislative consideration, significant amendments to the Old-Age, Survivors, and Disability Insurance and Medicare programs were enacted into law at the end of 1967. The following are the most important changes:

(1) Monthly benefits for all insured beneficiaries are increased by 13%, with a minimum primary insurance amount of \$55.

(2) Liberalized benefit protection is available for dependents and survivors of women workers. The same insured status requirements as for men would be applicable, instead of the stricter ones of previous law.

(3) Monthly benefits are provided for disabled widows and dependent widowers at ages 50-61. The scale of benefit is reduced from the 82½% of the primary insurance amount payable at age 62 and the smaller 71½% at age 60, according to age at entitlement, to 50% at age 50.

Disabled Young Workers

(4) Insured status for disability benefits for young workers under age 31 is liberalized; essentially, it requires coverage in half the time since age 21 and for those disabled under age 24, coverage is required for half of the last 3 years.

(5) The definition of disability is made more detailed in order to clarify the concepts contained in the previous law.

(6) The retirement test is liberalized by raising the annual exempt amount to \$1,680.

(Continued on page 5)

Social Security

(Continued from page 1)

(7) The coverage basis of ministers is revised by making it compulsory unless the minister opts out on grounds of conscience or religious principle.

(8) The maximum taxable and creditable earnings base is increased to \$7,800 for both OASDI and Hospital Insurance (HI).

(9) The contribution schedule is revised, making it slightly lower until 1971 and then somewhat higher. The ultimate combined employer-employee rate will be 10.0%, or .3% higher than previous law.

(10) The allocation to the Disability Insurance (DI) Trust Fund is increased from .70% of taxable payroll (with respect to the combined employer-employee rate) to .95%.

(11) The pay of persons in military service is, in essence, deemed \$100 per month higher than the basic pay on which they contribute. The cost of additional benefits will be borne by general revenues as incurred.

(12) The effective date for the general benefit increase and certain other benefit changes is February, 1968, payable at the beginning of March.

The following are the most important changes in the HI program:

The outpatient diagnostic benefit is moved to Supplementary Medical Insurance (SMI).

An additional "lifetime reserve" of 60 days of hospital benefits is provided, subject to cost-sharing of \$20 per day initially.

The contribution rate is increased after 1967 by .1% for each party (employers, employees, and self-employed).

The following are the most important changes in the SMI program:

The outpatient diagnostic benefits are transferred from HI.

The cost-sharing provisions are no longer applicable to the professional component of pathology and radiology services furnished to inpatients.

The standard premium rate for persons enrolling in the earliest possible period, which was \$3 for July, 1966, through March, 1968, is to be determined annually on a standing basis — namely, for April, 1968, through June, 1969, and then for 12-month periods.

The cost estimates indicate that both OASDI and HI are in very close actuarial balance. The benefit changes made in OASDI are financed, in part, from the sizeable favorable actuarial balance for the previous law shown by the latest estimates and, in part, by the additional financing provided in the amendments. The higher allocation to DI was necessary primarily because of the unfavorable actuarial balance indicated by the latest estimates. This was far more than offset by the favorable situation for OASI.

The increased financing for HI — the higher taxable earnings base and contribution rates — was necessitated by the more conservative assumptions made for the future trend of hospital costs and usage of the extended care facility benefits (the changes in the benefit provisions had a relatively small cost effect). The changes made in SMI resulted in a relative increase in cost of about 6%, which is reflected in the higher premium rate (\$4) promulgated for the period April, 1968, through June, 1969. The higher cost estimate includes an allowance for the effects of anticipated future increases in physician's fees and in utilization, as well as the approximate 5% deficiency in the premium rate for the initial period. □

Index Systems

(Continued from page 4)

As an example, suppose that in one year an insurance company purchased only 3% bonds and holds them continuously, and that in the next year the company purchases only 5% one-year bonds which then mature at the beginning of the year after that, the proceeds being re-invested in 6% bonds which are then held continuously.

Suppose there is a two-year select period. For financial equivalence of the two systems, the rate credited in the fourth year on funds received in the first year would need to be 3%, while the rate in the fourth year on funds received in the second year would need to be 6%. With a two-year select period, this is impossible.

As a result, we conclude that it is possible to define a fixed index system and a declining index system so that, if the rates under the two systems are appropriately related and a fixed select

Rejuvenation

(Continued from page 1)

medical history reaching back for thousands of years.

The first was to a work on aging by Alex Comfort, an authority on gerontology, where the provision of the fair damsel to cherish the King is called *Shunamitism* after the young lady, Abishag, the Shunammite (i.e. from the city of Shunem).

The second reference was in a biography of Dr. Thomas Sydenham (1624-1689), who has been called the English Hippocrates and the greatest physician England has ever produced.

The writer's opinion has been that in medicine anything prior to a century ago was uniform in its reminiscence of the dark ages. Yet here he read of a medical man of three centuries ago who seemed ever so modern.

Sydenham was a great believer in fresh air, exercise and dietary moderation. He abhorred "bleeding" in a period when, as one reads what was done to the patient, one concludes that if the patient survived the bleeding treatment he would survive anything!

Among Sydenham's many innovations in medicine was the pioneering of quinine in the treatment of malaria and other fevers.

Sydenham was a great believer in the benefit of long rides on horseback. This was related to another of his remedies, *Accubitis* — a method of warming de-vitalized elderly patients with either a live puppy or a young person. Revitalizing elderly sick persons by close physical contact with a young person or animal is evidently a mode of treatment of great antiquity.

It is made clear in Verse 4, *Kings I* that there was no sexual significance in the usual sense of the term. However, in the Freudian sense, *Shunamitism* must touch the vital origins of man's being. It is well known that in an Elderly Citizens' Home the visit of a bevy of young ladies from a School of Nurses revitalizes the whole population.

Unfortunately, the effect is, more or less, temporary. □

period is not used, the two systems will produce identical financial results. Generally, the introduction of a fixed select period will destroy this possibility of equivalence. □