



SOCIETY OF ACTUARIES

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## TRUTH IN LENDING — AN ANALYSIS OF THE ACT

by Daniel S. Harris

Exhaustive publicity has been given the Truth in Lending Act. Banks have sent pamphlets to depositors informing them of the Act. Credit card holders have received notices. Finance companies, in their advertisements, have called attention to the Act. Magazines, periodicals and newspapers have published articles (in some cases, quite lively articles). The Truth in Lending Act, with its attendant regulations and interpretations, is complex and lengthy and not as simple as some of the publicity might imply.

### Some General Features

#### What is the Truth in Lending Act?

Public Law 90-321, signed by President Johnson on May 29, 1968, is entitled the *Consumer Credit Protection Act*. Title I of P. L. 90-321 has the descriptive heading, "Consumer Credit Cost Disclosure" but the law also provides that Title I may be called the "Truth in Lending Act" and this is the popular name Title I has acquired.

This article will deal only with Title I and will refer to Title I and its attendant regulations and interpretations as the Act.

The Truth in Lending Act is now law, fully effective as of July 1, 1969.

#### What does the Act do?

Mainly, it tries to make creditors "tell it like it is." Where a consumer borrows, say, \$100, and is required to repay \$108 within a year in 12 equal monthly installments, i.e., \$9 a month, this can no longer be called an 8% add-on. The borrower must be told that the nominal annual rate (in this case, 12 times the

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## Social Security Notes

Robert J. Myers, *SMI Benefit Experience for 1966-68 as Shown on Payment Records*, Actuarial Note No. 55, pp. 4, Social Security Administration, Washington, August 1969.

This Actuarial Note presents an analysis of the tabulation of Supplementary Medical Insurance payment records in the 0.1% Actuarial Sample made for all such records processed through March 1969. Included are monthly data on number of records, reasonable charges, and reimbursement amounts.

The average reimbursement amount per payment record was \$50 for 1966, \$45 for 1967, and \$47 for 1968, while the average monthly reimbursement amount per capita was \$4.12 for 1966, \$5.56 for 1967, and \$4.80 for 1968 (the latter amount being relatively low because not all data had yet been recorded). These averages can be compared with the monthly income to the system from the enrollee premiums and matching government contributions (\$6 per capita for July 1966 through March

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## MORTIMER SPIEGELMAN

The American Public Health Association recognized the great contribution that Mortimer Spiegelman had made in the public health field by holding a specially named session in his memory at their recent Annual Meeting. The subject of the session was "Methodological Issues in Health Statistics" and six papers were submitted, including one describing Mr. Spiegelman's contributions to public health statistics.

An audience of more than 100, including Mr. Spiegelman's two sisters, Miss Julia Spiegelman and Dr. Anna Spiegelman, and his former secretary, Miss Theresa Hilb, joined in this fitting tribute to the late Associate Editor of *The Actuary*.

## EDUCATION AND EXAMINATION OF PROSPECTIVE ACTUARIES

by Edwin B. Lancaster

A good deal of activity is underway on both the education and examination of prospective actuaries. The tempo of activity no doubt arises from the fast approaching date of January 1, 1970. During 1970 admission to the American Academy of Actuaries is conditional upon passing examinations in subjects corresponding to the associateship syllabus of the Society of Actuaries or the Casualty Actuarial Society. Regardless of the reason for the pace of education and examinations review activity, it seems opportune to broadly review the Society of Actuaries' education and examination process. This review is in four sections.

### Geographical Spread

While the Society's students obviously place substantial emphasis on passing the examinations, the Committees which administer the system regard it fundamentally as an educational process with the examinations occupying the secondary albeit necessary role. A unique characteristic of the Society's education process is that the student body is spread across the length and breadth of the North American continent. A state and provincial distribution of the undergraduate institutions of higher education attended by the May 1968 Parts 1 and 2 candidates shows the candidates coming from 41 states and 7 provinces. Some 75 percent of the candidates are from the United States and 25 percent from Canada.

The relatively small number of the

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## Education and Examination

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or no such experience. This committee's main function is in recommending education and examination policy to the Board of Governors. These three groups number about 175 Fellows or just over 10 percent of the total number of Fellows of the Society. In short, the Society of Actuaries is a rather substantial educational organization.

## The Future

Up to this point I have confined myself largely to a recording of selected facts with limited editorializing. In this last section of the paper I will offer more in the way of personal views.

As it is presently constituted, the American Academy of Actuaries could not, in my opinion, undertake a major education and examination effort comparable to that offered by the Society of Actuaries. The Society of Actuaries is a binational body of long standing; its officers and board of governors and committee members are residents of both Canada and the United States. As such it is an acceptable body to establish admission standards for Canadians and Americans without distinction.

The American Academy of Actuaries is a purely United States body and would not be an acceptable admission standards body for Canadians. Furthermore, since the American Academy of Actuaries is largely a "shell" type of organization—it does not meet as a deliberative body—it could not sponsor a major education and examination effort. The history of the Society of Actuaries indicates clearly that education and examination of its students is a major source of discussion, argument and deliberation by its membership. I am told that the same situation applies to the Casualty Actuarial Society. As now constituted the American Academy does not provide a forum for such deliberation.

My own view is that the best solution to the admission and standard-setting problem now present in the actuarial profession in the United States is for the bodies to develop a jointly sponsored education and examination system. For the "life" side of the actuarial profession, this simply means that other actuarial bodies would set up committees which would operate in concert with the

Society of Actuaries' Education and Examination Committee. Achieving this goal will require a degree of statesmanship on the part of all six North American actuarial bodies. I cite the joint sponsorship by the Casualty Actuarial Society and the Society of Actuaries of their first two examinations as an excellent precedent.

Looking down the road I can foresee the day when educational institutions will take over some of the education work now handled by the Society. I do not visualize educational institutions taking over all of such work in the near future even for just the Associateship examinations. The problem of paucity of numbers of students in many of the states and provinces implies to me that the traditional self-study apprenticeship approach to actuarial training must continue for many years to come. Even with a dual education approach we will eventually have to reckon with a state sponsored examination system for students from both the educational institution route and the traditional Society self-study route if we are to achieve the goal of accreditation by the states.

As I understand it, accreditation of an individual to practice a profession is a privilege granted that individual by a state and the accrediting state can delegate neither to an educational institution nor to a private body its accrediting and admission-standard-setting power. Thus, as I see it, we must still develop a system of state sponsored examinations not unlike that which has been developed by the accounting profession. □

## Social Security Notes

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1968 and \$8 thereafter), although it should be realized that not all benefit payments are on payment records (about 6% are not) and that administrative expenses are also financed by the system's income.

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Bertram Oppal and Margaret A. Lannen, *Present Values of OASI Benefits in Current Payment Status*, 1968, Actuarial Study No. 66, April 1969, pp. 24. Social Security Administration, Washington, D.C.

This study presents a valuation of old-age and survivors insurance benefits in current payment status at the end of various years through 1966, with preliminary estimates for 1967 and 1968.

Robert J. Myers, *Current Experience of SMI Program on a "Cash" Basis*, Actuarial Note No. 57, pp. 2, Social Security Administration, Washington, August 1969.

This Actuarial Note presents a comparison, on a cash basis, between income and outgo of the SMI Trust Fund for the period April 1968 through June 1969, for which the standard premium rate had been promulgated at \$4 per month. For the period as a whole, it appears that, on an incurred basis, the \$4 premium rate was not quite adequate (with the deficiency being about 4%).

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R. J. Myers and F. Bayo, *Disability Incidence Rates Under OASDI System for Disability Onsets Occurring in 1956-64*, Actuarial Note No. 58, August 1969, Social Security Administration, Washington, D.C., pp. 7.

This note briefly analyzes the incidence experience for disabilities with onset in the period 1956-64. The data are based on actual awards made before 1967 and on projections of awards after 1966. Values of the number of disability awards and of the incidence rates are presented by sex and by five-year age groups for each calendar year in the period.

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F. Bayo, *Retirement Experience of Old-Age Beneficiaries, 1958-68*, Actuarial Note No. 59, August 1969, Social Security Administration, Washington, D.C., pp. 3.

This note briefly analyzes the retirement experience of workers under the Social Security system for the years 1958-68. The "prevalence of retirement" among eligible workers has been relatively stable for females in the last 9 years. For males, the rates increased up to 1964, but have levelled off since then.

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Robert J. Myers, *Accrued Cost of SMI Program for 1966 and 1967*, Actuarial Note No. 56, pp. 3, Social Security Administration, Washington, August 1969.

This Actuarial Note analyzes the experience of the Supplementary Medical Insurance program during 1966-67 with respect to the adequacy of the standard premium rate of \$3 per month that was applicable then. The average per capita cost on an incurred basis for the 18-month period, July 1966 through December 1967, is estimated at \$6.50 per month, or 8% in excess of the combined premium rate and matching government contribution.

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Copies of these notes may be obtained gratis from Robert J. Myers, Chief Actuary, Social Security Administration, Washington, D. C. 20201. □