



SOCIETY OF ACTUARIES

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## CONSUMERISM

by Fred de Bartolo

Ernest J. Moorhead, Chairman of the Joint Special Committee on Life Insurance Costs,\* spoke to the Actuaries Club of Philadelphia, September 22, 1970 on Consumerism.

He prefaced his talk by quoting a wise observer: "Failure is not necessarily just arriving at the wrong answer. It may just as easily be failure to recognize the right question." In this matter of Consumerism, our first problem is to recognize the right question. By replacing the word "consumerism" with "Intelligent Choice," we might better recognize the right questions.

"Intelligent Choice" is concerned with both price and quality of the product. The buyer, not the seller, must be the one to measure the extra price he will pay for higher quality. Possibly a consumers' organization may attempt to measure the value of quality for the buyer.

As pressure of public demand for the tools of "Intelligent Choice" began to be felt by each segment of American industry, the first cry in each case has been "Who? Me?" However, the life insurance industry is uncomfortably aware that it could have done better in supplying the right kind of information.

The following hypothesis was offered by the speaker: that our failure to provide clear-cut information is genuine and stems from some mixture of the following three causes:

First, we have too often embraced the following syllogism:

a) Life insurance is good medicine.

\*Editor's Note: Any resemblance to the immediate Past President of the Society is purely coincidental.

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## New Editor

We are glad to announce the appointment of Kenneth T. Clark to the Editorial Staff.

## WHAT PRICE MEDICARE?

Robert J. Myers, *Medicare*, Richard D. Irwin, Inc., Homewood, Ill., 1970.

by Milton F. Chauner

Rarely on so vital a subject have we had so much valuable information from so recognized an expert as we have in *Medicare* by Robert J. Myers. Actuaries should welcome his description of Medicare and Medicaid not only because it is written from an actuary's perspective but also because it covers many facets not strictly actuarial.

Mr. Myers's estimating and forecasting techniques deserve in view of their importance a detailed technical scrutiny.

*Medicare* is a good single source for the basic benefit provisions of both Medicare and Medicaid. The labyrinth of changes proposed, rejected, or altered through regulatory interpretation cannot be expected to appear in up-to-date detail. The author's explanation of reimbursement principles, eligibility provisions, and financing principles is necessarily quite involved but summarizes these concepts which are subject to continual change in practical application.

The development of Medicare and Medicaid is followed from the earliest movements for them through successive legislative proposals leading to current enactments. Many points likely to have escaped the attention of most any of us are set forth in an orderly manner, sometimes in almost overpowering detail, but

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## ACTUARIAL HEAD START

by David Langer and Louis Weinstein

In October 1968 and October 1969, the Actuaries' Club of New York held day long meetings, each containing a morning session devoted to social issues. Some members of the club felt we might be accumulating social concerns during the year to discharge them during the three hour session. As a result, a small ad hoc group was formed to find ways to convert concern into positive action. Certain principles emerged early:

1. Although ample opportunity existed for individual effort, a group approach along professional lines was preferred since it provided the spirit and cooperation most conducive to success.
2. It was preferable that the unique abilities and training of actuaries be brought to bear whenever possible.
3. All actuaries would be welcome.
4. The group would attempt to use and support the efforts of non-actuaries.

There was an initial disposition to start by coming to grips as quickly as possible with a concrete social problem. After some search, the group discovered an existing relationship between James Monroe High School located in an East Bronx poverty area and a multi-industry group called the Economic Development Council (EDC) which has similar goals and whose members included one of the local insurers. Because we were able to take advantage of the existing organization and personnel within the school, we were able to quickly institute a math tutoring program and a dozen actuaries quickly came to the fore to serve as tutors, a number at times in excess of the students requesting aid.

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## Consumerism

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- (b) Any stratagem to induce taking good medicine is justified.
- (c) Therefore any stratagem to sell life insurance is justified.

Second, there is our marketing system. Since the agent is an independent contractor, we may content ourselves with the notion that what he tells the prospect is his responsibility, not ours.

Third, the people who do creative writing for sales purposes are not always well informed on the intricacies of our products.

The speaker then turned to what we, as actuaries, can do to help the buying public exercise Intelligent Choice. He felt the "right" questions that we must recognize and answer are as follows:

Question 1. What new unfamiliar limits ought we to place upon what we and our agents say about the virtues of life insurance—in particular, cash value life insurance?

Question 2. What new standards ought we to apply to the consistency of products that exist side by side in our rate books?

Question 3. What should we do about the Report of the Joint Special Committee on Life Insurance Costs?

Mr. Moorhead then commented on each of the three questions. He presented examples of deceptive sales presentations. He criticized the practice of selling to a university student an ordinary life policy financed by borrowing rather than convertible term insurance. He questioned the rules used in offering individual policy pension trusts in preference to group coverage.

On his third question, Mr. Moorhead urged active discussion of what should be done next in relation to price measurement, a subject which is on the program of the Society Meeting in Denver this Fall. He indicated also that some suggestions for action will appear in a CLU Journal paper yet to be published.

The ensuing Club discussion ranged from one extreme to the other. Some comments were relevant, some not. Some criticized the insurance industry while others defended it. □

## Actuarial Meetings

- Dec. 3, Nebraska Actuaries Club, Lincoln
- Dec. 10, Baltimore Actuaries Club
- Dec. 14, Chicago Actuarial Club
- Dec. 16, Seattle Actuarial Club
- Jan. 14, Baltimore Actuaries Club
- Jan. 18, Chicago Actuarial Club

## NEW MATH MADE EASY

L. H. Longley-Cook, *New Math Puzzle Book*, Van Nostrand Reinhold Company, 1970, \$4.95.

by William S. Connell

In this latest puzzle book our colleague, L. H. Longley-Cook, uses puzzles to illustrate the concepts of the various aspects of mathematics as it is now taught to children. The author's principal concern, therefore, is with students and teachers. At the same time, it will be welcomed by those parents whose mathematical training was by current standards medieval and who are struggling with the mathematics of their children.

Thus, the appeal of the book to adults with a strong mathematical background may be rather limited, but, none of the problems is trivial, and actuaries should find quite a number which are diverting.

Each of the ten sections begins with an excellent brief exposition of its subject. The discussion is then carried forward by the ten or so puzzles which follow. The solutions to the puzzles frequently give further insights.

Of the ten sections, a few are devoted to subjects which may be new to many readers. One such for this reader is on tessellation, the matter of covering the plane with repetitions of geometric figures. There is considerably more to the subject than simply to cover an area with triangles, rectangles, or hexagons. Perhaps it should be called the geometry of the pleasing. My appetite for more has been whetted.

Of the other sections, one might especially enjoy those on symmetry, perspective, a subject which is often treated dearly but is not here, and our old friend probability.

Thus, for those with a desire to spend a diverting hour or so in pleasant company or for those whose tutoring leaves something to be desired, the book is recommended. □

## LIFE SENTENCE --- ACTUARIAL

The report in the June 1970 issue has brought the following note from one of our correspondents.

"In sentencing an incorrigible criminal, the judge (Eugene O'Dunne of Baltimore) specified a prison term in years, months, weeks and days, and then said, 'On the day following, unless the mortality table is inaccurate, you will die.'"

## Head Start

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The program ran from April to June, 1970 and the results were gratifying. The students appeared to make satisfactory progress, a fine cooperative spirit prevailed, and the tutors enjoyed the work and felt the time was well spent. It was noted by several group members that the personal relationship with the students was of great importance.

The program will be repeated this current school year and it will also be introduced into one or more other schools.

The ad hoc group, now composed of about 15 members including 2 young women, has also been busily exploring a wide variety of other areas where the group might be able to offer its help. Examples; a contact was established with the president of a small troubled black-run insurance company in Harlem and two group members agreed to provide limited telephone consultation; meetings are being held with a top-level drug expert to consider the group offering statistical and analytical assistance in the area of drug usage (the element of reciprocity exists in the latter case as useful underwriting data may emerge).

Mountain-mover the group is not, but it does offer a constructive antidote to the awful feeling that arises on tuning in the news of the day.

Actuaries interested in further information, or in helping with the project, should get in touch with either of the authors. □