

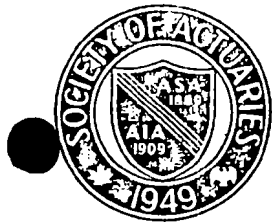


SOCIETY OF ACTUARIES

Article from:

The Actuary

November 1972 – Volume 6, No. 9



The Actuary

The Newsletter of the Society of Actuaries

VOLUME 6, No. 9

NOVEMBER, 1972

LATE-1972 AMENDMENTS TO THE SOCIAL SECURITY ACT

by C. L. Trowbridge

The September issue of *The Actuary* carried an article describing the changes in the Social Security System brought about by the mid-summer amendments attached to a bill extending the national debt ceiling. This article describes the additional changes brought about by the enactment of H.R. 1 in late October.

The new legislation, now referred to as the Social Security Amendments of 1972 (though in fact the second of two of amendments to the Social Security Act enacted in 1972), is a collection of benefit liberalizations, and some other changes involving OASI, DI, and parts A and B of Medicare.

The provisions with important financial effect on the OASDI program are as follows:

1. *Increase in widow's (and widower's) benefits.*

The widow's benefit is now equal to 100% (instead of 32½%) of the husband's primary insurance amount, unless either husband or wife claims benefits prior to age 65.

2. *Age 62 computation point for men.*

The period over which earnings are averaged, in the computation of the average monthly wage, was shortened by one year for men reaching age 62 in 1973; by two years for men reaching age 62 in 1974; and by three years for men reaching age 62 in 1975 or later. The computation period for men born after 1912 will be the same as for women.

(Continued on page 6)

Gary N. See

The new Executive Director of the Society has already been given a biographical introduction to the members. On behalf of the Society we welcome him to the official family and look forward to meeting him in the flesh as he gets around to the Actuarial Clubs and Society meetings. *A.C.W.*

NO-FAULT IN PHILADELPHIA

by Robert W. Maull

At the September 1972 meeting, the Actuaries Club of Philadelphia had two guests from the non-life insurance field—Roy Miller, Secretary-Underwriting, Insurance Company of North America, and Robert Pollack, F.C.A.S., President, Colonial Penn Insurance Company. Without taking a position for or against, the guests led an enlightening discussion of the implications of no-fault automobile insurance.

Mr. Miller discussed the current legislative situation with respect to no-fault. Currently four states (Massachusetts, Florida, Delaware and Oregon) have no-fault insurance. New Jersey, Connecticut and Maryland will join the ranks in 1973 and, subject to voter approval in November of this year, Colorado will also have a no-fault insurance requirement. (*Proposal was defeated. Ed.*)

Mr. Miller pointed out that there is a potential conflict with health insurance. Under the present arrangement, the injured party sues the party at fault for medical expenses in excess of those covered by his own health insurance—in other words, he collects but once. Under no-fault, he will be compensated by his own automobile insurer for medical expenses and may also collect on any accident and health policy which he owns.

(Continued on page 3)

INTERCOMPANY IMPAIRMENT STUDIES

by Joseph C. Sibigroth

The intercompany Medico-Actuarial Studies have, over the years, provided valuable underwriting information. These studies have become increasingly expensive to produce. In the case of some impairments where there have been drastic changes in medical treatment, there have been questions as to whether the basic data may not be out-of-date by the time of publication.

For some time, medical directors and actuaries have been seeking a method, less expensive and more up-to-date, to provide impairment studies. In 1970, the Liaison Committees of the Association of Life Insurance Medical Directors and the Society of Actuaries recommended that a study be made of the possibility of establishing a joint industry center for medico-actuarial statistics to be affiliated with the Medical Information Bureau.

The Medical Information Bureau provides a computer-based inquiry-response service to inform life insurance underwriters of any recorded medical impairments on individual applicants. Automated name file organization concepts, sophisticated search strategies, and information retrieval techniques have been developed to provide an economical and accurate service. The basic data with which the Medical Information Bureau deals is the same as used in the intercompany impairment studies. Hitherto the data were prepared for the studies from the individual files of the contributing companies.

A feasibility study is now complete and the results are promising. In general, widespread industry support was found for inter-company medico-actuari-

(Continued on page 7)

To be Continued*(Continued from page 2)*

Frequently it is necessary to assign a pseudo-SSN for those records where the SSN is not available. The Social Security Administration recommends use of an alpha form, such as AO1-23-4567. However, it is often desirable to restrict the file key to exclusively numeric characters. In that case, SSN with the first three digits in the ranges 588-599 and 729-999 can be used, although there is some danger that true numbers in those ranges will be issued in the future by the Social Security Administration.

The last four digits are issued in sequence from blocks of SSN assigned to district offices. Thus when viewed independently of the first five digits, these four digits are essentially random with respect to other characteristics of the individual. One application⁽²⁾ in which these digits were used as the basis for selection of a 25% random sample, yielded 25.1% of the population by taking each SSN which was divisible by 4. (There was no special reason for picking this group of SSN, as opposed to any other one-fourth of the possible last four digits; e.g., all SSN ending in 00 through 24). Based upon two other variables of the population—employer and year of birth—the sample produced distributions which were considered acceptably close to 25% of the population distributions.

Finally, the SSN is generally not acceptable as the entire key to a file, because it does not contain a "check-digit" or other characteristic to assure that no error has occurred in transferring data from the original source to the computerized file. Thus the SSN should be supplemented by some other identification concerning the individual; for example, simply using the first letter of the individual's surname as a supplement will significantly reduce the chance of accessing the wrong individual's record in utilizing the file. Unfortunately, this will not detect an error in the SSN when initially putting that individual on the

⁽²⁾"Early Retirement," by Barfield & Morgan, *ISR, The University of Michigan*, page 173).

FWPPDA

We are glad to learn that Mr. Preston C. Bassett has been appointed a member of the Advisory Council on Employee Welfare and Pension Benefit Plans.

GUIDELINES FOR APPOINTMENTS TO COMMITTEES**Preamble**

The following eight guidelines have been adopted by the Board of Governors of the Society of Actuaries at its meeting on October 22, 1972, in order to assist the President of the Society in the appointment of members of the Society to serve on the Society committees. It is, however, recognized by the Board that circumstances may arise under which it would be inappropriate to apply the guidelines exactly as written. Such circumstances might include the nature of the work of a particular committee (such as Mortality and Morbidity Committees), the duration of a committee's existence, and the particular expertise that a member might bring to his assignment.

Guidelines

1. All Fellows and Associates of the Society are eligible for committee membership, but it is assumed that Associates still writing examinations will not be appointed to committees except under unusual circumstances.

2. A person should be chairman of a committee for only two years (except for Program Committee for which a person will be chairman for only one year). During at least the last year of the chairman's service, there should be a vice chairman who is committed to become the next chairman.

3. A person should remain on a committee for no more than four years unless by the end of that time he becomes a vice chairman or chairman.

4. The terms of service of committee members should be arranged so that each year about 20-25% of the committee are new members.

5. With due regard to the fact that the size of a committee is principally determined by the nature of the committee's work and the fact that achievement of stated objectives is the purpose of a committee, the committee should make every effort to involve as many members as possible in order to permit wide participation in committee activities.

6. No person should serve concurrently on more than one committee except where such dual service is desirable for liaison purposes. For purpose of this guideline, service as a multiple choice item writer or consultant to E & E Committee shall not be considered as Committee service.

7. Officers of the Society should not serve on any committee, other than in an ex-officio capacity.

8. As a general rule, a person who retires from a committee should not again serve on that committee.

No Fault*(Continued from page 1)*

This would seem to call for a "duplication of benefit" provision in the auto insurance policy. One solution provided in a couple of states is to allow the insured to elect a deductible on his no-fault insurance with a reduction in premium. There is, however, a lack of uniformity in the provisions among the states which have adopted no-fault.

Mr. Pollack discussed the implications of no-fault on pricing and risk evaluation. In general, past experience on automobile insurance is of little value when the risk is considered for no-fault insurance. The basic classifications of drivers change. Currently, when a driver is involved in an accident which is not his fault, he can sue the other individual for his economic loss. He could have been an excellent safe-driver risk, but under no-fault his insurance company will pay for his economic loss. The measure of claim, therefore, is the economic loss and not the characteristics of the driver. Thus, in very simplified terms, a high salaried person could be a much poorer risk than a low salaried person even though they may have identical driving records.

Actuarial Club Meetings

- Dec. 6, Actuaries' Club of Montreal
- Dec. 14, Baltimore Actuaries Club
- Dec. 14, Actuaries' Club of Hartford
- Dec. 18, Chicago Actuarial Club
- Dec. 20, Actuaries' Club of Des Moines
- Jan. 15, Chicago Actuarial Club