

## SOCIETY OF ACTUARIES

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The Society is not responsible for statements made or opinions expressed in the articles, criticisms, and discussions in this publication.

#### REFLECTIONS

RECENTLY Pat (my spouse) and I represented you at the Institute of Actuaries in London, where we paid your respects to our British colleagues upon the occasion of the Presidential Address by Geoffrey Heywood (remember that name?).

It is comforting (if such can, if fact, be the source of comfort) to note that the actuaries in the Institute face many of the same problems we face in North America: public image; relations with and responsibility to the "public"; accreditation (which the Canadians to some considerable extent have achieved); satisfying needs of various national groups represented by members; and complacency.

In part our problems may arise from our great strengths. First, there is no professional group, of which I am aware, which has as rigorous, demanding, and successful an internally developed and implemented educational and examination structure as we have. This professional selection process requires—and benefits from the dedicated service of an amazingly large number of our members engaged in a labor of love. In the education area the Society has successfully responded to change esponse requisite for survival. Even now the forces of change continue in the educational structure. Second, there is no professional group, of which I am aware, which has a more varied and rich program for the meetings of its members.

In retrospect, it is not difficult to identify the source of some of our problems. In our consummate desire to excel in education, examination, and the program *gour*met smorgasbord, we may have placed too little emphasis on those activities necessary for a thrust into the economic and social environments beyond our sacred cloisters.

Traditionally, the Society has developed its plans, conducted its activities, and achieved its objectives principally through the work of committees. Except for the Officers, the members of the Board of Governors generally have not really been intensely involved. The Board and the Executive Committee at their regular meetings have found themselves burdened with a surprisingly large volume of detail routine business. The lack of involvement and pressure of schedules which left us principally directed towards details and minutiae, have also contributed to our problems.

The Executive Committee is committed to a program of individual involvement and to a vigorous confrontation with the outside world. Hopefully this will be reflected in the activities down to the "grass roots." For example, the guidelines for committee appointments adopted by the Board in Miami (reported elsewhere in this issue) will be implemented during the years 1972-74 under a plan that will afford increased opportunities for service for many who are willing—even anxious— to become involved. The Executive Committee will spend more time in "think tank" exercises probing into our problems—and opportunities. The Vice Presidents through their committee group responsibilities have been drawn into the mainstream. From such activities will come not only a clearer definition of goals and objectives and more active support for the committees but also a more meaningful involvement.

The actuary can no longer be smug and complacent. His is not the only profession active in his environment. When he speaks, the last word has not been spoken. We have been (or have we?) the object of envy within the sheltered cloister of the life neurance industry. The actuary was, some say, the glittering star. The cloister work have fallen down and we find ourselves in a battlefield of many threatening forces. The rigidity and smugness of the traditional actuary are not sufficient for the ensuing battles.

During the process of change we ask you to be demanding but patient.

Thomas P. Bowles, Jr.

### TO BE CONTINUED

Editor's Note: This is another in the series of articles from the Committee on Continuing Education. The rule is one article to one subject to give the non-specialist in that subject up-to-date general information and to encourage further research in the subject if the reader is so minded. Comments will be welcomed by the Committee and Editor.

#### Computers and Social Security Numbers

#### by Howard Young

One basic aspect of any data file is the requirement that some specified aspect of the data be used as the "key" to identify each record in the file. Obviously this concept existed before computerized files were created (policyholder correspondence files might use name, policy number, and/or some other data as the key); nevertheless, it requires careful examination and introduces potential uses beyond its original purpose when considered in connection with computerized files.

In many cases, files with data on individuals use their Social Security numbers (SSN) as at least part of the key. It should be noted that there is substantial concern over the use of the SSN in this manner, because of "invasion of privacy" implications. An advisory committee of the Department of HEW is looking into this, and may recommend legislative controls. This article does not examine that issue (as a practical matter, many files will contain the SSN, even if conditions are imposed on its use; in fact, the SSN now is required in some files for tax reporting or similar purposes); instead, certain characteristies of the SSN are described.<sup>(1)</sup>

The first three digits of the SSN have a geographical or other bias, based on the individual's status at the time the SSN was issued. While this bias does not seem consistent enough to be used as a basis for geographical selection, these digits can be used as a validity control: the ranges now in the use for these digits are 001 through 537 and 700 through 728.

<sup>(1)</sup>More complete information is available in publication number 69-59 (January 1971) of the Social Security Administration, titled "The Social Security Number".

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#### To be Continued

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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<sup>(2)</sup> 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 pickthis group of SSN, as opposed to any other one-fourth of the possible last four digits; e.g., all SSN ending in OO 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 tially putting that individual on the

<sup>(2)</sup>"Early Retirement," by Barfield & Morgan, ISR, The University of Michigan, page 173).

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#### 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 nofault 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

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