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## WHEN OLD AGE COMES— DR. X's COCKTAIL

by Arthur Pedoe

One satisfactory trend of modern society of major interest to actuaries is the reduction in the rate of mortality. This reduction is still continuing for female lives even to the limit of life; it is questionable whether at the oldest ages male mortality is still reducing.

Of major social significance in this trend is the increasing proportion of older people. In this article, "old" and "aged" mean those age 65 and over. In the United States there are 20 million people age 65 and over, almost 10 per cent of the population; in Canada about 8 per cent, and in France, 13 per cent, the highest of any country. Both numbers and ratios have been increasing, bringing the problem of old people to the forefront. The lower mortality of female lives compared to males means that a greater proportion of old people are women. In the U.S., 11.2 per cent of female lives are 65 and over as against 8.5 per cent of males.

Another aspect is the increase in the number of dependents; those under 20 and those age 65 and over. In both the U.S. and Canada they now exceed 45 per cent of the population and are near the 50 per cent mark—half the population! Many primitive peoples, when faced with this problem, opted for getting rid of the old. It was an American, Nascher, who is held to be the father of the study of the aged which he called *geriatrics*. Actuaries are aware of the exponential increase in disability at the older ages. Government health services are now realizing this fact through bitter experience and are attempting to cope with it.

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## C.B.H.W.

After the fashion of the tabloids, this note might have been headed "Barry Will Not Tarry." The members of the Society have already been advised that Charles B. H. Watson, who needs no identification, will return to private practice at the close of the annual meeting.

It is related elsewhere that Adam had a bad time of it because there were no precedents. Barry Watson may have experienced similar feelings in taking over the post of Executive Director. He has, however, successfully established a precedent in a way that has redounded to his credit and enured to the benefit of the Society. Many are the members, both individually and on committees, who are grateful for his help in time of trouble.

Fortunately this is a case not of "Hail and Farewell" but of "Farewell and Hail," since he will surely be seen at future meetings of the Society taking an active part. And so we wish him well in his new position and thank him for the fine job he did as Executive Director.

A.C.W.

## AB INITIO

J. Douglas Brown, *An American Philosophy of Social Security*, Princeton University Press, 1972, pp. 244, \$8.50.

by E. H. Wells

The author is former Dean, and first Provost of Princeton. His views on Social Security obviously carry weight because he has been a member of all five of the Advisory Councils, since the first Council of 1937, of which he was Chairman. This Council consisted of 25 members, of whom 6 represented labor, 6 were employer members, and 13 represented the public, most of these being associated with universities. One of the employer members was an actuary, M. Albert Lin-

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## REFLECTIONS ON FEDERAL INCOME "PHASE 3" TAX

by Clayton A. Cardinal

The "Phase 3" tax is the description given to the federal income tax imputable to amounts withdrawn from the Policyholders Surplus Account maintained under the federal income tax law. This article discusses certain facets of the federal income "Phase 3" tax as it relates to these withdrawals.

The federal tax law provides that stock life insurers establish two separate accounts—a Shareholders Surplus Account (SSA) and a Policyholders Surplus Account (PSA). The SSA can be thought of as holding the insurer's already taxed or tax-exempt earnings, while the PSA contains earnings still to be taxed. Only post-1958 results are used in establishing each of these accounts.

Cash dividends are taken from the SSA, and if the SSA is exhausted the excess is obtained by transferring the necessary funds to the SSA from the PSA. Since no federal income tax has been previously paid on amounts in the PSA, it is necessary to withdraw \$100 for each \$52 of dividends. The \$48 difference represents the "Phase 3" federal income tax. If the distribution to shareholders in a year exhausts both the SSA and PSA, the excess is considered to be paid from the "other accounts" which represent the surplus outstanding at the time the tax law was changed in 1958. No tax is imposed on a company with respect to disbursements imputable to these "other accounts."

A life insurer in a shareholder equity transaction, without knowing its SSA and PSA, could subject to taxation a lot of capital by an involuntary transfer of funds from the PSA to the SSA. The amount of any contemplated disburse-

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## When Old Age Comes

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The aged have been receiving a great deal of attention recently in newspaper and magazine articles and this might be due to the publication of a book by Simone de Beauvoir, French existentialist, writer, and novelist. Published in Paris in 1970 as *La Vieillesse*, an English translation has appeared with the title *Old Age* and in the U.S. *The Coming of Age*.

An appropriate alternative title could have been *The Curse of Old Age*. One reviewer stated that: "Faced with the biological, psychological, ethnical and historical realities for just short of 600 obsessive and ultimately negative pages," he could only conclude that "euthanasia is a virtue and suicide an act of sanity."

The two concluding sentences of de Beauvoir's voluminous work are: "Once we have understood what the state of the aged really is, we cannot satisfy ourselves with calling for a more generous 'old-age policy,' higher pensions, decent housing, and organized leisure. It is the whole system that is at issue and our claim cannot be otherwise than radical—change life itself." In other words, destroy society in the hope that something better may emerge.

Undoubtedly, conditions in some of the institutions for the aged in and near Paris, as described in the book, are deplorable. De Beauvoir states: "The situation is no better in the United States." We beg to disagree with this: American sensitiveness has its limits. At Nanterre on the outskirts of Paris there is a large institution for the aged. They are allowed out one afternoon a week with their spending allowance. "In summer the Nanterre streets near the institution are filled with old people of both sexes, lying on the ground . . . clasping bottles of wine to their bosoms and dead drunk."

At a similar institution in the heart of Paris which she visited, on the first floor up were the partially infirm. "Unless they could manage the stairs (no elevators) they were literally imprisoned in the dormitory . . . In the same dormitory there were old men no longer in control of their bodies who spent their days sitting on commodes . . . in the same room as the others, who were therefore condemned to live in a stinking atmosphere." The drink problem was the same as at Nanterre. A few privileged inmates

who could pay the price were much better served in the same institution.

One may be shocked at these disclosures, but they are in line with George Orwell's *remembrances of his stay in the public ward of a Paris hospital in 1929 (How the Poor Die, Collected Essays, Secker and Warburg, 1961)*. As recently as 1960 in a report by the French Minister of Health, which is quoted, it is apparent that conditions have not changed in many of these institutions.

Curiously, de Beauvoir has not a word to say about inflation which can nullify the effort made throughout life to assist the years of retirement; poor and aged are synonymous terms throughout the world. The helplessness and hopelessness of the aged entirely dependent on government assistance, is increased by the inflation governments do so little to counter or may be said to create.

The current interest in the aged brings to mind William Osler, known in his day throughout the United States as the "Doctors' doctor." Born in Canada, he spent 21 years in the chairs of medicine at the Universities of Pennsylvania and Johns Hopkins and is credited with putting U.S. medical education on a par with those of the best European universities. His famous textbook, *The Principles and Practice of Medicine* (first edition 1892, sixteenth edition 1947), was a landmark in medicine and was responsible for directing the Rockefeller millions to improve the health of the American people.

Planning to retire at age 60, Osler accepted the post of Regius Professor of Medicine at Oxford University, one of much honour and negligible duties. In a valedictory address entitled "The Fixed Period," he referred to a novel of that title by Anthony Trollope about "the admirable scheme of a college into which at 60 men retired for a year of contemplation before a peaceful departure by chloroform . . ." Osler was amazed at the reaction—throughout the country "Osler recommends chloroform at 60," was headlined with letters and cartoons; caustic, abusive and worse going on for days and weeks. In Trollope's novel the age for departure was before the sixty-eighth birthday.

Osler might not have meant to be taken literally. It was he who called pneumonia "the friend of the aged" and in his *Principles* states: "Taken off by it in an acute, short, not often painful illness, the old man escapes those 'cold

gradations of decay' so distressing to himself and to his friends." One should remember that older people today have much more vitality than they had in Osler's and Trollope's day and their references to people in their sixties would correspond more to those in their seventies today. In Shakespeare's day, 40 was old as he noted in *Sonnet No. 2*:

When forty winters shall  
besiege thy brow/And dig  
deep trenches in thy  
beauty's field.

I recently came across a reference to circumstances similar to those mentioned by Trollope in his novel. It was in an article in the English weekly, *Spectator*, by Dr. John Rowan Wilson, a regular contributor on medical subjects. Many years ago, he writes, he was a young house surgeon in a large general hospital which had a special wing for the aged and infirm. A Dr. X was in charge who had a routine system of treatment. When these sick and old people came in, they were handsomely treated with free smokes and tasty meals of roast beef and Guinness beer. When it appeared to Dr. X they were too old and sick to enjoy the care given them, they received a special cocktail "which eased them gently into the land of Nod." Dr. Wilson does not mention Osler or Trollope.

In an earlier article Dr. Wilson wrote about "the fine line between making a patient's last hours tolerable with large doses of sedative drugs and actually easing him across into the next world . . . decisions of vital importance, such as this, have to be left to the personal discretion of the doctor." In a recent book by Dr. Max Schur, Freud's personal physician, it is stated that after a 16-year losing battle with cancer, Freud asked for and got from Dr. Schur a Doctor X's Cocktail—in this case two hypodermics of morphine.

Undoubtedly the study of the aged has not received the attention its increasing importance merits. A study made for the U.S. Senate Special Committee on Aging found no mention of the subject in 51 out of 99 medical schools. The care of the aged is important enough to form a definite branch of study for medical students. Delacroix is quoted as saying that: "The strange disharmony between the spiritual strength brought by age and the bodily weakness that also comes with it" had always seemed to him as a contradiction in the laws of nature. □