



SOCIETY OF ACTUARIES

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Society's Response

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(6) Better means must be found for monitoring the Federal statistical system, especially to make both Congress and the Executive Branch of the government as well as the public aware of what affects statistical quality.

A copy of the full report which appeared in the *Statistical Reporter* may be obtained from the Society's office.

The JAHCOGS group will meet once a month through August 1977, at which time its final report will be released. Since lack of time and personnel will not permit detailed analyses of substantive and technical problems in the area of Federal statistical programs, the JAHCOGS group is focusing its attention on the broader subject of organization and control of the statistical functions of various units of the Federal government. The work of the committee has a potential for widespread and lasting benefit for users of and contributors to government statistics.

During its term, JAHCOGS will work with two experienced consultants on drafting a report on options for improving the coordination of the present decentralized Federal statistical system. In addition, JAHCOGS plans to frame a set of proposals to be implemented by the committee's constituent associations or any other interested body. The purpose of these proposals will be to focus continued attention on the issues discussed by the committee. It should be noted that all committee reports will include a clear disclaimer with regard to responsibility or endorsement of the sponsoring associations.

Society members are urged to send their JAHCOGS representatives any opinions, suggestions, or problems relating to Federal statistics, including their recommendations as to postures the Society representatives might adopt. In view of the fact that the committee must accomplish its work within the next two or three months, an early response is most important.

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national or regional organizations, whose function should be to assist in carrying out the detailed investigations and experimentations necessary to achieve the aims of the technical committee."

TOTAL GROUP

Bruce F. Spencer, *Group Benefits in a Changing Society*, pp. 330, Charles D. Spencer & Associates, 222 W Adams St, Chicago, Ill. 60606, 1976, \$17.50.

by William Schreiner

As might be expected in a business as dynamic as group insurance, few textbooks have been available to the group insurance consultant which provide an up-to-date survey of the design and direction of employee benefit programs. Bruce Spencer, associate editor of "Employee Benefit Plan Review," has set out to fill this void with "Group Benefits in a Changing Society." This is a formidable task and this reader judges the result to be only partially successful.

The book's greatest strength lies in its comprehensive description and an explanation of life, disability, and medical care benefits currently available in the marketplace. The material on ERISA and non-insured approaches also provides useful reviews and checklists for these subjects. In addition, although the text is punctuated with what appears to be a lifetime supply of exclamation points, the writing is generally clear and effective. Unfortunately, however, the book contains a significant number of errors and misinterpretations which detract from its credibility.

Two factual errors are offered as examples. In Chapter 2 the author indicates that Section 79 of the Internal Revenue Code "prohibits the use of medical underwriting to determine benefits or rates for group term life coverage for cases under 10 lives." Rather than prohibiting medical underwriting below 10 lives, Section 79 withholds favorable tax treatment in such situations — a distinction of considerable importance to a benefits consultant who might be tempted by the text's statement to tell his client that an insurer could not legally request such underwriting. In Chapter 3 the text states that Maine currently has a minimum first year group term insurance rate law in effect. The law was repealed in 1975.

More seriously, the text also shows an incomplete understanding of the mechanics and objectives of premium setting and experience refund practices. An example of this is the concern expressed that "the risk that the older employee working for a small company may die might be greater than can be offset by

reasonable premiums." Actually it is the existence of financial risks that cannot be safely absorbed by an individual or small group that is the basis of the insurance enterprise. Also, a statement that "many insurance companies are happy" to have a claim ratio below 95% for small groups suggests a higher tolerance for suffering than one should believe exists in the industry.

There is also a surprising benefit omission in the text. In the description of major medical deductibles, there is no reference to medical care deductible accumulation periods of less than 12 months.

Considering the difficulty of the task the author undertook, it is not surprising that he does not successfully negotiate all of the pitfalls. Nevertheless, the book is welcome and deserves the attention of those interested in the current state of employee benefit plans even though it has to be read critically.

Social Security

Orlo R. Nichols and Steven F. McKay, *The Effect of the 1976 Automatic Increase on Dynamic Projections of Benefits*, Actuarial Note No. 90, Social Security Administration, Baltimore, Maryland, August 1976, pp. 6.

This Note analyzes the effect that the Social Security automatic adjustment provisions enacted in 1973 will have on future benefits based on actual increases through 1976 and projected increases thereafter. Five alternative sets of economic assumptions are used regarding future increases in annual earnings and in the Consumer Price Index. Projections are presented of future earnings, benefits, and replacement ratios (benefits at retirement compared with the previous year's earnings).

Copies of this note may be obtained free of charge from the Office of the Actuary, Social Security Administration, Baltimore, Maryland 21235.

To Determine Best Milk Givers

Model Developed to Apply Actuarial Principles to Cows

Animal science and computer experts at Brigham Young University (BYU) here are going to apply to Dossie the actuarial principles used by insurance companies on people.

Computerworld

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