

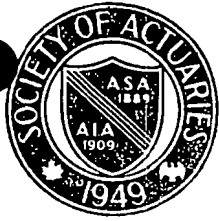


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THE LIFE INSURANCE INDUSTRY AND INCREASING GOVERNMENT INTERVENTION

by Linda B. Emory

Editor's Note: We are indebted to Mrs. Linda B. Emory and the Southeastern Actuaries Club for permission to reproduce the following extracts from Mrs. Emory's Presidential Address to the Club at their November 1977 meeting.

When Jimmy Carter was campaigning for the presidency, Amy Carter took advantage of her personal popularity as the many reporters who were following Jimmy's campaign to go into business. She set up a lemonade stand on her front lawn in Plains. One hot day when a reporter approached the stand, he noticed two bowls of lemonade, one marked 25¢ a glass and the other 50¢. The reporter asked for a glass of the 25¢ lemonade and drank it quickly. "That was very good!" he said, and purchased another. After his second glass, he said, "Amy, since the 25¢ lemonade is so good, why do you have the 50¢ lemonade at all. No one will ever buy it!" "Well," said Amy, "the cat jumped in that 25¢ bowl, and I'm just trying to sell it fast before the word gets around!"

If there is anything we actuaries can be sure of these days, it's that we can expect a cat to jump in our lemonade too! These intrusions to our business come in the form of acquisitions, spiraling health costs, inflation, accounting board opinions, and many others. It seems to me, though, that the biggest and most dependable cat is increasing government intervention. There's ERISA, Privacy Hearings, possible Federal Income Taxation of the cash value build-up in life insurance, probable Federal Trade Commission regulations beginning with cost disclosure, Federal Health

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Social Security Appointments

Molton D. Miller has been appointed to the new Advisory Council on Social Security. The Social Security Act requires the periodic appointment of an independent Advisory Council to review the status of the four Social Security Trust Funds, the scope of coverage, the adequacy of benefits, and all other aspects of the program including its impact on the public assistance programs. The last Advisory Council submitted its report in 1975. The law requires this Council to report prior to October 1, 1979.

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Robert J. Myers has been appointed to the nine-member National Commission on Social Security. The establishment of this Commission was provided for in the 1977 amendments to the Social Security Law. The Commission's responsibility is to keep a continual watch on all facets of the system including among other subjects the examination of alternatives to the current Federal programs. The National Commission will make regular reports to Congress during its two year existence.

Actuarial Meetings

- April 13, Baltimore Actuaries Club
- April 18, Chicago Actuarial Club
- April 19, San Francisco Actuarial Club
- April 19, Seattle Actuarial Club
- April 20, Actuarial Club of Indianapolis
- May 11, Baltimore Actuaries Club
- May 17, Seattle Actuarial Club
- May 17, Nebraska Actuaries Club
- May 18, Twin Cities Actuarial Club

CHANGES IN THE CONSUMER PRICE INDEX

Editor's Note: Many wage agreements and some private plans are tied to the CPI for increased future payments. The matter is therefore of some interest to employers and actuaries. A new CPI was introduced in February 1978. We are indebted to William M. Mercer, Inc. for permission to use their February 1978 Bulletin as a basis for this article about the new index.

Publication of a new Consumer Price Index for All Urban Consumers was released this February, covering January 1978. This new CPI will cover about 80% of the nation's population and will provide data for many groups not currently covered. In addition to the new index, the current Consumer Price Index for Urban Wage Earners and Clerical Workers, representing roughly half of the urban population, will be updated and improved. This present index is based on prices of 400 goods and services, as observed in 56 localities. The new index will be based on several thousand items in 85 localities. Both indexes, new and revised, will use December 1977 as a base value of 100.

The first CPI in 1901 recognized food items only. A more extensive index was published in 1919. This index was called a cost-of-living index even though it used the "market basket" approach. In 1940, the first comprehensive revision of the index was completed. Adjustments to the index were made during World War II and the Korean War due to rationing and shortages. Since then revisions have been made about every 10 years.

The 1953 revision of the CPI added such new products as television and frozen foods, and the purchase of a

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