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Letters

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I would have more sympathy with the author's position if he would provide evidence that his living standards are "withering" in comparison with those of people on Social Security.

Charles M. Larson

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Sir:

Mr. Calvert's views I found most thought-provoking. May I draw your readers' attention to a New York Times article (January 27, 1980) by Ugo Sacchetti that comes out on the other side of this important question.

Ronald E. Ferguson, F.C.A.S.

Ed. Note: The part of the Sacchetti article specifically in opposition to the purported failure of CPI to take quality improvements adequately into account, contends: "(a) That the index does not take adequately into account quality deterioration; (b) that the definition of quality improvement is often questionable, and at any rate non-symmetrical; and (c) that even when an improvement is real, the CPI correction may be made, in terms of fairness, only under specific conditions that frequently do not exist."

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Sir:

Geoffrey Calvert ignores decreases in durability, workmanship and quality in many goods and services. He cites examples of quality improvements, but neglects to mention many instances of quality deterioration.

Such examples are legion. Go into any restaurant. A waitress used to serve you; today you perform many of the services yourself. And is the food as wholesome and nutritious as 20 years ago?

Office visits to a doctor have declined to perhaps 5 minutes these days.

Recently, I compared the floors in a 48-year-old and a two-year-old house; they creaked in the new, but not in the old one.

It's hard to find a product that is not flimsier, thinner, less durable than its counterpart years ago.

This is not to say that the quality of everything has decreased. There have indeed been many quality improvements. Where the balance is, I doubt if anybody knows.

Mr. Calvert may be right in asserting that indexing incomes and benefits for some people increases their economic status and speeds inflation. But reducing CPI for the alleged quality difference, e.g. 2%, won't change that. Parties take the structure of the CPI into account in their negotiating. Would the author be happier if a wage settlement were 7% plus his reduced CPI, instead of 5% plus the present CPI? His argument is more persuasive in the case of Social Security indexing, but even here one wonders if the voting power of those millions wouldn't result in the same benefits even with a downgraded CPI.

Richard W. Ziock

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Sir:

Geoffrey Calvert's article is a prime example of how more actuaries should be applying their special talents. His work commands respect, even though no doubt there is something to be said on the other side.

Should not his tire price index increase be 423% instead of 140%?

Carroll E. Nelson

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Emphasizing Income, Not Lump-Sum Benefit

Sir:

Life insurance ought to be marketed in terms of how much ***life income*** it will provide to the beneficiary—not in terms of the conventional lump-sum face amount. Until an Income Policy is put on the market, insurance will continue to be sold in woefully inadequate amounts.

Today's typical prospect and beneficiary overestimate vastly the sufficiency of even, say, a $100,000 policy, failing to appreciate that it will furnish only $400 of monthly income if the insured dies when the beneficiary is in her middle 50's. But a wife with two children is capable of picturing and expressing her need in dollars per month for the rest of her life.

The vehicle for an Income Policy need not be anything new to actuaries; it can be just the familiar Ordinary Life supplemented by Decreasing Term, so that these in combination will promise the monthly income that the beneficiary knows she will need. The policy would not be the old survivorship or reversionary annuity, which has been proven to lack appeal, partly because it provides no surrender values.

The combination of whole life and term coverages would pay adequate agent's commission, would be self-supporting from the company standpoint, would be easy to understand and simple to administer. I prefer to leave the details of its rate structure to the ingenuity of the practicing actuary.

Milton J. Goldberg

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Persistency Research

Sir:

Frank Zaret (January issue) wants actuaries to promote up-to-date persistency tables.

It is surprising that Mr. Zaret makes no reference to the vast amount of research on lapse rates performed by LISRB-LIAMA-LIMRA over more than 50 years. Nor does he mention Norman Buck's paper, *TSA* XII, 258, nor the paper by Hartwell and me, *TSA* III, 338.

C.F.B. Richardson

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AN EVENT OF 1760

by E. J. Moorhead

History buffs and teachers will be fascinated by a short paper by R. H. Daw, F.I.A. entitled "Smallpox and the Double Decrement Table: a piece of actuarial prehistory." This appears in the latest segment (Part III) of the Journal of the Institute of Actuaries, Vol. 106.

Mr. Daw reports that Daniel Bernoulli, the Swiss actuarial pioneer, produced in a 1760 memoir the first double decrement life table. Starting from Edmund Halley's Breslau life table, Bernoulli derived a table excluding smallpox deaths. He assumed that no person could have smallpox more than once and that those saved (through inoculation) from smallpox would subsequently experience the same mortality rates as other persons of the same age.

Bernoulli had clearly in his mind the day, two centuries ahead, when smallpox mortality would be a scourge of the past. □