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A MESSAGE FROM OUR PRESIDENT

It is obvious that the long-term status of the actuarial profession and its significance in society, as well as the day-to-day functioning of the Society, depend crucially on the dedication of time and energy by the people who serve on Society committees.

I want to use this notice in *The Actuary* to express my appreciation and that of the Board of Governors and the members and students of the Society of Actuaries to those individuals whose volunteer work enables the Society to carry out its mission of service to the actuarial profession and the public.

I wish it were practical for me to write a letter of thanks to each individual listed in the committee roster section of the *Year Book.* However, with close to 850 people involved in committee work on behalf of the Society, this is impossible. The fact that there are so many people involved in this way is surely one of the great strengths of the Society.

Julius Vogel

PROF. POLLARD'S MORBIDITY-MORTALITY TABLE

by Louis Levinson

A "morbidity-mortality table," as conceived by Prof. A. H. Pollard, F.I.A. of Australia, is a multiple-decrement table akin to the familiar combined mortality and disability table. But, while the conventional double decrement table is the result of an investigation that takes account concurrently of the pair of decrements revealed by a single study, the decrements in the morbidity-mortality table come from independent, though doubtless properly comparable, sources.

The morbidity-mortality table has been set forth in Prof. Pollard's paper, *The Interaction Between Morbidity and Mortality.* It was submitted to the Institute of Actuaries this year, and is expected to appear in J.I.A. Vol. 107.

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THE SOCIAL SECURITY DISABILITY AMENDMENTS OF 1980

by Bruce Schobel

On June 9, 1980, President Carter signed into law the Social Security Disability Amendments of 1980. This article covers only the Disability Insurance program changes (there are many others), which fall into two major categories: (1) benefit amounts, and (2) program administration.

Benefits

Under previous law, the five years of lowest indexed earnings were excluded in caculating average indexed monthly earnings (AIME). Consequently, benefits to workers disabled at younger ages were based on a more favorable proportion of their earnings than those to older workers. The 1980 Amendments specify which years are to be excluded, starting

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"PROJECT UPDATE"

by Harvey Halpert

On March 19 the Actuaries Club of New York heard a report by Messrs. Dale R. Gustafson and James J. Murphy on the sweeping change in coverage on old policies that Northwestern Mutual Life, is offering its policyholders.

The Problem

The U.S. 1959 Income Tax Act fails to treat holders of participating policies within a single company evenhandedly in respect of the amounts that must be charged against their dividends to provide for the portion of the tax that is levied against the company's investment income. This is partly because the tax base is the excess of investment income over the policy reserve interest requirement, and partly because the "Menge formula" (10-to-1) rule used for adjusting for differing interest rates within a portfolio of policies develops serious inaccuracies when the difference between earned and reserves interest rates is as large as it has recently become. This injustice among policyholder groups has been specially troublesome in the speakers' company because more than half their policy reserves are on a 2% or a 2¼% interest rate. New policies since January 1978 are valued at 4% interest.

The Solution

It was decided to offer policyholders a choice between (i) having their policy face amount increased, reserves and cash values henceforth to be at 4% interest, or (ii) keeping their present policy just as it has been. The premium would be the same in either event. This means equating the current policy reserve (and the cash value*) for the old face amount

*To keep before-and-after cash values as well as reserves the same, requires special treatment to keep what used to be called the "surrender charge" unchanged.

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