



SOCIETY OF ACTUARIES

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holder group, according to evidence at a Massachusetts hearing, was employees in their twenties. I estimate the anticipated loss ratios for this group at under 5%, due in large part to very high lapse rates.

(v) Mr. Barnhart can't be serious when he suggests that regulatory bodies ought to look with favor on 30% to 40% loss ratios.

James H. Hunt

* * * *

Sir:

Three cheers for Mr. Barnhart's plaudits of Cancer Insurance!

I suspect that experience will prove the premiums, reserves, and loss ratios of many insurers to be seriously understated for at least two reasons: (a) failure to recognize increasing cancer incidence rates prevalent for several decades, and (b) failure to provide for dramatic cost increases associated with advancing age.

A severely increasing pattern of incurred loss ratios is already evident in many companies. Perhaps insurers are placing great reliance on their contractual right to increase future premiums. Or are purchasers being given an even better deal than insurers are willing to recognize?

It is unfortunate that this potentially valuable product has received such negative publicity. Few A. & H. products require that so little of the premium dollar be expended for underwriting and claims administration. Economical marketing techniques are also possible and widely utilized. Policy benefits can be readily ascertained and fill a real need.

One cannot ignore, however, findings such as those in a recent report by ABT Associates, Inc. From 45 case histories they concluded "that cancer insurance will pay at most 29% of the cost of cancer for the first three years of the disease," compared to 71-92% coverage under typical group comprehensive plans.

If insurers wish to silence their critics they will need to broaden coverage substantially. Or else—probably a fruitless endeavor—educate the public to, and justify, the limited nature of the benefits.

Lee A. Zinzow

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Chequered Exam Career

Sir:

May I change my entry in the current sweepstakes for the actuarial hall of fame.

I hereby withdraw my claim to be the only Fellow who has not heretofore submitted such a claim. Instead, I claim to be the only Fellow who passed Part 4 (or something called Part 4) three times (1938, 1939, 1946), twice "cum laude."

For the sake of whatever respect my students in Life Contingencies may have for me, I shall not enter a claim based on the number of times I failed an examination (by whatever number) in that subject.

Z. I. Mosesson

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Bare Facts

Sir:

Perhaps an account in lighter vein of events at a couple of employee meetings will help to counterbalance the heavy discussions of private pension problems and alleged ailments in your recent issues.

My partner had the unusual experience of addressing an employee meeting about their profit-sharing plan in which perhaps three-quarters of those present were nude.

This occurred at shift-change time in an underground anthracite mine. One shift had surfaced and was ready to enter the showers, while the other shift was changing into mining garb. At the close of the customary detailed presentation, the crowd was asked if there were any questions. There was one: "Can we shower now?"

Another memorable case was installing a pension plan for a group of 50 rabbis at an employee meeting held in the sanctuary of a synagogue. The actuary-employee dialogue was conducted in English, Yiddish and Hebrew with multiple simultaneous translations going on throughout the room. The Summary Plan Description was subjected to searching analysis by the employees to discover hidden meanings, if any.

I have reason to believe that it would be worth your while to solicit stories by other pension actuaries interested in topping these.

Conrad M. Siegel

Ed. Note: Topping is cordially invited.

ACTUARIES SHOULD TAKE A STAND

by Robert J. Myers

Ed. Note: Mr. Myers sent us this article on November 29th, 1980.

As explained in Norman Solomon's paper, *TSA XV*, 167, so-called windfall appropriations are required annually to finance dual benefits to which certain railroad workers became eligible under the Railroad Retirement Act in consequence of pre-1975 employment that entitled them to both Railroad Retirement and Social Security benefits. The 1974 Railroad Retirement Act prescribed that these appropriations be determined by the Railroad Retirement Board and then re-valued at each triennial actuarial valuation of the Railroad Retirement Fund.

The appropriations recommended by the Board's Chief Actuary have been as follows:

Originally Determined (1974)	\$250 million
After 13th Valuation (1976)	350 million
For Fiscal Year 1979	363 million
After 14th Valuation (1979)	500 million

The first three annual appropriations were made in the amount originally determined. But since then the Office of Management and Budget (OMB) has stepped in and arbitrarily reduced the revised appropriations shown above: from \$350 million to \$250 million; from \$363 million to \$313 million; and from \$500 million to \$350 million.

This is a serious case of bureaucrats ignoring specific provisions of law, and making policy with the tacit consent of, or possibly without the knowledge of, the Administration officials to whom they report.

The actuarial profession should take a strong stand against this by-passing of actuarial determinations. It is just such actions as this that have caused many public employee retirement systems to become inadequately funded because the advice of the actuary was ignored. □

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