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FERTILITY FADE FUELS FICA FLAP

by David M. Lipkin

The actuarial profession became unusually visible in a discussion of appropriate assumptions for OASDI cost estimates during the December 10th, 1982 meeeting of the National Commission on Social Security Reform.

"Current Population Reports" issued by the Bureau of the Census two months previously (Series P-25, No. 922) had revealed that its demographers were revising their long-term fertility estimates downward. And the Commission's Executive Director, Robert J. Myers, had directed attention to a *Washington Post* article reporting that the Social Security actuaries were thinking of decreasing their fertility assumptions for the 1983 Trustees Report. The long-term 1.8% deficit, on which the Commission was building its recommendations, would hold water only if the higher fertility assumptions of the 1982 Trustees Report were employed. Myers explained that a change in this assumption from 2.1 (children per woman who lives through the child-bearing ages) to 1.9, along with other changes in assumptions being considered, would lift the deficit forecast all the way from 1.8% to 2.5% of covered payroll.

This revelation shocked some Commission members; several expressed frustration at not knowing which figures to believe. And the political sensitivity of the matter increased their irritation, their acceptance of the 1.8% imbalance having already been widely publicized.

Robert M. Ball, a former Commissioner of Social Security, pointing to the recent upward trend in fertility, doubted that the assumptions ought to be lowered. Robert A. Beck, Prudential's Chairman, remarked that "in private business we pay for using wrong assumptions", and said that the worst that might happen

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CENSUS OF PRE-1889 ACTUARIES IN NORTH AMERICA

In April 1839—50 years before the Actuarial Society was organized—there were on this continent just three actuaries, viz. John F. James and Sears C. Walker in Philadelphia, and William Bard in New York. These three were the survivors of a group of seven actuaries who had pre-1839 experience; the other four were Robert Patterson, Jacob Shoemaker, Jr., and Joseph Roberts, Jr., of Philadelphia, and Nathaniel I. Bowditch of Boston.

At this stage in the "19th Century Actuaries Project" (see our April issue, pp. 4-5) we are reasonably well able to justify the following record of actuaries by number, as well as by name, through the half-century from 1839 to 1889:

Number of Actuaries, 1839		3
1840 - 1849:	Entered	10
	Died	0
Number of Actuaries, 1849		13
1850 - 1859:	Entered	9
	Died	−5
Number of Actuaries, 1859		17
1860 - 1869:	Entered	22
	Died	−2
Number of Actuaries, 1869		37
Net Additions, 1870—April 1889		42
Number of Actuaries, April 1889		79

At this point we are unable to arrive at a satisfactory estimate of the numbers who entered and departed from our profession in the decades of the 1870's and 1880's. We think we are close to knowing all the names, but haven't yet managed

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THERE'S A NEW STUDY ON REPLACEMENTS

by Deborah Adler Poppel, Associate Editor

Can you answer these questions about replacements of individual life policies?

1. What percent of households that drop a policy replace it?
   a) 22% b) 36% c) 50% d) 74%
2. Of all whole life policies that are replaced, what percent are replaced by term?
   a) 20% b) 33% c) 50% d) 70%
3. What percent of replacements are reported to have been initiated by agents?
   a) 20% b) 33% c) 50% d) 75%

If you answered "b" to all three questions, either you're an expert on replacement or you've read LIMRA's report titled "Replacement — The Consumer's Point Of View". This report, sponsored by LIMRA, MDRT, and ACLI, is part of LIMRA's series on "Consumer Experiences in the Marketplace"; it gives the responses of about 3,000 households (out of 100,000 initially surveyed) that had dropped a life insurance policy during 1979. Of these respondents, 36% replaced the dropped policy; this study defines a replacement as a policy that the household bought with the intention of replacing a dropped policy.

The study shows whether the replacement was internal (same company) or external, and the extent of an agent's involvement. Policy size, policy age, policy type, and other variables are also analyzed, as are the reason stated for dropping a policy.

If you'd like a copy of the report, ask LIMRA for it. It may make you question some of your prior notions about replacements. □

SOCIAL SECURITY DISABILITY EXPERIENCE

by Bruce D. Schobel

Disability Insurance (DI) program data through calendar year 1982 show continuation of trends that began about three years ago. (See our Dec. 1980 issue, p. 3—Ed.)

The number (2,604,000) of disabled-worker beneficiaries in payment status at year-end 1982 was 12,000 below that of a month earlier, 173,000 below December 1981, and 277,000 below the peak reached in July 1979. The last time the disabled workers numbered fewer than in December 1982 was in June 1976.

Benefits awards in 1982 (299,000) declined 13.5 percent from the previous year, reaching the lowest level since 1966. The gross disability incidence rate for 1982 was 2.9 awards per 1,000 insured workers, 15% below 1981 which had been the lowest in the program's history. This rate has been below 4 percent only four times—1964, 1980, 1981 and 1982.

The total number of terminations in 1982 from all causes—death, conversion to the old-age rolls at age 65, and recovery — was 471,000, exceeding by 40,000 the 1981 figure which had been the program's historical peak. This clearly is the result of the periodic review process called for by the Disability Amendments of 1980 (Public Law 96-265) to begin in 1982. The Reagan Administration decided, however, to begin these reviews early, in March 1981, and has taken considerable political flak as a result.

Steps were taken in 1982 to make the reviews better understood and fairer to beneficiaries. In March, retroactive cessation was stopped in most cases so that terminated beneficiaries no longer have to make significant repayments. A requirement for face-to-face interviews was later added, so that obvious cases of continued disability wouldn't be missed.

In January 1983, the President signed H.R. 7093, giving further relief to terminated beneficiaries by providing for face-to-face reconsideration and continued benefit payments through the second appeal stage, but not beyond June 1984. This enables the Secretary of Health and Human Services to assure the quality of decisions by waiving the periodic-review requirement, state-by-state. It also permits benefits to be reinstated to persons who haven't reached the second appeal stage, adding perhaps 35,000 beneficiaries to the rolls.

The effect of the increase in investigations appears to have stabilized. The 12-month moving total of terminations was about 470,000 for the last six months of 1982, and even declined slightly in three of those months; it had been at the 400,000 level before the periodic reviews began exerting their influence. Evidently, the increased reviews are responsible for about 6,000 additional terminations per month.

An accompanying table gives data for the past four calendar years.

Social Security Disabled-Worker Experience
(in thousands of cases)

Calendar Year	*Awards*	*Terminations*	*In Payment Status at Year-End*
1979	409M	418M	2,870M
1980	389	398	2,861
1981	345	430	2,777
1982	299	471	2,604

ARE YOU BUGGED BY A GERM OF AN IDEA?

Let's say you want your notion or query discussed, but you know it won't make the *Transactions* (or *The Actuary*—Ed.). Try ARCH—Actuarial Research Clearing House. Send 3 photo-ready copies to *one* of its Co-Editors (Courtland C. Smith, Arnold F. Shapiro, Charles S. Fuhrer) at his Yearbook address.

Census of Pre-1889 Actuaries

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to distinguish between those who really were doing responsible actuarial work and those who just signed annual statements for submission to the many insurance departments that had come into operation during that formative period in insurance regulation.

Of the 79 men—we have no knowledge of any women, although Lucy Jane Wright had practiced in the mid-1860's—who were practicing in April 1889, 45 were charter members of the Actuarial Society, 17 joined soon afterwards, 16 hadn't joined by 1890, usually because they had retired or moved into other activities, and one (Lucius McAdam) seems to have shunned the Actuarial Society but became the first president of the American Institute in 1909.

Canadians

Twelve Canadian actuaries are in this census. How close can any Canadian member come to naming them? Anyone interested, please send a list to the Editor. *E.J.M.*

Deaths

Charles A. Chuculate, A.S.A. 1978
Thomas A. DeSelm, A.S.A. 1967
Robert T. Jackson, F.S.A. 1948
Stuart J. Kingston, A.S.A. 1949
Jacob A. Lazerson, A.S.A. 1962
Eric Keith Pollard, A.S.A. 1980
W. Murdoch Stewart, F.S.A. 1937

Contributions to the Actuarial Education & Research Fund, 500 *Park Boulevard, Itasca IL* 60143, *in memory of any deceased member, are acknowledged to the donor and to the member's family.*

ROBERT T. JACKSON, 1917-1983

Robert T. Jackson, Society President in 1976-77, undoubtedly inherited his respect and his aspirations, for our profession and for the life insurance business, from his high-principled and eloquent father, Henry H. Jackson, who was an influential actuary four decades and more ago. Those acquainted with both father and son are likely to agree that each possessed a well developed sense of humor, though their ways of displaying it were markedly dissimilar.

Robert Jackson's major contributio.. to the Society's literature were his 1959 paper on policy dividends and his presidential address dealing with professional reorganization. He has also left us a thoughtful essay—*TSA* 23 (1971), D453—on the limits of what a "reasonable policyholder" should expect of his company.

An executive of Mr. Jackson's company is quoted thus in the *Hartford Courant* of April 8th, 1983:

"The rarest thing you can find is an actuary with a good marketing sense and Bob had that."

We may be permitted the rejoinder that warmheartedness, effective leadership, and sound judgment form an equally rare combination, and Bob had those.

E.J.M.