

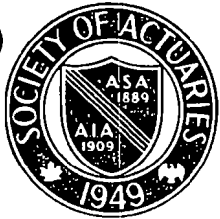


SOCIETY OF ACTUARIES

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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 meeting 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 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	<u>79</u>

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 reasons 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.