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INDIVIDUAL LIFE INSURANCE AND ANNUITY PRODUCT DEVELOPMENT SECTION — BIGGEST AND BEST

by Donald R. Sondergeld,
Chairman of the Section

Some of you may not agree completely with the title of this article. We don't have the biggest membership — 1,813 members (as compared with the Pension Section's 2,023), as of the end of March. Our name, however, does contain more words and letters than the name of any other Section.

The bylaws of each Section indicate the purpose is to encourage and to facilitate the professional development of its members through activities such as meetings, seminars, research studies and the generation and dissemination of literature in the area designated by the Section's name. Our Section has an additional purpose of focusing on new product innovations and the external items related to their development.

The Section was born in Washington, D.C., at the October 1982 meeting of the Society. Its organizers proposed it as a Section on interest-sensitive products. However, the Society considered that subject too narrow and suggested the broader name we were christened with. There was an understanding that our Section could focus initially on interest-sensitive products, which it has done.

The success of many organizations is due to good leadership. This has certainly been true of our Section. Greg Carney was the 1982-83 chairman, followed by Dick Kling in 1983-84. Jay Jaffe was vice chairman both of those years. They were the Section's prime movers, ably assisted by Alan Little as secretary for two years. Howard Kayton is our iron man, having been

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NAIC ADOPTS ANNUITY TABLE TEST

by Robert J. Johansen

The NAIC, at their December 1984 meeting, adopted for future use two tests of continued adequacy of the 1983 Table A. The tests were devised by the Society's Committee on Nonforfeiture and Valuation Mortality Problems — Individual Life Insurance and Annuities — at the request of the NAIC Life, Health and Accident Standing Technical Actuarial Task Force.

As mortality continues to improve, life insurance valuation mortality tables become safer, but annuity table margins erode and the tables become inadequate. Objective tests would provide a means of checking on the continued adequacy of the 1983 Table A (or any other annuity table).

While several members of the Mortality Problems Committee favored full investigation and the application of judgment to various factors in order to test continuing adequacy of the 1983 tables, the need of the NAIC Task Force for a relatively simple objective test was also recognized. The Committee proposed two tests, as follows:

One test was intended to compare the 1983 Table A with the experience in the Society's next individual annuity mortality study, presumably covering 1976 to 1981 contract anniversaries. Adjustments for the assumed rate of mortality improvement between 1976-81 and 1983 would be needed. Mortality ratios of generally 105% or more (110 is expected) would indicate adequacy. (The 1983 Table A was projected from the 1971-76 Individual Annuity and Settlement Option experience and then loaded 10%.) Even 100% could be con-

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CURRENT FINANCIAL STATUS OF SOCIAL SECURITY

by Robert J. Myers

Ever since the enactment of the 1983 Amendments to the Social Security Act, controversy has continued as to whether the Old-Age, Survivors, and Disability Insurance program's financing problems were really solved. This memorandum will examine the financial situation for fiscal year 1984 (the year ended Sept. 30, 1984) as compared with the intermediate-cost estimates presented in the 1983 and 1984 Trustees Reports. This is done separately for each of the four trust funds — namely, Old-Age and Survivors Insurance, Disability Insurance, Hospital Insurance, and Supplementary Medical Insurance. On the whole, the experience for each item has been about the same as in the earlier estimates, or else somewhat more favorable.

For OASI, actual income has been slightly larger than estimated, while outgo has been about the same. As a result, the fund balance is about \$2 billion higher than estimated, and a partial repayment of the loans made to OASI by the DI and HI Trust Funds were effected on Jan. 31. About \$1.8 billion of the \$12.4 billion loan from HI was repaid, as was \$2.5 of the \$5.1 billion from DI. It had been estimated that no loan repayment would occur before 1986, but the automatic triggering device (see the March and May 1984 issues of this newsletter) required that this be done in January 1985.

As to DI, income has slightly exceeded the estimates, but so too has outgo — probably because the disability experience has become somewhat worse (due to more approvals and fewer removals from the roll on account of presumed recovery). As a result, the

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fund balance is about the same as estimated in the 1984 Trustees Report, but it is about \$500 million lower than estimated in the 1983 Trustees Report.

Next, considering HI, actual income has slightly exceeded the earlier estimates, but outgo was about \$2½ billion lower than estimated. The reasons for this decrease are not entirely clear, but it is probably due to lower hospital utilization (and not directly, at least, due to the new reimbursement procedure, which is just gradually being phased in). As a result, the actual fund balance was about \$3 billion higher than the estimates.

Finally, considering SMI, the actual income was about the same as estimated, while the outgo was slightly lower. As a result, the fund balance was about \$1 billion higher than estimated.

So what does this all prove? So far, the financial experience for all four trust funds of the program is reasonably good and is generally somewhat more favorable than had been anticipated when the reform legislation was enacted in 1983. This is especially so for the HI program, which nonetheless faces great financing problems some 5 or 6 years hence — a reprieve of a year or two as compared with what seemed to be the situation at the time the 1983 Amendments were enacted. □

Annuity Table Test*(Continued from page 1)*

sidered satisfactory because improvement rates vary from year to year and period to period. The significant ages are 65 to 85; ages below 65 have, in the past, reflected ill health early retirements. It now appears that the next annuity mortality study will not be available earlier than 1986 and the experience period to be reported on has not been set.

The second test is indirect but could be applied sooner. It would compare by age groups, the improvement rates used to develop the 1983 Experience Table from the 1971-76 experience with the ten-year improvement rates implicit in a comparison of the United States 1969-71 and 1979-81 population tables.

ACTUARIAL RESEARCH CLEARING HOUSE

The Committee on Research has recently distributed the 1984 issue of ARCH. This issue publishes 13 papers presented at the 18th Annual Actuarial Research Conference held at the University of Wisconsin in the early fall of 1983. The general subject was Population Projections: Techniques and Implications.

For those who do not subscribe, but who attempt to stay informed, *The Actuary* here lists the authors and the titles of these 13 papers:

Title	Author
<i>Demography for Actuarial Students</i>	John A. Beekman
<i>An Introduction to Forecasting with Time Series Models</i>	William R. Bell
<i>Population Waves and Fertility Fluctuations: Social Security Implications</i>	Phelim P. Boyle and Ruth Freedman
<i>A Bayes Estimator for Ordered Parameters and Isotonic Bayesian Graduation</i>	James D. Broffitt
<i>Making Demography Relevant: The Canadian Baby Boom</i>	Robert L. Brown
<i>Transformation of Grouped Data to Near Normality</i>	Victor M. Guerrero and Richard A. Johnson
<i>Critical Linkages in Higher Education: Age Composition and Employee Costs</i>	W. Lee Hansen and Karen C. Holden
<i>Technology, Employment, and the Succession of Generations</i>	Nathan Keyfitz
<i>U.S. National Population Projections Methods: A View from Four Forecasting Traditions</i>	John F. Long
<i>The Implications of Demographic Changes for Publicly Funded Medical Insurance Costs</i>	David McKusick, Roland King, and Solomon Mussey
<i>Evaluation of Transformations in Forecasting Age Specific Birth Rates</i>	Robert B. Miller
<i>Implications of Population Change on Social Insurance Systems Providing Old-Age Benefits</i>	Robert J. Myers
<i>Population Projections for Social Security Cost Estimates</i>	John C. Wilkins

The 19th (1984) Actuarial Research Conference on a different subject has already been held. The papers presented there will appear in a 1985 edition of ARCH. □

Because of the effect of improving socio-economic status, the population improvement rates should be somewhat greater than those of annuitants. Giving effect to the socio-economic influence means that population improvement rates which are not markedly higher

than those used to derive the 1983 table would be satisfactory.

Copies of the Committee's report and related correspondence are available from Mark Doherty, Director of Research, at the Society's Office. □