



SOCIETY OF ACTUARIES

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# The Actuary

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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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## Life Insurance, Annuity Product Development Section

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treasurer all three years. This year we also have Bill Carroll as vice chairman, and Steve Frankel as secretary.

I would give our Section good marks on all of the activities mentioned in the Section's purpose: meetings, seminars, research studies, and the generation and dissemination of literature in our field. Let me list some of our accomplishments.

We co-sponsored our first seminar with the Reinsurance Section on the day prior to the April 1983 Society meeting in Chicago. The topic was Large Amount Term Insurance. We also designed and distributed a Membership Survey to help us better plan services to our members. Greg Carney, our Education Chairman, also chaired a task force in 1983 which made many recommendations on the annuity syllabus.

Our Section's newsletter, first published in October 1983, has been very well received. We can't thank Dick Robertson enough for his efforts as editor of the first five issues. Dick Kling is now our managing editor and chairman of our Newsletter Committee. Dick deserves credit for the sixth publication, dated February 1985, and any issues that may have been distributed since then. The average interval between issues has been three months — but we hope to publish it more frequently in the future.

At the Society's October 1983 meeting in Florida, we offered a golf tournament and our first Section luncheon. Roger Day, Insurance Commissioner of Utah and then President of the NAIC, was our luncheon speaker. Like the Health Section, with its breakfasts, we like to eat—but we expect a larger, and more attentive, turnout at lunch.

Also, at the 1983 meeting in Florida, we amended our bylaws to permit ASAs to vote and hold office in our Section. This had been proposed by our Section's organizers, but the Society didn't permit that in 1982. It did when we were one-year old.

The year 1984 was also good. Our Section organized and ran a one-day Interest-Sensitive Product seminar on May 30 at the Waldorf Astoria in New York. This was convenient for those at-

tending the Society's specialty meeting on Investment Management, held at the same hotel the following two days. There were a number of excellent papers written for this seminar and distributed in advance. Portions of the Seminar were videotaped, and have been made available to actuarial clubs. In keeping with tradition—we had a luncheon speaker—Arthur Rebell, First Vice President of Wertheim & Company, author of Dow Jones Press book: *Futures and Hedges*.

Due to the success of that seminar, we jointly sponsored (with the Continuing Education Committee) three one-day seminars on *Investment Strategies for Interest-Sensitive Products* in October 1984.

At the Society's October 1984 meeting in Toronto, we had another Section luncheon. Our speaker was John R. Cox, Deputy Chairman and Chief Executive Officer of the Associated Madison Companies in New York.

What have we been doing for an encore in 1985? Our Program Committee developed a track that represented about 25% of the program for the Society's April meeting in San Francisco. The Society's Continuing Education Committee and our Section co-sponsored three one-day seminars on *Variable Universal Life* in April and May. We were actively involved in planning a portion of the Society's 1985 meetings: Quebec in June and New Orleans in October. You can count on our having an excellent luncheon speaker at our Section's luncheon at the Society's annual meeting in New Orleans.

I trust you can now agree that we are among the very best! The reason is hard work — not just by the few people named in this article — but by everyone who has participated in the Section's activities. I suspect other Sections can make similar claims — for the same reason. □

### Deaths

Wilson H. Scott	FSA 1958
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## SIGHTINGS

*Michael G. Olivieri* sent us a crossword puzzle where the clue "insurance man" was answered by "actuary".

*Michael W. Frank* found the following reference in a sports column in the *N.Y. Daily News*:

"The probabilities of a playoff berth now are best left to the actuaries in the crowd".

*Thomas J. Hummel* showed that a good writer can make the pedantic sound romantic, by sending us an excerpt from a *New Yorker* book review, by John Updike, of Alice Adams' "Superior Women":

"...a natural story writer's avidity for the telling detail becomes, extended over a wide ranging plurality of characters and events, rather actuarial, and a certain bleakly notational texture overtakes the survey, and the reader feels that he is not so much enjoying vicarious experience as overhearing gossip".

Great writer or not, I have no idea what Updike is saying. Does he like the book or not? Does he like actuaries or not?

*L.S. Norman* spotted a reference to "a bibliophistic actuary" in *The Ring Lardner Reader*. Is this yet another analogy of actuaries to bookies?

*Michele Buchwald* sent us the following from "The Talisman", by Stephen King and Peter Straub:

"(He) was not an overweight, hypertensive actuarial toad with piracy in his heart and murder in his mind."

Our apologies to any actuarial toads who might be reading this.

*Elsie L. Gysbers* contributed a *Los Angeles Times* review of the movie "Falling in Love", containing the following:

"(Falling in Love) is the ultimate Bloomingdale's movie, with as much heart as an actuarial table".

This was not a favorable review.

*Denis W. Loring* found the following in an Adult Education course catalogue in New York City:

"Course 684-White Collar Boxing ...Who knows, maybe one day you'll be known as 'The Actuarial Kid'...."

D.A.P.