



SOCIETY OF ACTUARIES

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Long-term-care cont'd

Thirty-three states have approved at least one long-term-care rider. Some state insurance departments, however, cannot seem to find approval authority within existing statutory regulations. Objections usually fall within two categories: a regulatory prohibition that may bar the combination of life and health insurance in a single contract, and noncompliance with an individual state's variation of the NAIC model long-term-care regulation. Little by little, the number of state approvals is increasing.

Definition of life insurance

Long-term-care riders do not fall within the five qualified benefits under IRC Section 7702. Guideline premiums are not increased when a long-term-care rider is attached. However, life insurance treatment of the underlying base policy does not appear to be jeopardized.

Taxation of benefits

As a general rule, benefits received from personal health insurance are exempt from income tax. There is some question if long-term-care insurance qualifies as health insurance. Since the insuring clauses in long-term-care insurance policies and riders are the same, we expect that long-term-care rider benefit payments will be treated the same as long-term-care policy payments.

The ACLI has requested a revenue ruling from the Treasury Department. If a favorable ruling is granted, long-term-care insurance would be treated as guaranteed renewable health insurance—both from a company and personal perspective. Payments to consumers would, therefore, be nontaxable. There appears to be no opposition to a favorable ruling.

Other considerations

Product pricing involves setting assumptions for claim costs and

related items, and projecting the interaction of the rider with the policy. A few open issues in GAAP, statutory, and tax reserving methodologies are being addressed by actuaries and regulators.

Long-term-care riders have many administrative similarities to other riders currently marketed with life insurance policies. Administrative modifications may be necessary when benefit payments are made.

The focus of existing product designs has been on new life insurance sales. There is no reason why this rider cannot be attached to existing policies, pursuant to appropriate underwriting.

Summary

Long-term-care riders to life insurance are new. They provide real insurance value at a reasonable cost. These riders will allow life insurance companies to compete on a basis other than cost.

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Survey gauges interest in serving on committees

by Darryl Leach

In the May issue of *The Actuary*, the Society's Professional Development Committee promised to give you the results of the questionnaire concerning interest in serving on committees. Although the table is self-explanatory, the following comments and observations may be of interest:

- Of the 253 respondents, 220 were FSAs and 33, ASAs.
- Respondents indicated an interest in serving on an average of 2.1 committees each.
- The survey was aimed at FSAs, of which there are 6,042, and ASAs no longer taking exams. There were 4,074 ASAs at the time of the survey, but it is difficult to estimate the number no longer writing. Assuming that about 1,000 are no longer writing (probably a high estimate), the potential respondents numbered about 7,000.
- About 800 committee slots are now filled. If we assume the average number of committees per person is about 1.2, then about 650 members already serve on committees. Based

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SURVEY RESULTS

COMMITTEES	NUMBER OF		COMMITTEES	NUMBER OF	
	CURRENT MEMBERS	POTENTIAL ADDITIONAL MEMBERS		CURRENT MEMBERS	POTENTIAL ADDITIONAL MEMBERS
PRESIDENTIAL			ACTUARIAL PRINCIPLES AND VALUATION		
Complaints and Discipline	13	9	Valuation and Related Areas	10	35
Guides to Professional Conduct	4	10	Life Insurance Company	12	47
International Relations	8	16	Valuation Principles	—	23
EDUCATION AND EXAMINATION			Actuarial Principles	10	29
Education and Examination Parts	500	80	Task Force on Non-Forfeiture Principles	9	29
SERVICE TO MEMBERS			Joint Committee on the Valuation Actuary	9	29
Program Committee	23	36	PENSIONS AND SOCIAL INSURANCE		
Continuing Education	16	—	Pension Principles and Related Research	13	36
Computer Science	7	18	Social Insurance	12	7
Life and Health Corporate Affairs	9	8	CAREER DEVELOPMENT		
Management and Personal Development	10	20	Professional Development	7	17
RESEARCH AND STUDIES			Public Relations	8	14
Mortality & Morbidity Experience Studies			<i>Career Encouragement</i>		
<i>Individual Life Insurance</i>			Subcommittee on Relations with Colleges, Universities, High Schools and Related Matters	7	29
Life Insurance	13	15	Subcommittee on Minority Recruiting	11	10
Aviation and Hazardous Sports	4	2	Subcommittee on Actuarial Opportunities	5	14
<i>Other</i>			PUBLICATIONS		
Individual Health Insurance	15	12	Publications	12	1
Retirement Plans	16	16	Papers	15	5
Group Life and Health Insurance	14	18	Review of Literature	13	4
Annuities	12	10	Memorials	5	0
Research on Theory and Applications	15	12	Editorial Board— <i>The Transactions</i>	5	2
Credit Insurance Study	9	6	Editorial Board— <i>The Record</i>	10	2
Government Statistics	9	9	Editorial Board— <i>The Actuary</i>	13	4
Relations with Statistical Organizations	10	5			

Survey cont'd

on this analysis, it appears that about 83% of the membership is either serving on committees or prepared to do so.

- The table indicates that most committees have an adequate number of replacements or additional members ready to serve. For 20 of the 37 committees, the number of potential new members equals or exceeds the size of the current committee. The greatest interest is in the "Committee on Life Insurance Company Valuation Principles;" 47 are interested compared to a current committee of 12.

- Although there may appear to be insufficient interest in Educational Examination committees (only 80 members available for about 500 positions), we all have experience with the Society's recruiting methods in this area (they really do mark papers in the sun!) so this should not present a problem.

The following breakdown of the volunteers responding to the survey by year of Fellowship may be of interest:

1950 - 1959	4
1960 - 1969	20
1970 - 1979	78
1980 - 1988	118

Of the last group, 27 became Fellows in 1987 and 4 in 1988.

Committee chairpersons have been sent lists of the members who expressed interest in their committees. Keep in mind, however, that this does not mean that the committee chairperson will contact everyone on the list. Accordingly, if you are particularly interested in serving on the committee, contact the committee chairperson directly.

As noted in the May issue, committee membership can be a rewarding and valuable experience. Also, each of us is a debtor to our profession, and serving on a committee provides an opportunity to repay that debt. Give it a try.

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Competition editor a real puzzler

Features Editor Deborah Poppel spoke with Competition Editor Charlie Groeschell, who designs the Actucrostic puzzles for *The Actuary*.

Poppel: How long have you been making up these puzzles?

Groeschell: Since I became the competition editor around 1979 or 1980. I've fiddled around over the years with solving crostic puzzles, and I thought I'd try my hand at designing them.

Poppel: Did you have any training in creating these puzzles?

Groeschell: No, and I made a lot of mistakes at first by trying to make them much too specific. I thought I had to make everything actuarial. Then I ran out of applicable quotations, and I branched out into more general puzzles. Designing the puzzles is a lot of fun - it's sort of like solving them.

Poppel: How do you start to design a puzzle?

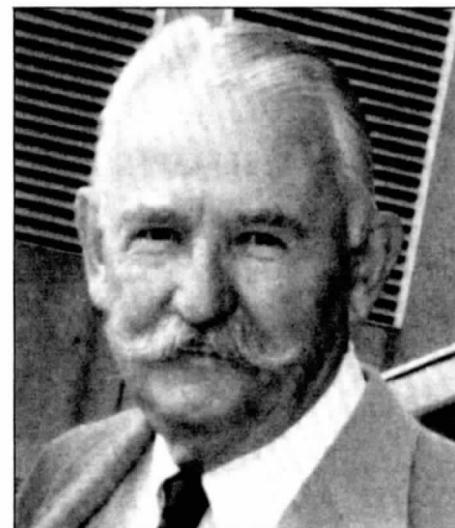
Groeschell: The first step is to get a good quotation. I do that in my normal reading of magazines like *Discover* or *Time*. I look for unique quotes that might interest the membership.

Poppel: What do you do after you have a quote?

Groeschell: I see whether it fits. The anacrostics in puzzle books can be of almost any size. Mechanically, I found it better to have a standard size so the typesetters don't have to vary their procedures much. Right now, I have standard size of 288 spaces: 12x24. I used to black out some to create a tower or something like that, but that got too complicated.

Poppel: Each of your puzzles spells out the author and title with the first letters of the clue words. Is that hard to do?

Groeschell: I have some flexibility. I can vary the name of the author; use his full first name or an initial. The same is true with the title; if I quote something from a magazine, there isn't a real title, so I make one up. There are some quotations that I would like to have used but could not come up with a very good title.



Charlie Groeschell

Poppel: Then you start coming up with words. Do you do all the words and then write clues, or do you do alternate words and clues?

Groeschell: I do all the words first. Having determined the first letters, I sit down and try to think of words. I use a dictionary and a thesaurus. Of course, I count all the letters. I know how many A's I have to get and how many B's I need. If I see that I've got a lot of C's, then I'm going to have to think of a lot of words that have C's. If I see I have only two L's, then I better stay away from words with an L.

I try to pick words that mean something to an actuary, maybe something about life insurance or assets or liabilities.

Then I write the clues, which is where I have a great deal of leeway. You can take some ordinary word and make it very difficult by the way you word your clue, or vice versa. I have no feedback to know whether I'm using the appropriate mix.

Now I'll ask you a question. What if I used as a clue, just "HIJKLMNO"? And then I put out five spaces?

Poppel: I give up.

Groeschell: It's "H" to "O" - H₂O - Water!

Poppel: How long does it take you to make up a puzzle?

Groeschell: I would say, eight to ten hours.