SOCIETY OF ACTUARIES

Article from:

The Actuary

February 1978 – Volume 12, No. 2

The Actuary

Editor . . . . . . ANDREW C. WEBSTER
Associate Editors . . COLIN E. JACK, FREDERIC SELTZER, JONATHAN L. WOOLEY

Correspondence should be addressed: *The Actuary* Mail Drop 13-2, 1740 Broadway New York, N. Y. 10019 Tel: (212) 586-4000

Published monthly (except July and August) by the SOCIETY OF ACTUARIES. 208 S. LaSalle St., Chicago, Illinois, 60604, *William A. Halvorson, President, Myles M. Gray, Secretary, and L. Blake Fewster, Treasurer.*

The Society is not responsible for statements made or opinions expressed in the articles, criticisms, and discussions in this publication.

EDITORIAL

It was Santayana who said that those who do not remember the past are condemned to relive it. So in order to protect our present and future readers we will report a segment of actuarial history which may not be well-known. Our readers will make their own judgments and maybe the Program Committee will find the recital of some help.

Thirty years before the founding of the Actuarial Society in 1889 there took place in New York *The First American Life Underwriters' Convention.* The term underwriter for this meeting was not confined to our friends of the National Association of Life Underwriters or even to home office life underwriters. The meeting was described as "a convention of persons engaged in the business of life insurance" and this turned out to include not only agents and actuaries but even presidents and members of the Insurance Press.

No time was lost in getting the meeting started with the appointment of a Committee on Permanent Organization which, after a recess, produced a report including among other items a recommendation that all votes in the Convention be by Companies and another recommendation that a Committee on Vital Statistics be appointed.

The President addressed the Convention and said that he hoped that it was generally understood that, when the Convention finally adjourned, gentlemen would be as free, each to conduct the business of life insurance according to his own view, as before it assembled. This was supported by the Vice-President and the Committee on Permanent Organization. The speakers were all very careful to emphasize that the Convention was only an *advisory* not a *dictatorial* body and this was before the day of anti-trust. The final item in the first day's proceedings was to appoint a Committee to arrange for a dinner the next evening.

The next day's proceedings sound familiar. "The Convention assembled at 11 o'clock. Half-an-hour having been devoted to conversation, business was resumed . . ."

The report from the Committee on Vital Statistics was in the nature of a special plea by the Chairman, Sheppard Homans, for statistical contributions from the companies represented in order to establish a mortality table reflecting the experience on assured lives in the United States.

One item from the Report of the Committee on Legislation is as follows:

> "But any system of legislation which interferes with the legitimate business of life insurance and dictates or attempts to nullify rules and regulations which Life Insurance Companies see fit to incorporate into their plans of operation, and which are in conformity with their charters, we regard as pernicious . . . "

Space does not permit of giving more excerpts from the Report of the Convention save to mention that the dinner arranged for took place. About 100 delegates and invited guests were present and there were no fewer than fifteen toasts.

So ends the skeletonized report of the proceedings of the First American Life Underwriters' Convention. Maybe there was a second convention but that will have to wait for another occasion. Historically we may well conclude that the sound principles enunciated at this 1859 Convention still obtain.

A.C.W.

TO BE CONTINUED

Editor's Note: This article is submitted by the Committee on Health and Group Insurance. Comments will be welcomed by the Committee and by the Editor.

An Overview of the Health Care Delivery System

by Frank E. Finkenberg

This article presents a view of health care as an economic system, suggests a framework for classifying current criticisms of the system, and offers references for further reading. It was prepared with the encouragement of the Continuing Education Committee on Health and Group Insurance. The views expressed, however, are the author's own.

The market for health care is an unusual one. Most economic markets serve their purposes well if goods and services are produced in quantities people are willing to buy, but health cannot be bought and the market place deals in certain diagnostic and corrective procedures designed to maintain and restore health. Prior to widespread public and private health care insurance, that is, roughly until World War II, the health care market was indeed determined by the amount of services individuals were willing to pay for, and the system worked reasonably well, for those who could afford it.

Looking back we might say that many of the services provided had little impact on health before the general availability of antibiotics and other medical and surgical advances of the middle third of this century. But improvement in health was historically not the sole function of the physician and the hospital. They exercised a caring function, making the patient as comfortable as possible and assuring the patient and family that everything possible was being done. Society was little concerned with gauging the return on money spent in the health care system, which was largely made up of private transactions. The system was roughly in balance since there were only two parties involved — the patient and the doctor.

The growth of third party payments in the system of personal health expenditures (from 36.7% in fiscal year 1950 to 67.5% in fiscal year 1976), while serving the social goal of making health

(Continued on page 3)