



SOCIETY OF ACTUARIES

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FOUR LIMRA PUBLICATIONS

These booklets, of special value and interest to actuaries, may be obtained from Life Insurance Marketing & Research Assn., Box 208, Hartford, CT 06141.

Proposed Lapse Disclosure System—Feasibility Test and Procedures. Report to the NAIC by the Advisory Committee on Policy Lapsation. June 1981, 43 pp. and appendixes, \$20.

It was in 1974, we recollect, that an NAIC Lapsation Task Force, expressing its frustration with excessive lapses experienced by some companies and some agents, said that there was nothing effective that state commissioners could do about this. But in 1977 the regulators took the first necessary step toward doing something by seeking recommendations from this advisory group, capably chaired by LIMRA's Helen T. Noniewicz. At least 14 Society members contributed to its work.

Apart from the significance of its findings (which have encountered industry opposition) this report has great value in giving more data on policy lapse and surrender experience than ever before published. Its questionnaire went to 1,100 life companies; usable statistics came from companies that have 72 percent of the total ordinary life insurance in force in the United States.

Having developed sets of comparison standards (i.e., averages determined as if all the contributors were one giant company), the committee suggested that if the regulators decide to use the system they might regard companies whose termination rates exceed double the applicable standard, in any of their several policy categories, as having a lapse problem justifying insurance department enquiry. This reviewer considers this criterion too weak, but otherwise unreservedly applauds the report and the committee's wisdom and notable fortitude in producing it.

The Disclosure Book: An Agent's Guide to Policy Cost Comparisons. 33 pp. and appendixes, \$5.

There are grounds for doubting that nearly enough life insurance trainers have yet put their hearts into training their agents to understand the interest-adjusted system, and into encouraging agents to explain it fairly to interested buyers. This agent training book furnishes means for doing this. Its chapter titles are:

Introduction	An Imposed Opportunity
Chapter 1	How and Why Disclosure Regulations Developed
Chapter 2	Basic Concepts
Chapter 3	Cost Disclosures in Action
Conclusion	The Value of Your Service
Appendix A	How the Indexes Are Calculated
Appendix B	Cost Disclosure in Canada
Appendix C	Where To Go For More Information

Career Agent Termination Patterns. Research Report 1981-4. 19 pp. and appendixes.
Agent Service Tables Handbook. Actuarial Calculations for Marketing. 12 pp. and appendixes.

You are advised to ask Joseph R. Brzezinski for these two helpful reports, both dealing with the agent termination tables that he described in this newsletter's January 1981 issue. The *Research Report* gives the termination rates and related data by both contract year and calendar year, describes their derivation and uses, and gives comparisons with the McConney-Guest tables in TASA XLIII (1942). The *Handbook* poses six questions that arise about agent survival and shows how they are answered from a company's own statistics in conjunction with the tables furnished.

E.J.M.

ACADEMY'S SOCIAL INSURANCE COMMITTEE TESTIMONY

For our readers' convenience at a time when remedying Social Security financing problems is in the headlines, we list here five key excerpts from testimony in June and July 1981 by James R. Swenson, Chairman of the Academy's Committee on Social Insurance. His first statement was to the Senate Special Committee on Aging; the other to the Senate Subcommittee on Social Security. *The paragraph titles are ours, not Mr. Swenson's.*

Act Now On Long-Term Problems

"It is apparent that legislation needs to be enacted to resolve the predicted short term financing problems (of OASTI). The Academy believes that it is equally important that long term financing issues be addressed at the same time to help assure financial viability and to restore public confidence."

Trim Benefits To Affordable Levels

"[B]enefit promises must be kept at levels that are reasonable and affordable. This requires that significant long term changes be enacted so that future generations will not be faced with a burden they will be unable or unwilling to support. . . . [P]roposals to gradually increase the retirement age from 65 to 68 would generally eliminate approximately two-thirds of the 75 year OASDI financing deficit. . . . A 'safety valve' provision providing that benefit increases be based on the lesser of wage or price increases would help. . . ."

Pay Attention To Pessimistic Forecasts

"[M]ore emphasis should be placed on actuarial projections based upon pessimistic assumptions."

Let Actuaries Make Their Own Forecasts

"The current financing problems illustrate the continuing need for independent, professional, actuarial analysis. The Office of the Actuary (of SSA) and the actuaries employed in the Health Care Financing Administration are uniquely qualified to provide such analysis. They must be given latitude to select a range of appropriate assumptions independent of 'official' economic forecasts."

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