

# The Actuarial Update

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AMERICAN ACADEMY OF ACTUARIES

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## Enclosures

Included in this month's issue of *The Update* are the following:

- Government Relations Watch
- In Search Of . . .
- 1987 Enrolled Actuaries Meeting Exhibit Brochure

## Academy Advocates AIDS Testing

The Academy has released a statement criticizing state laws that ban screening insurance applicants for AIDS. The statement points out, however, that all such tests should be strictly confidential, both to protect the applicants and to insure the reliability of the data gathered. Moreover, the contractual provisions of existing policies must be honored and cannot be altered.

"For the individual risk classification process to be viable," reads the statement prepared by the Committee on Risk Classification, "insurers should be able to obtain all relevant information about an applicant's current health status. One method of obtaining this information is to ask appropriate medically-related questions of all individual life or health insurance applicants as to whether or not they have had or been treated for AIDS, ARC (AIDS-related complex) or the associated symptoms, or have had a test in which the results indicated the presence of antibodies to the AIDS virus." According to the statement, such questions should be asked, not only to help properly identify uninsurable risks, but also to protect insurers and policyholders alike from the inequitable situation of providing insurance at an unfair price.

The response to such inquiries will permit the underwriting of AIDS on the same basis as other serious diseases, such as heart disease, cancer, or alcohol or drug abuse.

Because of the association of AIDS in the United States with particular segments of the population, and fears that release of information obtained through the insurance application may affect one's employment, it is crucial that the public be assured that information gathered in the risk classification process will remain strictly confidential, the statement stresses.

Individuals who have AIDS antibodies, says the committee, cannot be considered insurable for individual life and health insurance coverage; their mortality rate appears to greatly exceed the 500% of standard level, which has proved to be the practical limit of substandard mortality that can be insured.

Moreover, AIDS may have a significant impact on group health coverage. Hospital expenses for the average AIDS claim case may exceed \$100,000, which is substantially higher than the average hospital claim. "The impact of AIDS claims on group health insurance may

*(continued on page 6)*

## Kellison Addresses Commissioners

In mid-April, Academy Executive Director Stephen G. Kellison was one of three actuaries who spoke to attendees at the National Association Insurance Commissioners (NAIC) Training Program held in Kansas City, Missouri. This was the second such training program offered under the auspices of the NAIC Education, Research and Training (EX1) Task Force.

Kellison talked to commissioners and staff about the actuarial role in insurance regulation. He emphasized the increased use of actuarial opinions as a regulatory tool. There are a variety of

such opinions in use, ranging from the major statements of opinion on the various NAIC annual statement blanks to a growing array of special purpose actuarial opinions used by individual states in such areas as pricing and policy design.

The Commissioners Training Program is run by Arthur Andersen & Company, under the direction of Edward F. Bader, who also chairs the AICPA Relations with Actuaries Committee. Actuaries Michael Toothman and Julius Vogel of Tillinghast, Nelson and Warren also participated in the program.  $\Delta$

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### Executive Office

1720 I Street, N.W. 7th Floor

Washington, D.C. 20006

(202) 223-8196

### Membership Administration

500 Park Boulevard

Itasca, Illinois 60143

(312) 773-4204



from the  
President-  
Elect

Preston C. Bassett

## Meaningful, Verifiable, Feasible, and Accepted?

Continuing education is a hot topic in our profession today. What has moved it from "luke warm" to "hot" was the announcement by the executive director of the Joint Board for the Enrollment of Actuaries, Les Shapiro, of the appointment of a task force whose charge it is to make a recommendation to the Joint Board on continuing education for enrolled actuaries. It appears that Shapiro has in mind a compulsory program.

We all believe in continuing education, and the profession has an excellent program in place for those actuaries who wish to take advantage of it. Besides the regular actuarial meetings, there are seminars, special topic sessions, and actuarial club gatherings, as well as a good deal of professional literature, meeting transcripts, and cassettes. While taking advantage of these opportunities is voluntary, most actuaries do keep up to date. It is essential to the jobs they are doing. In addition to that, keeping current in one's chosen field of endeavor is required by the Academy's Guides to Professional Conduct (Section 1(b)).

Is something wrong with what we are now doing? Would a compulsory continuing education program improve the current situation? As far as I can discover, the primary reason for a compulsory program is that the public expects it of a profession. Lawyers, doctors, accountants and others must meet certain state requirements for continuing education. Since enrolled actuaries are licensed by the government, they, too,

should be required to keep up-to-date. If something goes wrong and there is no requirement for continuing education in place, the public might blame the profession and/or the government for failing to carry out their responsibilities.

Is there more to a continuing education requirement than public relations? Is there any reason to believe that enrolled actuaries will do a better job if we have such a program in place? Probably not, for almost all enrolled actuaries; maybe yes, for a few.

Then the question arises, what is the cost-to-benefit ratio? Is it worth the cost, direct and indirect, to require all professionals to attend meetings or take examinations or whatever in order to add to the education of a few? If earning individual credits for continuing education is to be the program, then the Joint Board's task force must consider the following questions over the next few months:

(1) What credit, if any, will be given for attending professional meetings, seminars, and in-house employee meetings; listening to cassettes of meetings; serving on professional committees; participating in panel discussions; publishing papers; studying individually?

(2) How will the above programs qualify for credit and for how much credit?

(3) What kind of verification will be necessary?

(4) Who will keep the records?

(5) How much continuing education credit will be required and over what time period?

(6) Are sufficient volunteers or staff available to act as instructors, lecturers, authors, administrators?

(7) When fully operative, what will be the cost to the profession—both direct and indirect?

Instead of earning credits, the program could require the passing of a written examination. A continuing education requirement should be flexible so

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## The Actuarial Update

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### Contributing Editor

Jack E. Pope

### Production Manager

M. Kathleen Dearing

### American Academy of Actuaries

1720 I Street, N.W. 7th Floor

Washington, D.C. 20006

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## All for One and One for All

If, during the course of the year, you need to alert us of a change of address, and you are a member of the Academy and/or the Society of Actuaries and/or the Conference of Actuaries in Public Practice—you need only to send your address change to *one* of those organizations. A change of address submitted to one effectively covers all three, since they all share one data base in Itasca, Illinois.

## Letters to the Editor

### Accountants and Actuaries

I am surprised and saddened that *The Actuarial Update* and the Academy would carelessly perpetuate a myth about the motives of the Financial Accounting Standards Board (FASB) in adopting Statements 87 and 88 (Edward H. Friend's front-page article in the March issue, commenting on FASB member Raymond Lauver's remarks to the American Institute of Certified Public Accountants Conference on current Securities and Exchange Commission developments—an audience made up almost equally of corporate accountants and independent auditors).

To begin with, it is risky and unprofessional to base a polemic on a fragmentary press report of another person's remarks taken out of context. Be that as it may, Friend and *The Update* editors should have recognized that Lauver was speaking only about the corporate accountant's responsibility for preparation of financial statements and about the independent auditor's responsibility for attesting to the adequacy of employers' financial reporting to the public—not about funding decisions or any other decisions regarding the administration of pension plans. The accountant's and auditor's responsibility for financial reporting is clear under the securities laws. Responsibility for other aspects of pension plan administration is, and will remain, with sponsors, actuaries, lawyers, and others.

Lauver's remarks ran only to the more clearly articulated responsibilities of corporate accountants and independent auditors for pension information included in financial statements subsequent to adoption of FAS 87 and 88. His purpose was merely to reinforce their awareness of those responsibilities.

I hope that by printing this letter, *The Update* will help lay to rest the myth that Statements 87 and 88 are part of a turf battle between auditors and actuaries. Nothing could be further from the truth.

Donald J. Kirk, Chairman  
Financial Accounting Standards Board

*Friend replies: I am extremely gratified and grateful to the chairman of FASB for stating unequivocally that there is no intent for FAS 87 and FAS 88 to be used as part of a "turf battle" between*

*the accounting and actuarial professions. Certainly the actuarial profession has no such intentions, either.*

*Since some corporate accountants have already asked actuaries why they, the corporate accountants, could not take responsibility for many of the calculations under FAS 87 and 88 (amortization, etc.), the American Academy of Actuaries believes that the role of the accounting profession should be clarified.*

*In the actuarial profession, there is no change in responsibilities from those under APB No. 8. The actuarial profession agrees that the accounting profession now needs to understand calculations and assumptions required under FAS 87 and 88, but not that the accounting profession establish the assumptions nor accept responsibility for the calculations.*

*Notwithstanding the above, I'm inclined to let Lauver's remarks as reported by BNA speak for themselves and my comments in *The Actuarial Update* stand.*

### Maine Event

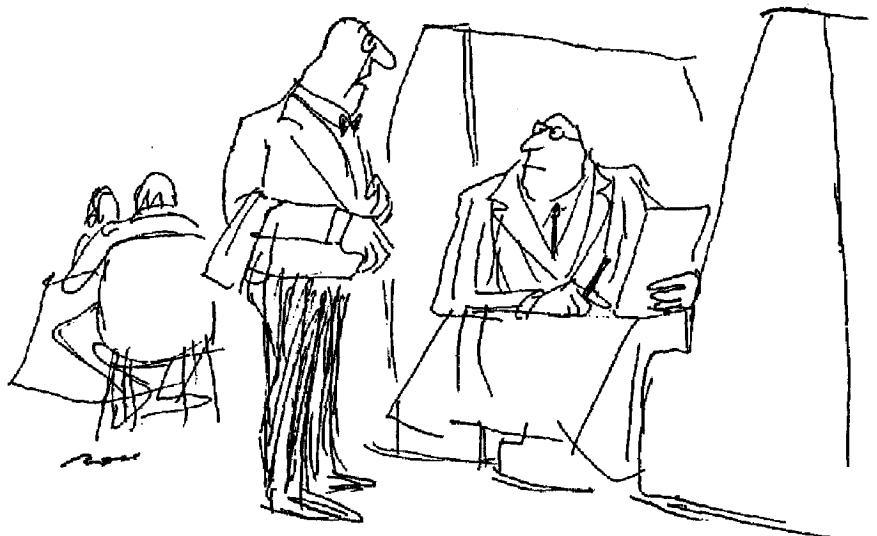
In the March 1986 *Actuarial Update*, there is a list of states that require a certification of loss reserves for the 1985

Fire and Casualty Blank. Maine's appearance on that list is an error. The statutory citation applies to life insurance reserves.

Richard E. Johnson  
Bureau of Insurance  
Augusta, Maine

*Editor's note: Most of the information we printed we received from the National Association of Insurance Commissioners. We have alerted them of the error. Thank you for making the correction. In addition, we received erroneous information regarding the Florida statute citation; it applies only to life insurance reserves. The correct citation is a memorandum dated May 19, 1986, effective December 31, 1986, which requires certification of loss reserves by a member of the American Academy of Actuaries.*

**The Update** welcomes letters from readers. Letters for publication must include the writer's name, address, and telephone number, and should be clearly marked as Letters to the Editor submissions. Letters may be edited for style and space requirements.



*"You won't catch me recommending anything, sir. I have a lawsuit on my hands right now."*

ERISA and accompanying legislation now affect the multitude of welfare plans (group, health, and life insurance, sick pay, and long-term disability income) and retirement plans (pension, profit sharing, and thrift plans).

For the first time private insurance sales exceeded \$200 billion in 1975, along with a landmark \$2 trillion of life insurance in force.

There were serious underwriting losses in the property and liability field: \$2 billion in the first half of 1975, exceeding all of 1974. Medical malpractice suits were the most severe of rising liability claims.

The American Academy of Actuaries opened its Washington offices in 1975, giving the profession access to the many federal agencies administering programs and a Congress legislating new provisions and reforms affecting all actuaries.

The Equity Funding Corporation of America scandal surfaced in March of 1973. To obtain cash, the company invented policy holders and sold the fictitious policies to reinsurers. Millions listed as assets were fraudulent. Twenty-four Equity Funding executives and two auditors were indicted.

The seventies closed with the election of President Ronald Reagan and the presence of still harrowing interest and inflation rates. Much of the industry's evolution in the eighties may ultimately be viewed as hinging on these two key developments.

*Jack Pope is a free lance writer and contributing editor to The Update.*

## AIDS

*(continued from page 1)*

be stricter underwriting practices or more limitations on coverage, especially for small groups," the statement says. Large groups are likely to be charged premium rates that directly reflect their own claim experience. Groups with AIDS cases may experience significantly higher health insurance claims and therefore be charged higher premium rates.

The committee observed that the effect on group life insurance will be relatively small. There is less opportunity for adverse selection than in the individual insurance market, because the amount of group coverage that can be elected is usually pre-determined.

*"Risk Classification and AIDS," in its entirety is available from the Washington office.*

## From Actuaris to Actuary: Milestones in Actuarial History

- |         |  |       |  |
|---------|--|-------|--|
| 59 B.C. | Julius Caesar employs an actuaris as recorder.   | 1907— | Actuaries Club of Toronto formed; forerunner of the Canadian Association of Actuaries (later becomes the Canadian Institute of Actuaries).   |
| 1600s—  | The Tontine dividend societies.  | 1909— | The American Institute of Actuaries founded to serve burgeoning insurance industry in the midwest and southern U.S.  |
| 1636—   | Plymouth Colony settlers' military retirement program established.   | 1913— | Civil service employee retirement plans begin to appear.   |
| 1711—   | The South Sea Bubble, annuity funding of trade enterprises (England).  | 1914— | The Casualty Actuarial and Statistical Society of America founded on impetus of new workman's compensation laws (the name was changed to Casualty Actuarial Society in 1921); 97 charter members.  |
| 1721—   | One-year term insurance policies popular (England).  | 1915— | American-Canadian Mortality Investigation, joint effort of Actuarial Society of America and American Institute of Actuaries.   |
| 1756—   | James Dodson's lecture on permanent life insurance plans.  | 1916— | The Fraternal Actuarial Association founded to provide a forum for discussion of rate issues of fraternal societies.   |
| 1762—   | Dodson founds (with Edward Rowe Mores) The Society for Equitable Assurances on Lives and Survivorship. Later renamed the Equitable Life Assurance Society and called by some the beginning of "scientific" life insurance. Mores gives the chief administrative officer of his new company the title, actuary. | 1921— | Revenue Act grants tax allowances to pension plans.  |
| 1771—   | Dr. Richard Price's "Observations on Reversionary Payments" published.   | 1926— | Revenue Act exempts pension plan income from current taxation.   |
| 1775—   | William Morgan (Price's nephew) becomes head of the Equitable, credited as the first person to be called an actuary and to function as one.  | 1929— | Actuarial Society of America and American Institute of Actuaries begin giving examinations jointly.  |
| 1779—   | Morgan publishes "The Doctrine of Annuities and Assurances on Lives and Survivorships."  | 1935— | Passage of the Social Security Act; post of Chief Actuary for Social Security Administration is highest governmental actuarial position in the U.S.  |
| 1813—   | Francis Bailey's "Doctrine" published—a general mathematical survey of actuarial technique developed and codified.   | 1936— | Paper by English actuary E. William Phillips describes characteristics of electronic components necessary for actuarial calculations; the basics of electronic data processing for actuarial work. |
| 1815—   | Joshua Milne's "Treatise" published.   | 1941— | The Commissioners Standard Ordinary Table produced.  |
| 1819—   | Act of Parliament gives legal recognition to actuaries in creation of post of actuary to the National Debt Office—the first actuarial appointment in government service.   | 1942— | Revenue Act broadens pension plan participation and requires written terms.  |
| 1834—   | A formal association of life company managers set up in Scotland.  | 1942— | Operations Research and electronic data processing during WW II produce new actuarial tools.   |
| 1848—   | Institute of Actuaries established.  | 1948— | Actuarial Society of America's Committee on New Recording Means and Computing Devices issues report on electronic data processing applications for actuarial work.                                 |
| 1848—   | The Actuaries Club established by Institute of Actuaries dissenters.   | 1949— | Formation of the Society of Actuaries occurs through merger of the Actuarial Society of America and the American Institute of Actuaries.   |
| 1849—   | In U.S., Charles Gill, first "science" oriented employee of a U.S. life firm.  | 1950— | Conference of Actuaries in Public Practice founded.  |
| 1856—   | Scots in the Institute of Actuaries form the Faculty of Actuaries (Royal Charter gained in 1868).  | 1958— | Welfare and Pension Plan Disclosure Act requires much more disclosure of plan activities.  |
| 1859—   | Equitable Life Assurance Society of the United States founded.   | 1962— | President Kennedy appoints a committee to study corporate pension plans; report released in 1965.  |
| 1860—   | Elizur Wright, Massachusetts Insurance Commissioner, produces net valuation tables for reserve levels and establishes rights of withdrawing policyholders.   | 1965— | Canadian Institute of Actuaries incorporated by an act of Parliament.  |
| 1863—   | David Parks Fackler designs contribution plan for dividend allocation; Fackler later known as the first full-time consulting actuary.  | 1965— | American Academy of Actuaries founded.   |
| 1868—   | Sheppard Homans produces The American Experience Table, the first U.S. mortality table not based on British data.  | 1965— | Medicare legislated.   |
| 1868—   | Canada: first federal insurance act passed.  | 1967— | Senator Jacob Javitz introduces pension reform bill, basis for ERISA.  |
| 1875—   | Canada: Department of Insurance created.   | 1973— | Financial Accounting Standards Board established.  |
| 1875—   | First group plan initiated under The American Express Company's retirement plan.   | 1974— | ERISA passed.  |
| 1884—   | Members of the Actuaries Club join the Institute of Actuaries; Institute gains Royal Charter same year.  | 1985— | Interim Actuarial Standards Board inaugurated.   |
| 1889—   | The Actuarial Society of America founded: Sheppard Homans, president; David Parks Fackler, vice-president; thirty-eight charter members (including four from Canada) and a five-man governing council.   |       |  |
| 1896—   | Admission by examinations established for the Actuarial Society of America.  |       |  |

Primary source: *From Actuaris to Actuary* by Robert B. Mitchell; published by the Society of Actuaries, 1974.

## Mark Your Calendar

### Academy Annual Meeting

The twenty-first annual meeting of the Academy is scheduled this year for September 24 at the Hyatt Regency in San Antonio, Texas. It is being held in conjunction with the annual meeting of the Conference of Actuaries in Public Practice. More details will follow this summer in another issue of *The Update*.

### Actuarial Research Conference

The twenty-first Actuarial Research Conference will be held October 29–31, 1986 at Ohio State University, Columbus, Ohio. Conference topics include the theoretical foundations for the work of the valuation actuary: the individual C-risks, their interdependence, and the determination of surplus needs. For more information, contact: Robert B. Brown, Department of Mathematics, The Ohio State University, 231 West 18th Avenue, Columbus, Ohio, (614) 422-5584.

### Anniversary Meeting: 100 Years Old in 1989

The actuarial profession in North America will be 100 years old in 1989. There will be a gala centennial celebration in Washington, D.C. on June 12–14, 1989. Mark your calendar now. Late in 1986, an invitation will be extended to actuaries to prepare papers on those topics selected by the program committee to be relevant to the theme and content of the program.  $\Delta$

## Legal Lines

by Gary D. Simms

### Pension Plan Retroactivity: Round II

Like a phoenix rising from the ashes, the issue of retroactive relief for failure to use unisex tables in connection with pension benefits refuses to die.

Most will recall that *Arizona Governing Committee v. Norris*, 103 S. Ct. 3492 (1983) held that monthly annuity payments under a pension program must be equal for men and women, despite the actuarial evidence that women, as a class, outlive their male counterparts. Many will also recall that the narrowly-divided Supreme Court refused to make the decision retroactive, based upon the perception that conflicting regulatory requirements left employers in some doubt about appropriate benefit determination methods, and because retroactive relief was perceived as a major threat to the viability of the private pension system as a whole. Most observers assumed that the issue of retroactive application of the *Norris* decision was final and clearcut.

The Equal Employment Opportunity Commission (EEOC) and certain private parties (including beneficiaries and participants of some plans) believe that the issue was not entirely closed. Three major causes of action need comment at this juncture.

In a case entitled *Probe v. State Teachers' Retirement System*, 780 F.2d

776 (9th Cir., 1986), the Ninth Circuit Court of Appeals faced a situation in which a claim had been made for relief prior to the effective date of the *Norris* decision. The plan in question used sex-based tables prior to 1983 for determining benefits for early retirement and joint and survivor options. None contested that under *Norris*, use of the sex-based tables was improper. However, the plaintiffs sought relief for the violation for the period prior to the effective date of *Norris*; in short, they sought the kind of retroactive relief that was denied in *Norris*, itself. The appeals court sustained the judgment of the District Court, and found that *Norris* prohibited such retroactive relief.

Despite the decisions in *Norris* and *Probe*, a court in Florida has found that retroactive relief prior to *Norris* is indeed appropriate. In *Long v. State of Florida*, N.D. Florida, Tallahassee Division (No. TCA 82-1056-WS, March 31, 1986), the District Court held that *Norris* did not establish a new principle of law and that retroactive damages would not be inconsistent with the requirements of Title VII of the Civil Rights Act (which prohibits discrimination based on sex in an employment context). The court found that since the fund had the ability to pay for retroactive benefits, there was no legal basis to stop the retroactivity of the award based on the use of sex-based tables in benefit calculations prior to *Norris*. The State of Florida is expected to appeal the verdict shortly.

Both *Probe* and *Long* were initiated by private parties, as was the situation

in *Norris*. A potentially more important development, however, is the fact that the EEOC has initiated a similar lawsuit. In *EEOC v. A.C. Williams*, N.D. OH., Eastern Division, (No. C85-2884A, September 27, 1985), the EEOC seeks retroactive damages for the use of sex-based tables in benefit computations of a small employer's pension program, despite the fact that the plan was terminated prior to the effective date of *Norris*. Reports indicate that several other plans are currently being targeted by the EEOC through its administrative procedures.

The EEOC theory in litigating this case is that the Supreme Court's *Norris* decision was limited, due to its reliance on the fact that the Department of Labor and the EEOC had issued slightly different guidelines, under which it might have been argued that a plan satisfied the requirements of Title VII by making either equal contributions or equal benefit payments to men and women. The EEOC believes that the law since the enactment of the Civil Rights Act in 1965 has always been clear that sex-based distinctions in early retirement and joint and survivor benefit levels are improper and illegal. Further, the EEOC posits that the Supreme Court limited retroactivity out of a fear of the financial ruin of the pension plan under review in *Norris*. According to the EEOC, where a plan has any "excess" assets, this fear is non-existent and cannot serve as a basis to deny retroactive relief.

In sum, the explicit language of *Norris* and the 9th Circuit Court of Appeals in *Probe* would bar retroactive adjustments as a result of the use of sex-based benefit formulae prior to the *Norris* decision's effective date; the District Court in *Long* and the EEOC in *A.C. Williams* argue to the contrary.

Should the anticipated appeal in *Long* (or an appellate decision in *A.C. Williams*) produce an opinion that is contrary to the appellate decision in *Probe*, a conflict between the circuits would be created, requiring a fresh review by the U.S. Supreme Court. This, evidently, is the outcome desired by the private plaintiffs in *Long* and by the EEOC. Such a fresh review by the Supreme Court, if it does come, would squarely raise as the principal issue a matter that the Supreme Court addressed in *Norris* as a relative sidelight; it would be clearly the focus of attention in a new appeal. Further developments in this critical matter will be reported as they arise.  $\Delta$

**FROM THE PRESIDENT-ELECT***(continued from page 2)*

that enrolled actuaries only need to keep up-to-date in their chosen field of practice. For example, if an enrolled actuary does not work on multiemployer pension plans, he or she should not be required to pass an examination or attend sessions covering multiemployer topics. Any written examination to retain qualification would have to provide alternative questions. Many of the questions set forth above will have to be answered for this alternative as well.

The former approach, the earning of credits, is the course followed by many other professions. It is also the one recommended by our own Joint Task Force on Continuing Education Recognition, but on a *voluntary* basis. A survey by the Society of Actuaries a few years ago questioned actuaries regarding the profession's continuing education efforts. Favorable responses were received concerning the need for a program and for what we are currently doing. A large majority, however, rejected the idea of a compulsory program.

The question to be addressed is: Can we provide a meaningful program, available to all enrolled actuaries (and perhaps others), verifiable for regulatory purposes, and administratively feasible at a cost that is not excessive, which will be accepted by both the Joint Board and the enrolled actuaries? △

## Checklist of Academy Statements April 1986

Copies are available from the Washington office.

TO: Healthcare Financial Management Association, April 7, 1986. RE: Continuing care retirement communities. BACKGROUND: Proposed wording changes in HFMA accounting standards.

TO: Joint Board for the Enrollment of Actuaries, April 23, 1986. RE: Re-enrollment form. BACKGROUND: Submission of suggested wording changes.

TO: Congressman Ritter, April 25, 1986. RE: Liability insurance. BACKGROUND: Response to request for comment on proposed bill being introduced.

## Modern Insurance 1970–1980: Inflation Changes the Face of the Industry

by Jack E. Pope

Characterizing any decade is difficult—especially when that decade only ended five years ago. But whatever their own personal experiences, almost anyone asked to recall the seventies would probably mention economics at one point. It was one of the most inflationary periods of American history—hitting over 20% at one point. Likewise, interest rates hit double digit numbers, producing rates that previously would have been dismissed as loansharking.

High interest rates combined with double digit inflation produced a number of changes in the insurance industry, ranging from the kinds of policies offered to the way insurance benefits were delivered. Life insurance products evolved in a number of ways. The standard whole life policy, for example, fell out of favor. Increasingly sophisticated consumers wanted policies that were more of an investment vehicle than traditional life insurance. Thus, the decade saw the introduction of new lines of products, like universal life and variable life.

High inflation and high interest rates also affected the way insurance companies operated. In the past they had been used to investing in relatively long term projects. In the seventies, they, along with the banking industry, increasingly emphasized more short-term investments.

In the health field, debate raged over proposals for a national health insurance system. This idea, in effect, would have severely limited the sales of health insurance contracts by private carriers. It never became a reality, mainly because private insurers already had most people covered. Still, the idea is an attractive one too many, especially since no one has adequately answered the ques-

tion of what to do with sick people lacking insurance.

Another significant development was a new approach to health delivery, which significantly changed the traditional "family doctor" approach. The decade witnessed an explosive growth of so-called health maintenance organizations (HMOs), and other related entities with abbreviations like HHSs and PPOs.

Cost containment in health insurance became a national preoccupation, especially within the business community. Business could find itself devoting 10% of its costs to health care. As a result, employers increasingly turned away from so-called "first dollar" health care policies. Increasingly they wanted the employee to pay, for example, the first \$50 of a claim. An accompanying trend was a more concerted effort on promoting good health habits among employees.

The insurance industry directed a major sales effort toward the pension arena. Many private pension plans were undergoing review and revision to meet the new actuarial and fiduciary requirements of the Employee Retirement Income Security Act (ERISA), the pension reform act.

After this century's many revenue acts, a Presidential committee report in 1965 on corporate pension plans, and Senator Jacob Javitz's 1967 pension reform bill, the long history and many steps of pension plan reform culminated in 1974.

Throughout this process, private pension programs were seen as a major element in this nation's total retirement security programs, even though plans sometimes had inadequate funding and lacked fund management standards. Passage of ERISA meant many millions of American workers were covered by minimum standards for plan definition, soundness, and protection rights.

*(continued overleaf)*

### Free to Comment

The Consolidated Omnibus Budget Reconciliation Act, signed by the President on April 7, includes a provision that removes the prohibition on comments relating to the economic assumptions underlying the trustees' report. Under the new law, Social Security and Medicare actuaries may now comment on economic assumptions in the annual certification of reasonableness of actuarial methodologies used in preparing cost estimates. In 1983, the Academy recommended that the Social Security Act be amended to require such a comment by the Social Security and Medicare actuaries.