

lem including methods of improving the financing of private insurance medical care coverages for the aged. Particular mention was made of the need for definite Federal Income Tax rulings in the field of pre-funding hospital and surgical benefits for retirees similar to those now in effect in the pension area.

STATISTICS FOR RATING AND RESEARCH

(Summation by Norman J. Bennett, Actuary, America-Fore Loyalty Group)

Seminar D was conceived at 1:45 P.M. yesterday and suffered a gestation period of almost an hour before appearing to those of us who awaited it and vicariously shared its pangs of birth. Our first hour was an interval during which we probably did what was expected of us, but an unnatural truce zone lying between the author and the moderator prevented the somewhat fiercer exchange of views which seems to make these affairs so worth-while. Between performances, however, as do many producers during the opening nights in Bridgeport, we revised some lines, cut out the second act, and in general tightened up our production. While no one could possibly claim that the scene finally reached a raucous and uncontrollable level, I think we made a good start in introducing Mr. Longley-Cook's fine new concept which is certainly going to receive a lot of attention in the future.

Everyone agreed from the start that the cost of submitting and processing information for statistical agencies is becoming a burden sufficiently large for members, subscribers, and designators alike to warrant a serious look at any method which promises relief. There was also general assent to the idea that with growing individual responsibilities for company action, some method must be evolved to permit a company a broader, more inclusive, and cheaper look at its own experience in whatever form *it may elect itself*. The present methods of computing earned statistics in the detail required for close analysis within a company were universally condemned as physically impossible.

The problem was thus defined; it was only the solution which vexed us, and the solution offered yesterday was the so-called census method. This method depends on an active in-force file. Although the author offered an alternative use of the statistical file where an in-force file does not exist (and it is interesting to note that only one company present admitted to having such a complete file), no discussion at all centered about the use of statistical files.

Instead we tended to project ourselves forward in time to an era when we will all have, as a natural outgrowth of electronic data processing, a single in-force file combining statistical and corporate functions. Several questions immediately arose in our minds which still remain unanswered. What of the relative movement of companies toward this mechanized era? Should the faster-converting companies be penalized in the meantime by methods applicable to the slower-moving companies? Even with the ultimate availability of such a file, do modern computers really care in terms of speed and expense which method we use? Is one method more accurate than another? (Here we discussed the differing degrees of accuracy of input to the two files. An in-force file apparently ages well in terms of accuracy.) What expense savings

exist for one method over the other? This was a question for which there was no agreement over the expense savings of the census versus conventional methods, only agreement that there should be major savings because of mechanization itself.

There seemed to be some concern that in many instances, such as a rapidly changing volume of business, changes in territory and classification definitions, or changes in the distribution of business caused by the introduction of either a financial responsibility or compulsory law, the census method might be seriously inadequate. Mr. Longley-Cook was emphatic, however, that his proposal was aimed primarily at the personal lines field and that real or imagined difficulties in adjusting it to unusual conditions should not disguise its extraordinary usefulness in analyzing multiple breakdowns of large-scale experience.

There was an extremely interesting review of this paper by Mr. Barber which was ended by the stunning proposal that we drop the habits of a lifetime and consider forgetting earned statistics and develop rating methods using written statistics. A much closer scrutiny of this suggestion will be made, I am certain, in the months to come.

In brief, we discussed a short and deceptively simple paper. We were intrigued, repelled, attracted, and now we're not so sure. We are sure, however, that our problems are still with us and we hope that playing devil's advocates to this fresh new thought will start us on our way to a solution.