

Notes and Brief Reports

Appeals Under Old-Age and Survivors Insurance

In December 1939, as benefit claims were beginning to be filed, the Social Security Board adopted a set of basic provisions to underlie a system for the hearing and review of claims involving adjudications that had been unfavorable to claimants. To implement this system the Board established an Office of Appeals Council, wholly independent of the Bureau of Old-Age and Survivors Insurance. The personnel of the Office consisted principally of one referee in and for each of the 12 regions set up by the Board, to hold hearings and render decisions on claimants' requests, and a council of three members, sitting in Washington, to review referee's decisions either upon petitions of claimants or upon its own motion.

When the Social Security Board was abolished by Executive order in July 1946 and its powers were transferred to the Federal Security Administrator, the Administrator delegated to the Office of Appeals Council his authority to render final decisions on claims arising under the old-age and survivors insurance program. Although the number of referees and administrative personnel has increased slightly in the past few years, the structure and functions of the Appeals Council have remained substantially as originally instituted.

The statutory right of claimants to hearings was created by section 205 of the Social Security Act as amended in 1939. More than 3 years before enactment of this requirement, however, the Board had begun work on procedures intended to guarantee a fair hearing to every person whose claim was disallowed, and nearly a year earlier a special staff within the Bureau, directed by a consultant in administrative law, had conducted a comparative study of appeals procedures of other Federal and State agencies and of certain foreign insurance systems to furnish suggestive data to guide the drafting of the Board's final plan.

In stressing the right to a hearing, as well as the administrative impor-

tance of prompt and thorough consideration of a claimant's contentions, emphasis has been laid upon making hearings genuinely available and practically serviceable to all claimants who want them. Whenever possible, hearings have been held in the claimant's home community and rarely at a place more than 50 miles distant. As far as compatible with the referee's traveling schedule, claimants' preferences as to the time for holding hearings have been complied with. Procedural requirements have been kept simple. Though hearings are "formal" in the sense that witnesses are sworn and a stenographic record of testimony is taken, strict rules of evidence are not required. The Bureau is not represented at the hearing, though Bureau employees occasionally testify as witnesses. It is the referee's function to bring forward all material evidence, whether for or against the claimant's contentions. Claimants may be represented by lay friends or by attorneys. Fees of attorneys, above a \$10 minimum fixed by regulation, must be approved by the referee. During the past year attorneys have represented claimants in about 25 percent of the cases.

From establishment of the Office of Appeals Council in 1940 to July 1, 1951, requests for hearings were filed by 16,082 claimants and final decisions of referees or of the Appeals Council were rendered in 15,504 cases. Judged only quantitatively, the hearing and review system may not appear important, since hearings are requested in only one-fifth of 1 percent of all claims filed, and the Bureau's determinations are affirmed in about three-fourths of these cases. On the other hand, many of the instances in which the Bureau has been reversed have been cases in which substantial justice was achieved because unusual factual situations were revealed only through the hearing. In addition, the decisions based on hearings have in some instances resulted in a modification of the regulations or policies governing the processing of claims under title II.

If a claimant is not satisfied with the Agency's final decision (the referee's decision if it is not reviewed by

the Appeals Council, otherwise the decision of the Council) he may seek judicial review by filing a civil action in a United States district court. By the close of the fiscal year 1951, 128 cases had been appealed to the courts. In 98 of these cases final court decisions had been rendered, while 30 suits were still pending—28 in the district courts and 2 in the courts of appeal.

Liberalized Eligibility Provisions and Old-Age Benefits, January-June 1951

The 1950 amendments to the Social Security Act provide, until the middle of 1954, fully insured status under the old-age and survivors insurance program for any individual living on September 1, 1950, who has as many as 6 quarters of coverage. The effect of this liberalization on old-age benefits in the period September-November 1950 was discussed briefly in the May 1951 issue of the *BULLETIN* (pages 21-22); data for January-June 1951 are reported here.

Benefits Awarded

During the first 6 months of 1951, old-age benefits were awarded to 435,600 persons, slightly more than three-fourths the total number to whom awards were made in 1950. Almost half these persons were new eligibles, persons who qualified for old-age benefits as a result of the liberalized insured-status provisions. Women made up somewhat larger proportions of the total than in 1950; they represented one-third of the new eligibles in January-June 1951 and almost one-fifth of the group eligible under the 1939 provisions.

With respect to 1939 eligibles, the smaller proportion of awards to persons aged 65-69 (56 percent compared with 65 percent in 1950) was largely due to the higher proportion of awards to persons in the group aged 75 and over—25 percent compared with 16 percent in 1950 (table 1). This increase in the older group resulted chiefly from the new provision permitting beneficiaries aged 75 or over to receive monthly benefits even though they are earning more than \$50 a

Table 1.—Number, percentage distribution, and average monthly amount of old-age benefits newly awarded, by eligibility status, age, and sex of beneficiary, January-June 1951

[Based partly on 20-percent sample]

Age ¹	Total			Male			Female		
	Number	Percent	Average monthly amount	Number	Percent	Average monthly amount	Number	Percent	Average monthly amount
Total									
Total	435,636	100	\$37.18	323,936	100	\$39.97	111,700	100	\$29.09
65-69	276,849	64	37.78	198,281	61	41.19	78,568	70	29.19
70-74	99,916	23	32.38	75,189	23	34.30	24,727	22	26.56
75 and over	58,871	14	42.50	50,466	16	43.64	8,405	8	35.65
New eligibles									
Total	216,007	100	\$25.26	143,675	100	\$26.63	72,332	100	\$22.55
65-69	153,642	71	26.46	98,628	69	28.31	55,014	76	23.13
70-74	57,909	27	22.21	41,560	29	22.81	16,349	23	20.68
75-76	4,456	2	23.77	3,487	2	24.44	969	1	21.35
1939 eligibles									
Total	219,629	100	\$48.91	180,261	100	\$50.61	39,368	100	\$41.11
65-69	123,207	56	51.91	99,653	55	53.93	23,554	60	43.34
70-74	42,007	19	46.41	33,629	19	48.50	8,378	21	38.03
75 and over	54,415	25	44.04	46,979	26	45.07	7,436	19	37.51

¹ Age on birthday in 1951.

Table 2.—Number and percentage distribution of old-age benefits newly awarded, by eligibility status, amount of benefit, and sex of beneficiary, January-June 1951

[Based on 20-percent sample]

Amount of monthly benefit	Total		Male		Female	
	Number	Percent	Number	Percent	Number	Percent
Total						
Total	435,636	100	323,936	100	111,700	100
\$20.00	148,685	34	90,289	28	58,396	52
20.10-29.90	46,561	11	32,423	10	14,138	13
30.00-39.90	48,401	11	35,715	11	12,686	11
40.00-49.90	63,810	15	48,982	15	14,828	13
50.00-59.90	71,396	16	61,726	19	9,670	9
60.00-68.50	56,783	13	54,801	17	1,982	2
New eligibles						
Total	216,007	100	143,675	100	72,332	100
\$20.00	130,272	60	76,791	53	53,481	74
20.10-29.90	35,819	17	25,183	18	10,636	15
30.00-39.90	29,084	13	23,238	16	5,846	8
40.00-49.90	15,901	7	14,001	10	1,900	3
50.00-59.90	3,175	1	2,766	2	409	1
60.00-68.50	1,756	1	1,696	1	60	(¹)
1939 eligibles						
Total	219,629	100	180,261	100	39,368	100
\$20.00	18,413	8	13,498	7	4,915	12
20.10-29.90	10,742	5	7,240	4	3,502	9
30.00-39.90	19,317	9	12,477	7	6,840	17
40.00-49.90	47,909	22	34,951	19	12,928	33
50.00-59.90	68,221	31	58,960	33	9,261	24
60.00-68.50	55,027	25	53,105	29	1,922	5

¹ Less than 0.5 percent.

month in covered employment. Persons who attained age 76 in the first half of 1951 and all those over age 76 are 1939 eligibles, since at these ages 6 quarters of coverage are still required for insured status. The proportion of all beneficiaries aged 65-69 will be increased somewhat when information for the last half of 1951 becomes available, since the data will include awards to persons who reached their sixty-fifth birthday in the last half of 1951.

The average old-age benefit award in the first half of 1951 was \$37.18, about \$4 higher than the average for awards made in 1950 under the amendments. This higher average benefit resulted from the increase in the proportion of 1939 eligibles—from one-third in 1950 to one-half in 1951. The average benefit awarded to 1939 eligibles was \$48.91 and, to new eligibles, \$25.26; for both groups the average was slightly lower than in 1950.

The minimum monthly amount of \$20 was payable in 60 percent of the awards to new eligibles; for female beneficiaries, comprising one-third of the new eligibles, 74 percent of the awards were for the minimum amount (table 2). In contrast, the \$20 minimum was payable in only 8 percent of the awards to 1939 eligibles, while \$50 or more was payable in 56 percent of these cases.

Benefits in Current-Payment Status

Table 3 shows the number and average monthly amount of old-age benefits in current-payment status at the end of each calendar quarter from June 1950 to June 1951, by eligibility status. The rapid growth in the number of new eligibles receiving old-age benefits is indicated by this table; by the end of June 1951, they comprised more than one-fifth of all old-age beneficiaries.

The average monthly benefit payable at the end of June 1951 to new eligibles was only \$24.92, less than the average old-age benefit being paid a year earlier under the 1939 amendments and only slightly more than half the average amount payable to 1939 eligibles at the end of June 1951. Chiefly because of this low average for new eligibles, the increase from June 1950 to June 1951 in the average

Table 3.—Number and average monthly amount of old-age benefits in current-payment status at the end of each calendar quarter, by eligibility status, June 1950–June 1951

[Based partly on 20-percent sample]

Calendar quarter ending—	Total		1939 eligibles		New eligibles		
	Number	Average monthly amount	Number	Average monthly amount	Number	Average monthly amount	As percent of all old-age beneficiaries
June 1950.....	1,384,823	\$26.30	1,384,823	\$26.30			
September 1950.....	1,444,772	46.62	1,432,558	46.79	12,214	\$26.32	1
December 1950.....	1,770,984	43.86	1,517,257	46.96	253,727	25.33	14
March 1951.....	1,971,703	43.10	1,607,235	47.13	364,468	25.32	18
June 1951.....	2,090,668	42.57	1,653,147	47.24	437,521	24.92	21

monthly amount for all old-age beneficiaries was only 62 percent, even though the average amount payable to 1939 eligibles increased during the same period by 80 percent.

Survivor Protection as of January 1, 1951

The 1950 amendments to the Social Security Act increased substantially the amount of survivor protection under old-age and survivors insurance. The benefit level was adjusted for the changes since 1939 in wages and living costs, coverage was extended to new groups, and other liberalizations were made. Earlier studies by the Office of the Actuary gave estimates of the amount of life insurance in force under the program established by the 1939 amendments to the Act; Actuarial Study No. 31,¹ which is summarized here, takes into account the effect of the 1950 amendments and estimates the amount of life insurance in force on January 1, 1951.

The amount of life insurance in force under old-age and survivors insurance is the present value of all monthly survivor benefits and lump-sum payments available with respect to all insured workers as of any date, on the assumption that death occurred on that date.

Though the amount of life insurance in force under old-age and survivors insurance has many points of similarity with the concept developed under private insurance, there are certain important points of difference. Generally, the amount of insurance

¹Louis O. Shudde, *Estimated Amount of Life Insurance in Force as Survivor Benefits Under Social Security Act Amendments of 1950*, September 1951.

under a private contract is definitely known or can be easily determined. Under old-age and survivors insurance, however, conditions for receipt of benefit are not based solely on life contingencies; they depend also on elements more readily under the control of the beneficiary—employment, marriage, and retirement, for example. The concept of insurance in force under old-age and survivors insurance therefore permits several interpretations, and a range of estimates is given in the accompanying table.

Calculation of the amount of survivor protection involves several factors, including the assumption of interest rates and the use of mortality and remarriage rates. In the present study, interest rates of 2 percent and 3 percent have been assumed for both the gross and the net estimates. Mor-

Estimated amount of life insurance in force, January 1, 1951, by type of benefit under old-age and survivors insurance

[In billions]

Type of benefit	Gross estimate		Net estimate	
	2-percent interest rate	3-percent interest rate	2-percent interest rate	3-percent interest rate
Total.....	\$209.2	\$191.4	\$185.6	\$170.1
Widow's.....	41.7	32.2	35.4	27.4
Mother's.....	46.3	43.8	32.4	30.6
Child's.....	113.2	107.4	109.8	104.2
Lump-sum.....	8.0	8.0	7.9	7.9
Survivor of male workers.....	184.6	167.9	161.7	147.4
Widow's.....	41.7	32.2	35.4	27.4
Mother's.....	46.3	43.8	32.4	30.6
Child's.....	91.0	86.3	88.3	83.8
Lump-sum.....	5.6	5.6	5.5	5.5
Survivor of female workers.....	24.6	23.4	23.9	22.8
Child's.....	22.1	21.0	21.5	20.4
Lump-sum.....	2.4	2.4	2.4	2.4

tality of survivor beneficiaries is assumed to follow the death rates in the United States Life Tables, 1939–41, for white females; both estimates assume remarriage rates for widow beneficiaries equal to 150 percent of those under the American Remarriage Table (based on 1916–29 experience).

On January 1, 1951, life insurance in force as survivor benefits under the amended act had a gross estimated value of about \$200 billion, the amount varying from \$191 to \$209 billion, depending on the interest rate used. The net estimated value is \$170 to \$185 billion; this is perhaps a more realistic estimate than the gross figure since it takes into consideration the effects of the work clause and the possible cancelling of survivor benefits for widows who may be eligible for retirement benefits in their own right.

On the same date, life insurance in force in private companies amounted to \$234 billion, that held under the Veterans Administration by veterans of World War I or World War II had a value of \$47 billion, and that under the railroad retirement and civil-service retirement systems amounted to perhaps \$15 billion.

In individual cases the amount of life insurance in force under old-age and survivors insurance varies from as little as \$60—the lump-sum death payment for a nonmarried, insured worker eligible for minimum benefits—to a maximum of about \$25,000 for a married, insured worker with several young children and high earnings. A lump-sum payment of \$240 would be made at the death of the latter worker, monthly benefits would be paid to his children and to his widow while any one of the children was under age 18, and monthly benefits would be paid to the widow after she attained age 65.

Of the liberalizations made by the amendments, several were immediately effective in increasing the amount of survivor protection under the program. Among the more significant are the provision raising the benefit level for both present and near-future beneficiaries by use of the conversion table; the provision increasing maximum and minimum benefits; the “new start” provision that enables older workers to obtain insured status on the basis of as few