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Miscellaneous

A. Under present conditions, what interest and mortality assumptions for retirement income policy maturity values and optional settlement rates guaranteed in new policies seem reasonable?
B. Are any modifications being made in the "Jumping Juvenile," Family Policy, and Special Plans?
C. What are the merits of selling individual health insurance coverages in conjunction with Ordinary Life insurance under which one cannot be lapsed without the other? What success has been achieved in this field?

MR. WILMER A. JENKINS: In connection with section A, it seems to me that a most important thing to be watched is the matter of timing. The retirement income maturity settlements and most of the settlement options will not even begin for some 10 to 40 years in the future. Given sufficient time, annuity mortality has always gone down as time passes. It would be rash if in ratemaking a future decline in mortality were not assumed.

I suggest that the base should be a recent mortality table, such as the *a*–1949 Table or the 1955 American Annuity Table. We should then project such table for twenty or thirty years into the future, more or less. The projected table does not have to be a complicated double entry table. Satisfactory aggregate results can frequently be obtained from a single entry table. The important thing is that any projection is preferable to none.

As far as interest is concerned, the problem is different. There seems to be a very, very long downward trend in interest rates earned by life insurance companies. This trend is somewhat obscured by a rather long, superimposed cycle of ups and downs. There was a long downswing to a low point about 1900, followed by an upswing to the 1920's and the downswing to the low of 1947. Currently there has been an upswing of 14 years. These swings are roughly 20 years each way, or about forty years for each full cycle, plus or minus.

I conclude from this picture, first, that we should not assume that the low portfolio earning rates around 3% in 1947 will not face us again and, second, that at the end of the next long-term downswing the earnings rate may well be somewhat below 3%.

Summing up, it seems to me that reasonable assumptions for annual premium policies must recognize the long-term commitments in question, and thus should consist of a realistic current mortality table with projection into future years, together with an interest rate not higher than 3% and preferably somewhat lower.

MR. LLOYD K. FRIEDMAN: I would like to discuss section B from the experience of a small consulting office.

On the "Jumping Juvenile" we have prepared three different versions. On one premiums are payable to age 65, on another to age 41, and on a third to age 25 or a miminum of 20 years. On all three the benefit increases from $1,000 to $5,000.

We have prepared a Family Plan rider that can be added to any permanent plan on which the premium paying period runs to the wife's age 60. The coverage is $1,500 of term to age 65 on the wife and $1,000 from 15 days to age 25 on the children. Premiums are payable to the wife's age 60. The rider terminates at the wife's death, with the children's insurance becoming paid-up. On the death of the husband, the entire rider becomes paid-up. We have also developed a variation of this rider that enables a widow or widower to add it to a policy on his or her own life.

Finally, although this topic is not specifically mentioned, we have a client that includes guaranteed insurability in every standard policy. This benefit is especially suited to addition without specific extra charge because of the opportunity it offers for antiselection. One problem encountered is the possible duplication of the amount that can be converted in any given time. We solved this by limiting the right to exercise an option to $10,000 in any twelve-month period.

MR. RALPH H. GOEBEL: The Northwestern National in the past year introduced a Family Policy type rider on which there is insurance only on the children. Coverage runs for 25 years, during which time children named in the original application are insured to age 25. Subsequent children are covered from age 15 days until the end of the 25 year period. We provide a 5 for 1 conversion privilege at the expiration of the coverage on the child. The rider may be added to either an old or a new policy on the life of either parent.

MR. ALFRED L. BUCKMAN: Since 1951 the Beneficial Standard has written a commercial individual loss of time disability policy in conjunction with ordinary life insurance. The maximum amount of monthly indemnity is $400 a month with life policies of a face amount of $10,000 or more. Only one application is required and only one premium notice is issued. The insured can terminate the loss of time policy and continue the life policy, but not vice versa.

We have found this package plan to be an excellent tool for new agents, particularly during their training period. However, the more experienced agents tend to drift away to concentrate on selling as much life insurance as possible.

MR. MENO T. LAKE: Occidental has issued a package almost identical to the one described by Mr. Buckman for over 20 years. The two principal advantages we expected from the plan were better persistency and expense savings. However, over-all there has not been much difference in either of these between our package policies and our regular policies. The only real savings in expense has been in the common billing.

One disadvantage is that we do not get a separate signed application for the A&S and consequently we have a much higher not-taken rate than on our regular business. We feel a lot of it is issued on a "hope I can place it" basis. Another problem is the APL provision of the life policy. The A&S must first be canceled, then the loan made to pay the life premium. This causes quite a bit of confusion to the policyholder. Also, we have found that in practice the A&S is treated almost as noncancelable, for the reason that if it is not renewed then the life policy is liable to be lapsed.

We look forward in the future to being able to work out a procedure where different coverages can be billed under a common billing. Then the company could expect all the advantages but stay clear of the problems of a combination plan.

MR. FRED G. LETWIN: The American United Life in 1958 introduced a package consisting of a guaranteed renewable A&S disability income policy and any permanent life policy. Both policies must be issued at the same time to males only. The amount of life insurance must be at least twenty-five times the amount of monthly income on the disability policy. The A&S part has premiums that are 5% to 10% lower than on regular issues. It can be continued after the life policy lapses, but commissions on it cease.

Our experience with this policy has been very good. The lapse rates on the A&S have been low—about 12%; and contrary to what we feared, the lapse rate on the life policy has been lower than on the A&S. The average size has been better than was expected. Claim experience has also been very good.