

**TRANSACTIONS OF SOCIETY OF ACTUARIES
1961 VOL. 13 PT. 2**

1958 CSO TABLES

What is the effect of these tables on premium rates, nonforfeiture benefits, reserves and other policy values? Are there any advantages to be gained by anticipating the deadline date (January 1, 1966) for adoption of the new tables?

MR. GARDNER F. KNIGHT: We at the Berkshire Life have changed over to the 1958 CSO continuous basis with business beginning March 1, 1961. We were somewhat prompted into this action by reason of needing a newrate book and feeling that it would be too burdensome to construct a revised ratebook on the old basis and still another new ratebook before the 1966 date on the 1958 CSO basis.

We are currently doing business in that area of the country where all of the states have passed laws permitting the 1958 CSO Table. However, there were difficulties when presenting policy forms for approval, because the various insurance departments did not have basic tables of values and were somewhat delayed in granting approval.

We have two sets of policies, a series of high cash value plan on a $2\frac{1}{2}\%$ basis, minimum policy \$20,000; and the line which we think will be the popular one on a 3% basis. In establishing our surrender values we have taken a conservative path. On our $2\frac{1}{2}\%$ set we assume surrender charges of \$8, \$6, \$4, \$2 and, beginning with the end of the fifth year, \$0; on the 3% set we use net level beginning with the end of the tenth year, grading up from an ordinary life adjustment of modified reserves in the first year. It is therefore obvious that we are going to meet any minimum that is likely to be demanded by any state.

Our field force was enthusiastic about the possibilities of the new merchandise and this is reflected in their increased production during the period beginning March 1. Generally they realized that cash values may be smaller but by reason of having an increase in our dividend scale for all of our business as of January 1 the projected net cost figures on the new merchandise are improved as compared with our previous 1941 CSO business.

We feel confident that we have made the proper choice in establishing rates on the new table at this time.

MR. MELVIN L. GOLD: In regard to the question whether a company should go to the new table now or wait, as a consultant I have had a few companies that went over to the new table last year. We ran into difficulties because these companies anticipated using the Society of

Actuaries' material for their valuation. Unfortunately this material was late in coming, but this did not impose unreasonable problems by reason of these companies valuing their reserves on a CRV method.

One of the prime reasons that there was some urgency in the adoption of the new table was the problem of deficiency reserves. If this is an important problem for a particular company there is no reason to delay going to the new table. Other than this I believe the answer is largely psychological and at any rate subject to individual company considerations. In regard to the question as to the effect that the new table will have on cash values and reserves, of course, generally they will go down. One effect of the new table is that many small companies are grading their cash values into CRVM or into net level at the tenth, fifteenth or twentieth year, whereas under the old table these companies might have been minimum all the way. It appears to me that very few companies are going to use a strictly minimum value, so that the material furnished by the Society which gave us minimum and net level cash values and reserves will not be in general use; rather the values will have to be calculated individually.

MR. GRAHAM C. THOMPSON: We at the Security Mutual Life have chosen for our normal reserve standard a modification which becomes net level in ten years. We have used this for three years and when we do set up reserves on the new table they will be at least as strong as on our current basis. Because we will be on the net level reserve basis from the tenth year, the Society of Actuaries' material can be used.