**TRANSACTIONS OF SOCIETY OF ACTUARIES
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DIGEST OF SMALLER COMPANY FORUM— DALLAS REGIONAL MEETING

ORDINARY ISSUES

A. For a company now studying a change to the 1958 CSO Table for reserves and policy values:
   (i) What different methods may be used for determining gross premiums?
   (ii) What assumptions are appropriate?
   (iii) What means of calculation are available and what are the relative costs?

B. Are any advantages to be gained by anticipating the deadline date (January 1, 1966) for the use of the new tables?

C. How often are requests made for special ages or plans not listed in the rate book? How can they be complied with? To what extent is it possible for the necessary calculations to be done by actuarial clerks?

MR. RALPH P. WALKER: In Wisconsin National Life Insurance Company, we determined gross premiums from asset share calculations at each tenth age for all plans on a 602-A Multiplier. The method was an adaptation of the paper in *TSA* XI, 357. I believe, under the method given, a model office calculation is necessary to determine whether the premium rates will produce sufficient surplus. We introduced a new concept in the asset share calculation so that gross premiums so determined would automatically produce a satisfactory model office calculation.

MR. EUGENE WISDOM: One of our clients has premiums and commissions graded by amounts of insurance. It is fairly common for company agency contracts to provide that adjustments will be made in case of business that has to be reinsured. It may be unusual for these provisions to be actually followed, but this device, in the case of a company with a small limit of retention, has the merit of compensating the agent to produce business which is most profitable to the company.

MR. H. RAYMOND STRONG: As a consultant, I have used higher mortality assumptions for the very small companies, because a large portion of their business is reinsured. For the very young and very small companies, I cannot use their actual expenses in computing premium rates. I use expense assumptions that would be reasonable for the company to reach within some period of years. The expense assumptions are pointed out to the company to help it understand more of what it has to do.

In answer to item (iii), I have used a 650 for heavy calculation work for several years. Including the program cost, I have found the cost to be roughly the same as doing the work on desk calculators. The time element, however, has made it worth while to do these calculations on the electronic computer.

MR. E. FORREST ESTES: Small companies do not set the trends. They must establish premiums which are competitive with the larger companies and then live within this income.

MR. ORLO L. KARSTEN: While the expense of using an electronic computer may be high in connection with the first job, once a program is developed it is surprising how quickly and at what little cost subsequent jobs can be performed. For this reason, it may be desirable to develop a program for premiums, asset shares, nonforfeiture values, reserves, etc., for a relatively small volume.

MR. JOSEPH W. HAHN: In the Great Southern Life Insurance Company we are planning to defer adopting the 1958 CSO Table for some time. The only advantage I see is that it will relieve us of the burden of deficiency reserves. Fortunately we have substantial surplus and so are in no hurry to adopt the new table.

In regard to section C, you might, for reason of size, want to eliminate some higher ages from the ratebook. You might be willing to issue at certain ages only under special conditions. You would like to see those cases before the application is taken. Even though you do not publish the rates in your ratebook, I suggest that it is well to calculate the rates over a very wide range of ages to take in those ages you will actually issue later on or that will be required for misstatement of age cases. In the Great Southern we apply three criteria in the matter of special plans. First, is there a need for this particular plan that cannot be met by a conventional policy plan? Second, do we have an appropriate policy form to issue it on? Third, can we made some money on it? If the request meets these three criteria, then we try to quote on the plan. In Texas particularly there are a great many small companies that have special plans with many features. When one of our agents has a client who wants just that policy and nothing else, we are not eager to make quotations for such special policies. We have our own special policies; however, we like to stick to only our own type. If the calculation is a simple interpolation or an extrapolation over not too great a range, we have clerks do the work. Generally, however, we have an actuarial student do the calculations and we think it is excellent practice for him.

MR. JOHN J. EVANS: In the Southwestern Life Insurance Company we are going to wait until all of the states in which we do business permit the use of the 1958 CSO Table and as Oklahoma is one of these states, it may be some time. The benefit we will enjoy from the new table will be the elimination of deficiency reserves on new business. The use of two interest rates has cut down the size of the deficiency reserves, but the premium differential for females still leaves a wide area subject to them.

How often requests are made for special ages or plans will depend on how comprehensive your ratebook is and what size your company is. In Southwestern Life our ratebook contains more than one hundred plans with rates for all of the ages at which we are willing to issue a particular policy, except for group and term conversions. We even include some rates for group and term conversions above our maximum age at issue for regular new business. We get about seventy-five applications for individual life insurance policies and annuity contracts and three special requests per working day.

We encourage agents to make special requests when they have an actual prospect and we attempt to deliver a quotation to them on the same day we receive the request. Of course, we need to have a state-approved policy form, a loading formula and an adjusted premium formula that we can assign to a plan. We also want to be sure that this plan the agent suggests fits into our pattern of operation. Most of our requests for special rates are actually deferred annuity contracts maturing at some age that is not shown in the ratebook. These offer no problem. In many competitive cases, we can find one or a combination of our plans that will provide at least the same benefits as those of our competitor's plan.

We are a bit reluctant to calculate a whole set of rates and values for one agent's benefit when he decides that he would like to push a particular plan that is not in the ratebook. If enough pressure is exerted, we prepare rates and values for all ages and send them to our branch managers. We try to be fair in our treatment of such requests, but it is hard to be fair without incurring unwarranted expense in making such calculations. We also find it onerous to keep such quotations up-to-date. Occasionally we will get an agent from another company who is sold on some particular plan which his old company had and he will request that we furnish him with rates and values for all of the ages. In this case, we have a selling job on our hands to switch him over to our portfolio of plans. If the demand for a particular new plan grows, we issue a ratebook supplement. This happens several times a year.

Our actuarial clerks are sufficiently well trained so that it is possible for them to handle any of these calculations if they are furnished with the new loading formula and new adjusted premium formula. It is more practical, however, because of the fact that we use two interest rates for most plans, for us to have premiums and nonforfeiture benefits calculated on our 650 when a substantial number of values are needed.

MR. GEORGE A. MACLEAN: One reason for the hesitation of companies in adopting the 1958 CSO table is that it produces lower cash values. If a company adopts the 1958 CSO nonforfeiture values on the same interest rate as they are now using and the industry generally adopts a lower rate, the company may find itself forced to bring out a complete new set of nonforfeiture values if it wants to remain competitive.

We feel a company of our size (Standard Life of Indiana) should grant requests for special plans not listed in the ratebook as an extra service to our agents and to attract brokers. We usually grant requests for special plans where it involves only the calculation of premiums, nonforfeiture values and reserves and not special printing. However, we point out advantages of one of the wide range of plans in our ratebook. Examples are discounted premiums paid in advance on annual premium policies in lieu of single premium policies and two individual policies in lieu of one joint life policy. Special contracts have been prepared for individuals close to or at retirement on individual policy pension trust cases.

When an agent requests a special plan requiring new policy forms and many calculations, we offer to introduce the plan if he will pay the printing costs (estimated at $500 to $1,000). He receives an extra 50¢ or $1.00 per $1,000 of insurance written until printing costs are recovered. This frequently results in withdrawal of the request.

Quotations involving policy modifications and rate calculations outside the established premium pattern may prove a valuable review when there is a general revision.

When a request is not granted, we try to give a satisfactory reason. The answer is discussed with the agency department to obtain their support for our position.