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Double Indemnity

What additional coverages are being offered in conjunction with or as an enlargement of the double indemnity benefit? What satisfactory bases are available for premium rates and valuation?

MR. JOHN M. BOERMEESTER: A number of companies have recently made changes in their accidental death benefit coverages, possibly as a result of the experience published in the 1958 Reports and the subsequent development of the 1959 Accidental Death Benefit Table by Messrs. Brodie and November and its adoption by the N.A.I.C. as a recommended valuation standard.

One important change is the adoption by several companies of a definition of accidental death which does not require accidental means of death. This can only lead to higher claim rates.

The automatic inclusion of double indemnity in family policies without the separate underwriting normally used in connection with other policies may also be considered an enlargement of offerings. There have also been reductions in minimum issue age and increases in the age at which coverage ceases.

Two types of "triple indemnity" are now available. One provides for triple indemnity for death from injuries sustained in a public conveyance. The other provides triple indemnity for the same accidental deaths covered under double indemnity. Some companies extend the latter type of coverage to quadruple or quintuple indemnity as long as the total accidental death benefit does not exceed twice the amount of life insurance in force in the company.

A number of companies have raised issue limits, some to as high as $150,000. This leads to the question of whether current premium rates will cover the higher claim rates and antiselection for larger amounts as shown in the 1948 Reports. It should also be noted that the study covered a period of good times with few suicides and that much of the exposure was probably associated with the accidental means definition.

MR. HARRY A. WOODMAN, JR.: In October 1960, the New York Life first offered a triple indemnity benefit providing an accidental death benefit of twice the amount of the policy to which it is attached. The benefit is payable under the same conditions as the double indemnity benefit, which is still available.

Because of expense, a triple indemnity rider will not be added to an existing policy but a new policy may include an accidental death benefit of up to five times the amount of life insurance, provided the resulting total accidental death benefit does not exceed twice the resulting total amount of life insurance in force.

Per $1,000 of accidental death benefit our premiums for triple indemnity are the same as for double indemnity. Expense savings from the higher average size of the accidental death benefit under triple indemnity, estimated at about 10% of the net premium, are thus available to cover a 10% higher claim rate under triple indemnity.

In the first half of 1961 about two-thirds of eligible applicants elected some form of accidental death coverage and, of these, about 5% elected triple indemnity. Only about $\frac{1}{4}$% elected greater amounts of accidental death benefit. There has been about a 7% increase in the amount of accidental death coverage sold.

Triple indemnity seems to be more popular among males than females and for larger amount policies and for term and whole life plans. It appears to be about equally popular for all age groups.

MR. PAUL E. SARNOFF: The Prudential last year began to offer in new weekly premium industrial and intermediate ordinary policies, in addition to the regular accidental death benefit, a provision for an additional payment if the cause of death is nonoccupational and is related to a transport vehicle as defined in the clause.

The Prudential analyzed its ordinary premium paying experience between 1951 and 1956 anniversaries, excluding years of issue 1941 through 1945. It was found that the ratio of vehicle accidental deaths to total accidental deaths, such ratio being denoted by f_x, was:

Age	f_x
Under 25	.698
25–34	.650
35–44	.566
45–54	.547
55–64	.565
65 and over	.433

The results were then graduated graphically. Commutation functions, net premiums and reserves for the regular accidental death benefit plus the nonoccupational vehicle benefit can then be developed by using the function $q^{ad}_{x+t}(1+f_{x+t})$ in the same manner as q^{ad}_{x+t} is used in similar calculations for the regular benefit.

MR. N. DOUGLAS CAMPBELL: Canadian federal and provincial laws, until recently, required that any accidental death benefits in excess of basic policy amount be treated as casualty business in a separate casualty statement and with segregation of assets.

Recently the federal law has been amended to permit an accidental death benefit of not more than twice the basic policy amount to be treated as life insurance for statement purposes. A corresponding amendment to the Uniform Life Insurance Act has been passed in six provinces, to be effective when passed in all of the nine provinces concerned.

Of 16 of the larger Canadian companies, three offer an accidental death and dismemberment benefit, which provides triple indemnity upon accidental death in a public conveyance. The remaining 13 do not seem enthusiastic about triple indemnity, even though they are aware it can soon be treated as life insurance. Those which indicate they will probably go along are about evenly divided in the choice of triple indemnity payable under the same conditions as double indemnity and triple indemnity payable upon death in a public conveyance.

At the present most companies' double indemnity coverages cease at 65. Quite a few companies have recently extended the benefit from 60 to 65. At least two companies' benefits now run to age 70. Certain restrictions have been removed from the provisions of a few companies, but others hesitate to go along in this respect because of adverse court decisions, particularly in the United States.

MR. RALPH E. EDWARDS: At the Baltimore Life we have found it of some importance, from the sales standpoint, to include school buses in the definition of common carrier in travel accident coverage when it is to be sold at the younger ages.

MR. BRUCE W. BATHO: My company, the Life Insurance Company of Georgia, has for sixteen years offered a benefit payable in event of death resulting not only from common carrier accidents but also from automobile accidents, whether the insured is a passenger or driver. This rider is available whether or not the regular double indemnity benefit is to be issued. The travel accident premium is less, of course, about one-third less, at the younger ages, than the double indemnity premium. The two forms of benefit are sold in about equal volume.

MR. IAN M. CHARLTON: The Peoples Life Insurance Company of Washington is about to offer, for attachment to ordinary policies, a rider providing quadruple indemnity for common carrier (including school bus) accidental death and triple indemnity for other types of accidental death. Rates will be based on 210% of the 1959 Accidental Death Benefits Table. In addition we are offering a dismemberment benefit based on the 1941 Prudential dismemberment table. This increases the premiums rather rapidly above about age 45, not only because of the increasing rate of dismemberment but also because of the greater probability of the more serious dismemberments.

MR. WILLIAM M. BUCHANAN: Two recent liberalizations have been the "common carrier" triple indemnity benefit and the extension of the accidental death benefit termination age from 65 to 70. As to the first, National Safety Council statistics seem to indicate that in 1959 there were not more than 500 common carrier passenger deaths out of an exposure which can be estimated at 165 million. The annual rate is thus about three per million.

As to the second liberalization, the average annual accidental death experience rate is about 710 per million between ages 65 and 70, according to the 1951–56 experience published in *TSA*, 1958 Reports.

On the basis of the above rates combined with the 1958 CSO table and 3% interest it is found that net single premiums per $1,000 for the common carrier benefit are about $7\frac{1}{2}$ cents, $6\frac{1}{2}$ cents, 5 cents and 3 cents at ages 20, 35, 50 and 65, respectively. In comparison, corresponding single premiums for the extension of the termination age of the regular accidental death benefit from 65 to 70 are 71 cents, $1.15, $1.91 and $3.84. Thus, as could have been anticipated, the additional cost of the common carrier benefit is small, especially in relation to the cost of the five-year extension of the termination age.