PREPARATION OF RATE BOOKS AND POLICY FORMS

A. What new procedures are being used, or are contemplated, in the preparation of new rate books and policy forms with values under the 1958 CSO Table?
B. To what extent are electronic computers used or contemplated?

MR. PHILIP A. TURBERG: Our plans at the Life Insurance Company of North America call for the use of a pocket-sized rate book, with rates and values shown for all plans under each age. Extended term insurance will not be shown, however, and cash and paid-up values will be shown only at limited durations. Complete listings of values at all durations will be supplied each field office.

Calculation of net premiums, fractional gross premiums, terminal reserves, mean reserves, dividends and nonforfeiture values for all ages and durations will be made in one pass through an IBM 7080. Rates and values will be printed on preprinted sheets containing standard headings. These sheets then become the master copy for rate book pages.

Large-scale electronic computing equipment permits calculations of rates and values with a high degree of accuracy and limited need for proofreading and inspection. It also facilitates adoption of a more complex reserve basis designed to give maximum advantages in our tax planning.

MR. MELVIN L. GOLD: As a consulting actuary, I have found that for many of my clients the fundamental question concerning a new rate book is whether to have it arranged by plan within age or by age within plan. The advantage given for age within plan is that you can add new plans without reprinting your rate book or having inserts in the back of the book. However, when we introduced the 1958 CSO Table with some of the companies, we made it by plan within age. Thus, the rates for all benefits available at a given age are shown on one page. A later study showed that more supplementary benefits such as disability and term riders are sold if this method is used.

MR. GEORGE E. IMMERWAHR: In my company, whenever we propose anything other than a rate book arranged purely by plan within age, our agency people certainly let us know their objections to it.

MR. JOHN G. McLAUGHLIN, JR.: Arrangement of rates and values by age within plan is very desirable in the home office as it simplifies changes or additions. However, my experience has been that an arrangement by plan within age is more desirable because it gives the field a better tool to work with. There also appears to be a trend toward the smaller pocket-size rate book.

Computing services are indispensable in any wholesale rate change. Further, if a company does not have the equipment to do the computations themselves, they would be well-advised to turn the job over to an actuarially competent professional service. They would also be well-advised to contract with a printer who will guarantee his proofreading, even though the dollar cost would be considerably greater—thus resulting in a considerable saving in the time of home office personnel.

MR. FREDERICK S. TOWNSEND: When the Valley Forge Life adopted a new rate book based on the 1958 CSO Table, we used a modified reserve method as Mr. Turberg indicated. The computer proved to be well worth while in these calculations.

One of the most valuable uses of the computer is that virtually unlimited testing of assumptions can be made in arriving at a final scale of gross premiums. Extensive testing of trial gross premiums was done for more than 50% of the plans in our rate book.

MR. ALLEN L. MAYERSON: Actuarial computing is becoming trivial because of the speed and ease of calculation associated with the new computers. Calculations which used to require several weeks of concentrated effort from technical personnel using desk calculators can now be completed in a matter of minutes on a high-speed computer.

MR. RALPH E. EDWARDS: Because of the shortage of actuarial help, Baltimore Life used the services of a consulting actuary in developing its latest revision in rates, values and dividends. The calculations were performed on an IBM 650 and the company was quite pleased with the results.