

**TRANSACTIONS OF SOCIETY OF ACTUARIES  
1962 VOL. 14 PT 2**

**DIGEST OF SMALLER COMPANY FORUM—  
KANSAS CITY REGIONAL MEETING**

**NEW LIFE RATE MANUALS**

- A. What considerations are involved in the choice of bases for
  - (i) cash values and reserves,
  - (ii) extended insurance,
  - (iii) settlement options,
  - (iv) lower rates for women?
- B. To what extent are general policy form revisions being made in connection with the adoption of the 1958 CSO Table?
- C. What problems does the smaller company face with "special" policies when adopting the 1958 CSO Table?
- D. To what extent are electronic computers being used or contemplated in the preparation of new rate books and policy forms for 1958 CSO policies?

MR. CHARLES F. B. RICHARDSON: At Berkshire Life we have two series of participating contracts based upon 1958 CSO. One series has low premiums and 3% reserves grading from preliminary term to net level premium at the end of ten years. Another series, with only five plans, has higher premiums with  $2\frac{1}{2}\%$  net level premium reserves and high early cash values. The latter type accounts for 18% of all issues and the average policy has been \$60,000, as compared with an average of \$10,000 for the regular series. The CET table was used for extended insurance because it reflects our mortality experience. Settlement options are based upon the 1955 American Annuity table at  $2\frac{3}{4}\%$ . On the rates for women, we used the three-year age ratedown.

MR. JAMES M. MORTENSEN: Kansas City Life will offer two series of contracts with 1958 CSO reserves. Nonparticipating policies will have CRVM 3% reserves and minimum cash values. Participating policies will have  $2\frac{1}{2}\%$  NLP reserves and cash values graded to the twentieth year reserve. We will use the CET table for extended insurance. After a study of modern tables with projections, we chose to base our settlement options upon the 1937 Standard Annuity table, set back two years, at  $2\frac{1}{2}\%$ . A three-year age setback will be used for rates for women. Since we used age last birthday and continuous functions, it was necessary to use an electronic computer.

MR. JOHN H. FLITTIE: Settlement options will be based upon the *a-1949* Table projected to 1960, at  $2\frac{1}{2}\%$ , at Guarantee Mutual Life. For women, we will use a simple preferential rate on a few popular plans, with male nonforfeiture values. All values will be done by a computer. The punch card output will be listed by a tabulator in rate-book page format; a plastic overlay will include the rulings and headings of the page. Printing will be done by photo-offset. We anticipate that the new rate book will cost about half as much as previous books.

MR. JOHN M. BURLEIGH: At Connecticut General, we plan to use standard mortality for extended insurance on retirement income contracts only. This is because, under our policy, paid-up and extended insurance become identical after the cash value would otherwise provide level paid-up endowment insurance for an amount greater than the death benefit before the nonforfeiture option was elected.

MR. CHARLES H. CONNOLLY: Southwestern Life policy forms are designed for machine issue; page 3 comes from continuous forms. This page includes basic policy information, which is visible through a window in the first page, and nonforfeiture values. The values are calculated for the actual face amount of the policy. The computer prints the applicable valuation standard following the values, which makes unnecessary the refile of forms when a new table is adopted.

MR. FLOYD A. BASH, JR.: Farmers & Bankers' new premiums are on the basis of the age nearest birthday, include a \$10 policy fee, and the minimum adult policy is \$2,500. The rate manual shows the premium for \$2,500 and the additional amount to be charged for all amounts in excess of \$2,500.

Cash values are based on regular functions, using the maximum initial expense allowance and grading into the Commissioners Reserve by the twentieth year.

We have two manuals, one a large size ( $8\frac{1}{2} \times 11$ ) intended primarily for office use and the other a small pocket-sized manual containing abbreviated information on the most popular plans.