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Miscellaneous Coverages

A. Family Coverages:
  1. What are the pros and cons of offering family coverage by means of a rider as opposed to a special form of policy?
  2. What popularity has been achieved by Family Policies providing other than Ordinary Life coverage on the husband and Term on the wife, *e.g.*,
     i. Endowment or Limited Payment Life on the husband, Term on the wife;
     ii. Ordinary Life on the husband, permanent plan insurance on the wife;
     iii. Endowment or Limited Payment Life on the husband, permanent plan insurance on the wife?
  3. Are there advantages in varying the premium, rather than the amount of insurance on the wife, when her age differs from that of her husband?
  4. In Family and One-Parent Family Policies, have standard printed beneficiary designations and ownership clauses proved to be entirely satisfactory to all concerned? What types of provisions are most likely to reduce the need for endorsements to a minimum?

B. Is there a substantial demand for:
  1. Special term policies on the lives of college and university students?
  2. Special decreasing term policies offered through mortgage lenders on the lives of borrowers?

  What are the most practical and economical ways of marketing and underwriting such coverages? What special factors are taken into account in premium computation?

C. What has been the market for and what are the problems in connection with:
  1. Policies and riders providing increasing amounts of insurance, including premium return benefits?
  2. Plans, other than the usual type of Family Policies, providing life insurance, with or without health insurance, on two or more members of a family?
  3. Policies on the lives of adults containing premium waiver benefits in event of death or disability of the person (other than the insured) who is responsible for premium payments?

Jacksonville Regional Meeting

MR. JOHN S. MOYSE: In my opinion there is a place in the rate book for both family riders and family policies. The rider has the advantage of being more flexible and can be used in the following situations:

(1) To provide various plans of insurance on the lives of the husband and wife.
(2) To permit the wife to be insured for other than the scheduled amount of insurance in the family policy.
(3) To provide an amount of insurance on the husband's life other than the scheduled amount in the family policy; for example, with Commonwealth

Life amounts of as low as $3,000 can be obtained through use of the rider while the minimum amount under our family policy is $5,000.

(4) To provide a one-parent family policy.
(5) To allow the agent to build a package comparable to another company's family policy.
(6) To add to an existing policy, satisfying the policyholder's wish to change to a family policy, thus preventing replacements.

The advantages of selling a special form of policy rather than a rider are as follows:

(1) A packaged policy is always popular with agents, especially combination agents, and will result in more sales than would be the case if just the rider were offered.
(2) Administrative expenses are less.
(3) The market in which the rider is sold tends to be a higher income market than that in which a packaged policy is sold, so there is more danger with the rider that children are being covered by term insurance when money is available to purchase permanent insurance on their lives.

MR. WILLIAM H. BREEZE: Ohio National has offered a two-parent family policy since late 1957 and has offered one-parent and two-parent family riders since early 1960.

We have from the beginning regarded as the primary advantage of family coverage (provided either by rider or by policy) any incentive it provides to sell needed permanent insurance on the life of the breadwinner. We have felt that any "prepackaged" combination of coverages frequently cannot do a complete job of meeting a family's insurance needs. We have, therefore, in developing product, asked ourselves how we can best maximize and utilize the dollars devoted to husband's permanent insurance, recognizing that the answer would require compromises in the amount and kind of wife's insurance provided, since the children's term insurance is a small part of the total cost.

In keeping with this philosophy we developed the family *policy*, believing it to offer both insured and agent maximum incentive to place a new permanent policy in force on the life of the husband. This was the main "pro" as far as the policy was concerned.

The main "cons" as far as the policy is concerned are the main "pros" for the riders—namely, the policy's lack of flexibility and the tendency for demand for it to encourage termination of existing insurance. Our agents became particularly concerned at what, to them, appeared to be a tendency for the public to demand family coverage *instead* of the insurance they now owned. The possibility of offering dependent's coverage (1) in a manner in which it could be added very simply to an existing

policy, (2) with a variety of new basic policy plans, and (3) at an even lower proportion of the total guaranteed premium cost than when offered in the rigid policy package, led us to develop the rider.

During 1960, the first full year of operation with the rider, the number of family policies paid for was more than twice the number of riders attached to new policies. During 1961, the numbers were almost the same, because of a reduction of nearly 50% in the number of family policies paid for.

Presently, we believe the rider to be more in keeping with our philosophy of encouraging maximum investment in husband's permanent insurance and it has undeniable advantages in the preservation of existing business where dependent's coverage is demanded. For these reasons we are considering withdrawing the present family coverage policy at the next major product overhaul.

Summarizing, we believe the primary advantages of the rider to be:

1. Flexibility in choice of husband's basic insurance plan.
2. Ability to add dependent's coverage to an existing policy.
3. Minimization of cost of dependent's benefits, thereby permitting maximum family dollars to go toward the purchase of the husband's permanent insurance.

The primary advantage of the policy, as we see it, is that it is the better means of including permanent insurance on the wife.

MR. LEE H. KEMPER: In September 1958, Acacia began issuing the family plan rider. The rider provides term insurance on the life of the wife expiring at age 55, 60 or 65, depending upon the plan chosen by the policyholder. In 1961 we began to issue another rider providing permanent insurance coverage on the life of the wife. Each unit of this rider provides $2,000 term insurance on the wife expiring at age 55, 60 or 65, as the case may be, and $1,000 paid-up insurance thereafter. Both riders are issued for a minimum of $2,000 and a maximum of $6,000 and the rider amount can be up to 40% of the face amount of the base policy on the life of the husband. Insurance on each child is 50% of the amount of insurance on the wife and runs to the child's age 25.

At the time we were considering a family plan, a survey showed that of 89 companies issuing family plans, 74 were issuing family plan policies. Therefore, before deciding to adopt a family plan rider, we were quite thorough in investigating the advantages and disadvantages of issuing the rider instead of the family plan policy. The advantages of the rider over the policy, as we see them, are as follows:

1. The rider provides maximum flexibility as to the amount of insurance on the wife in relation to the amount of insurance on the husband.

2. The rider can be issued with any permanent plan of insurance which has a premium paying period at least as great as the premium paying period on the rider. Therefore, the rider permits maximum flexibility in the plan of insurance on the husband.
3. The rider, providing for various ages of expiry, makes it possible for the policyholder to choose the age at expiry or the age at which the policy will become paid-up.
4. The rider makes the use of a fixed or definite amount of insurance on the wife more feasible. Although the same provision would be possible under a policy, there are practical difficulties in making this provision available.
5. The rider may be terminated without terminating the base policy.
6. Where the family plan provides term insurance on the wife expiring at a fixed age, there might be less chance of misunderstanding if the term insurance is provided by a rider.
7. The rider might be added to old policies thereby helping the replacement problem, but the expense of underwriting in such cases might make this usage impractical.

The disadvantages of the rider are as follows:

1. A determination of cash values which will be sufficient so that they will be greater than the cash values resulting from the combination of any base policy and the rider is a difficult problem.
2. A rider is more complicated from the policyholder's standpoint than a policy which combines all benefits into one contract.
3. There are additional complications for the company if the company allows addition of the rider to old policies.
4. If the agent is allowed to add the rider to old policies rather than sell a family plan policy which includes all benefits, his compensation will be much lower because of the lower commissions paid on term insurance.

On the question of which type of contract is most salable, both the proponents of the policy and those who favor the rider claim salability as an advantage. The rider provides for two-step selling which means that the agent can sell the husband on the base policy and then suggest that he purchase a family insurance agreement to insure the life of his wife and children. This provides a method of upgrading his sale after he has already sold the permanent plan of insurance. The advantage of the policy is that it is sold as a package and the family coverage helps the agent in selling the permanent insurance. On the other hand, the rider and the base policy to which it is attached can be represented to the prospect as a package sale and therefore have all of the sale advantages that are represented by the family policy.

After considering the advantages and disadvantages of the rider as a means of providing family protection, Acacia decided that the advantages

outweighed the disadvantages and we should adopt the family insurance rider.

During 1961 our family plan agreement was added to approximately 45% of all policies eligible for the benefit.

Our experience with this rider has been quite satisfactory and we intend to continue its use when we revise our policies in changing to the 1958 CSO Table.

MR. REA B. HAYES: The one-word nutshell answer to the question of a family rider as opposed to a policy is "flexibility." Any further answer is simply elaboration of this theme which can be made under such headings as:

1. The basic plan may be any plan with premiums running to or beyond the anniversary on which the wife attains age 65. In fact, if you wanted to make a break with tradition and permit premiums on the rider to run 5 or 10 years beyond the premiums on the basic policy, you could extend the benefit to such plans as endowment at age 65 and life paid-up at 65 for most combinations of ages of the husband and wife.
2. So far as the amount of insurance is concerned the rider approach is completely flexible. Where you have a substantial sale involving the family plan, you do not have to issue two policies. We can even top the argument of the convenient sales track of the unit policy by always making a pitch for 2 to 10 units of family insurance with every policy sold. At least a few of our agents do this very thing.
3. With the rider approach, it is possible to offer the benefit to existing policyholders. The companies which do not do this are missing out on a good antitwisting device. Similarly, the rider simplifies the problem of making any necessary policy change in the event of divorce or remarriage.

The situation with respect to cash values and deficiency reserves is somewhat more complicated with the rider approach, but if values are well above minimum values in the first place, it should be possible to satisfy even the Hooker Committee approach treating the policy as an indivisible unit. On the other hand, the fact that the insurance is on an entirely different life might justify treating the family insurance as a separate unit. If the technical amendments act passes in all jurisdictions, this will become an academic question in any case and the rider approach can be freely adopted, even by companies using minimum values.

MR. GEORGE W. SHELLY: With regard to subsection 2 of section A, Equitable has had experience with two markedly different family plans since mid-1957. Both plans provide a children's benefit per unit of $1,000 of term to age 25 but the basic coverages on the husband and wife are quite different. One unit of our "low premium" Family Protection policy

provides $5,000 of ordinary life insurance on the husband with decreasing term insurance on the wife. The term insurance decreases by the *attained* age of the wife, providing per unit a $3,500 death benefit up to attained age 25, decreasing by $100 for each year of attained age in excess of 25 to $1,000 at age 50, then remaining level at $1,000 to expiry at *wife's* age 65. Our Family Security policy is a higher premium form. This plan is based on $3,000 per unit of endowment at age 65 on the husband combined with $1,000 of endowment on the wife, maturing at husband's age 65.

Both of our policies have premiums, cash values and current dividends which depend only on the husband's issue age and both plans are available with the wife's issue age 12 years younger to 7 years older than that of the husband. In the case of the Family Protection policy the pattern of the decreasing term insurance benefit on the wife was chosen to avoid the necessity for premium differentials for wives younger and older than the husband. For a given issue age of the husband, the older wife has a lower term insurance benefit remaining to *her* age 65. For the higher premium Family Security form the wife's benefit for a given age of the husband is a fixed period endowment to *husband's* age 65 and the premiums and cash values for such a benefit do not vary markedly by issue age. Accordingly, within our range of age differences, we were able to provide premiums and cash values for the entire policy which vary only with the husband's issue age. The wife who is older than her husband gets a slightly better buy than the younger wife; however, the differences are not large and we feel that our averaging approach gives reasonable equity and important expense savings for the package as a whole.

As would be expected, our low premium package is much more popular and in 1961 accounted for 10% of our total amount of paid-for ordinary business. The Family Security or endowment form accounted for only ½ of 1% of total volume paid for in 1961. While the endowment form does not account for a large volume of new business, I might point out that it has proved useful for the salary savings type of sale.

MR. PAUL T. ROTTER: We adopted a rider type family benefit since we wanted the basic plan to be sold for the desired amount without regard to the amount of family coverage desired.

Our premium for the family coverage is based on the wife's age. If waiver of premium is involved, we found that we could base this on the husband's age and get very satisfactory results.

Since introducing this coverage on December 1, 1958 we have sold approximately 10,000 policies with this provision: 59% by both number and amount were attached to the ordinary life plan, and an additional

33% by number and 34% by amount were attached to our graded premium ordinary life policy under which premiums increase for 10 years and remain constant thereafter; 7% by number and amount were issued with life paid-up at age 65; and the rest, amounting to less than 1% by number and less than ½% by amount, were spread over all other plans where premiums ran to age 60 or beyond. Clearly, the ordinary life policy, which is the basis of the original family policy, is the most popular.

MR. MOYSE: Commonwealth's family policy provides for other than Term coverage on the wife. One unit of Commonwealth's family policy provides:

a) $5,000 of whole life with double indemnity and waiver on the husband,
b) $1,000 of whole life with double indemnity on the wife, and
c) $1,000 term to 21st birthday on each child more than seven days old.

The usual conversion privilege for coverage to $5,000 of permanent insurance is available to each child on expiry of the family policy coverage. On the death of the husband the benefits on the wife and children become paid-up. This coverage is sold on both a Regular Ordinary and a Monthly Debit Ordinary basis.

Our agency force likes the fact that we are providing permanent insurance rather than term insurance on the wife. They feel that permanent insurance has more sales appeal to the policyholder.

Their acceptance is confirmed by the fact that our family policy sales represent 43% of our adult ordinary sales, by volume with riders excluded, for the years 1959 through 1961, compared with 26% for combination agents of other companies, as derived from the Buyer's Study for the year 1960 put out by LIAMA.

One disadvantage of providing permanent coverage on the wife is that more premium outlay is involved. The argument can be made that the purchaser of the family policy needs more insurance protection on his wife when she is young than when she is over 65. However, this additional premium outlay is small at the younger ages where most family policies are sold.

MR. CHARLES M. BEARDSLEY: When the standard family policy was introduced a number of years ago, we at Security Life and Trust took a rather dim view of the insurance coverage provided for the wife on most of these plans. Although having term insurance for the wife to the husband's age 65 results in a low cost for the total plan, it was our feeling that the cessation of term insurance coverage came at a time when the wife needed it most, and when it was most expensive for her to convert to permanent insurance.

You will also recall that most of these plans provided that, in the event of death of the husband, the paid-up insurance provided on the life of the wife would continue to be term coverage. Believing that this standard family plan did not give adequate protection to the wife, we drafted our family policy to provide ordinary life coverage on both the husband and wife. The particular unit which we devised had a formula providing one-half of the husband's insurance on the life of the wife and one-fourth of the husband's insurance on each dependent child. The children's insurance was term to age 25.

In order to make the policy more flexible, however, we also provided that additional life insurance could be placed on the husband in the same contract, up to a maximum of $4,000 for each $1,000 on his life under the basic family plan.

The policy was so written that there were two tables of cash values, depending upon the ages at issue of both husband and wife. The total value of the policy was the sum of the individual values taken for each of the insureds.

Although we were convinced that this would be a most satisfactory type of coverage for a family, we have been quite disappointed in the acceptance by our agents and the general public. Not more than 1% of our volume has been sold year-by-year on this family policy.

The recent rapid growth of our multiple line agency force in comparison with regular ordinary insurance agents has caused us to re-evaluate our original position. Based on the generally good acceptance of family policies in other companies and a realization of the type of market in which our multiline agents are selling, we found that we needed a product which includes term insurance on the wife.

About two months ago we introduced a new family contract based on life paid-up at age 65 for the husband. However, there are two important modifications.

In the first place, we made available a special paid-up insurance conversion feature at age 65 which enables the husband to share a portion of his paid-up insurance with his wife. Where husband and wife are the same age, a $5,000 policy can be converted at age 65 to provide $4,000 paid-up insurance on the husband and $1,000 on the wife. Where the ages differ, the paid-up insurance on the wife is the same as the amount of term insurance which she had previously, and that on the husband is the amount which can be purchased by the balance of the cash value at that time. In this way both husband and wife can have permanent insurance following age 65 without the payment of any additional premiums.

We are also making available a payor death type of benefit which can

be added to the policy at an extra premium. This benefit provides that if the husband dies before age 65, the coverage on the wife will be continued as term insurance to the policy anniversary which would have been nearest the husband's age 65, and then it will be converted to nonparticipating ordinary life insurance. All premiums on the converted policy will be waived by the Company. This benefit is relatively inexpensive but will assure the widow of having insurance protection throughout her life, regardless of her ability to pay premiums.

This new family plan has received a warm acceptance from our agency people and present indications are that it will take a very important position in our policy portfolio.

MR. WARD SMITH: There seems to be a very wide diversity of Company experience on this question. When Life and Casualty first came out with the family plan we asked our district managers, "Would you rather have term on the wife or whole life on the wife?" (It had already been decided to have whole life on the husband.) The Managers unanimously voted for whole life on the wife, but we were afraid that, since most of the family plans being sold had term on the wife, we might be at a competitive disadvantage since our premium would be higher. So, we came out with both term on the wife and whole life on the wife—two different policies.

Since we started, our experience has been that 98% of the sales have been with whole life on the wife. The agents don't care at all for the term.

We are now planning to add a rider which we should have added a long time ago. This rider will have whole life on the wife, and it can be added to almost any plan of permanent insurance. The whole life on the wife will have its own table of cash values.

MR. MOYSE: Concerning subsection 3 of section A, the big advantage of varying the premium is that it results in even amounts of insurance on the wife, and agents like to talk in round amounts. The reasoning behind odd amounts of insurance on the wife is not always understandable to the public.

In addition, it is simpler for the agent to illustrate cash and paid-up values, since it is not necessary to multiply the wife's cash value per $1,000 by an odd amount. This is especially important for Commonwealth since the plan of insurance on the wife is whole life.

A disadvantage is that more rate book space is required to show the different premiums varying according to the wife's age, and space restrictions may result in limitations on the ages shown for the wife for each age of the husband.

MR. JOHN M. BOERMEESTER: Question A3 might have been worded: "What are the disadvantages of not varying the amount?" The answer to that question would produce a number of disadvantages which would probably exceed the number of advantages. However, these disadvantages mainly concern technical matters such as the display of premiums, nonforfeiture values, dividends and valuation.

We believe our practice of varying the premium and not varying the amount of insurance has a distinct sales advantage. The importance of this one advantage, at least in the eyes of our agency force, far outweighs the importance of all the technical disadvantages which I have mentioned.

When we first considered offering a family plan, we could find no strong underwriting reason for varying the death benefit according to age. What social reason can one give to support the design of a policy which places a smaller value on the life of a woman who is only a few years older than another? Can one reason that the needs for final expenses are any the less because the wife is older in one case than in another? We decided to live with our technical difficulties and adopted a plan for our premium notice business which provides $1,000 of permanent insurance on the life of the wife for each $5,000 on the life of the husband. The premium for her coverage, which does vary according to her age, is payable during the joint lifetime of the husband and wife but not after the wife attains age 65. The plan has continued to be popular and sales appear to be steady.

We recognize that there are instances when it might be desirable to vary the amount of insurance, not according to age but because of need, and in such instances we will allow the addition of a term rider on the life of the wife in addition to the coverage provided under the family policy.

MR. KEMPER: The Acacia family plan rider provides for a fixed amount of insurance on the wife with premiums varying according to the wife's age. The payor benefit, that involves the age of the husband, is expressed in terms of the wife's age by assuming the husband is 5 years older than the wife. In issuing the policy there are limitations on the number of years by which the age of the husband can exceed the age of the wife.

Although two ages are involved, the age of the husband for the base policy and the age of the wife for the rider, this presents no difficulty as separate files are kept for policies and riders. The base policy is included in the policy file according to the age of the husband, while only the age of the wife must appear in the rider file.

The method of providing a fixed amount of insurance on the wife and varying the premium according to the wife's age avoids many of the ad-

ministrative difficulties arising from a policy or rider involving ages of both the husband and wife.

MR. DATON GILBERT: Concerning subsection 4 of section A, the Connecticut Mutual first provided family policy coverage about four years ago, and the general approach then followed has been continued in our recently announced 1958 CSO rates and policies.

We selected and are continuing the integral policy rather than the rider approach. Our belief has been that those agents interested in selling this form of coverage would prefer a "packaged" policy. Many of our experienced agents using a programming method of selling to the middle and higher income market seem to prefer building tailor-made coverage for each family, using individual policies for each member of the family group. Possibly for this reason, our volume of family policy business has been quite modest to date—representing in 1961, for example, only slightly more than 3% of our new business by policies and 1½% by amounts. Although the volume is quite limited, we feel this type of coverage is here to stay and deserves inclusion in our line.

From the outset we have used standard printed beneficiary designations and ownership clauses in our family policy. Although admittedly limited, our experience with this feature to date has been definitely satisfactory.

A special application form is used which omits all questions as to beneficiaries and ownership such as we have in our regular application. If, on delivery of the policy, serious objections are raised regarding the standard printed designations on the face of the contract, an immediate request can be filed for change to the desired basis. Actually, very few changes of this type are made at issue. However, for use at that time or later, a special "Notice of Change of Beneficiary" form is used. Currently, all such changes on the family policy average 2 or 3 a month out of nearly 7,000 such policies now in force.

We feel our designations are logical and seem to fit most of the situations where the family policy is sold by our agents. Our standard wording as it appears on the face of our policy is as follows:

BENEFICIARY

1. *At the Insured's death.*—Insured Wife if then living, otherwise, the Children and Step-Children of the Insured then living in equal shares, or if none be then living, the estate of the Insured.
2. *At the death of Insured Wife.*—Insured if then living, if not, the Children and Step-Children of the Insured then living in equal shares, or if none be then living, the estate of Insured Wife.

3. *At the death of an Insured Child.*—Insured if then living, otherwise, Insured Wife if then living, if not, the estate of the deceased Insured Child.

OWNER

The Insured if living, if not, the Insured Wife if living, or if neither be living, each Insured Child shall be the owner of any term insurance in force hereunder on his or her life.

MR. HAROLD WIEBKE: At Equitable we have not been aware of any dissatisfaction with the standard printed beneficiary designations and ownership clauses of our family policies. Whether these provisions are satisfactory to all concerned can be measured to a considerable extent by how successful they are in avoiding endorsements. A record of recent issues showed variations from the standard owner or beneficiary designations in 8% of 1,200 issues of our regular family policies (those providing insurance on both parents). I believe this is a happy result.

The standard designations for these policies are along the following lines:

Owner—the husband if living, otherwise the wife if living, otherwise the children insured at the time a right of ownership is exercised.

Beneficiary for husband's insurance—the wife if living, otherwise the surviving children, and if none survive, the husband's estate.

Beneficiary for wife's insurance—the husband if living, otherwise the surviving children, and if none survive, the wife's estate.

Beneficiary for an insured child—the husband if living, otherwise the wife, otherwise the child's estate.

A quite different percentage of variation emerged with respect to our one-parent policy. In somewhat less than 100 issues, close to 65% had variations from the printed designations, which are as follows:

Owner—the insured parent if living, otherwise the children insured when an ownership right is exercised.

Beneficiary for the insured parent—the insured parent's surviving children, and if none survive, the insured parent's estate.

Beneficiary for an insured child—the insured parent if living, otherwise the child's estate.

When the one-parent policy is issued, there may or may not be only one parent living. The policy might be issued, for example, where the wife was found not to qualify for coverage under a regular family policy. It is not unusual, then, for the wife to be included in the ownership and/or beneficiary patterns. The variations that we get for the policy do not seem to suggest different standard designations that would be more acceptable.

MR. RICHARD S. MILLER: American United has found a substantial demand for term policies. Over a four-year period we have sold some $90,000,000 of our special "Student Life Policy" in units of $5,000 or $10,000. The average policy is about $6,600. This seems to be strong evidence that there is a substantial demand. Moreover, even though virtually all contact with the policyholder is by mail, the policyholders obviously value the policies highly as total lapses during the four years have been low. Currently about 7% of our policyholders fail to continue their coverage through nonrenewal or conversion.

Despite minimal nonmedical underwriting information (*i.e.*, only height, weight, and answers to two health questions) and no M.I.B. check, mortality has been excellent. During 1959 through 1961 there were 11 deaths out of 17,400 full life-years of exposure for a "mortality" rate of .63 per 1,000. Since the average issue age is close to 20 this means an actual to expected ratio of close to 75% based upon the 1958 CSO Basic *ultimate* table. All but one of the deaths have been accidental deaths involving automobiles, while the one natural death did not evidence any antiselection.

Acquisition costs have been very high. It costs about $25 to obtain a policyholder who pays an initial average premium of about $12, with issue and commission costs yet to be paid.

It has been our position that this must be mass marketed to be successful and, working in cooperation with our agents, the home office has done almost all of the solicitation by mail. Since the agent invests very little time or money in the program, commissions are reduced, although normal commissions are paid upon conversion or exercise of the modest guaranteed insurability right of the policy. Issues are about 9.3% of mailings.

This plan's contribution to surplus has been negative, of course, because of the very high proportion of new business to renewal. Currently we feel our total surplus investment in the program is some $150,000 and expect it to reach $200,000 before it "turns the corner."

We strongly feel that term insurance at these ages is not a product which an agent can afford to sell through personal solicitation. The commission involved is just too small. For this reason we have used mass mail solicitation. This dictates extreme simplicity and minimum flexibility in the promotional material and the policy. In consideration of this we offer one plan, two amounts and have only two different premium rates. We have one rate for under attained age 25 at issue and another for ages 25 to 30. No premium adjustment by size is incorporated although it is justified by financial results. We hope to adjust, through the dividends, for the inequities due to the oversimplification of the plan.

MR. EDWIN J. STEINBERG: Concerning section B, at Seaboard Life we have found that there is a demand among a number of our agents that they be able to offer low premium life insurance along with our school accident insurance. To satisfy this demand we developed a level premium term policy, issued at ages 6 to 18, that automatically changes to $1,500 of whole life at age 18 for each $1,000 of term. The underwriting on this policy is negligible and the policy is issued on the basis of a single question on the Student Accident brochure: "Do you want the Student Life Policy?" This is our application.

Because of the minimum underwriting we will issue only one unit er year to any student and we will not allow any one student to have more than three policies. Since this Plan will not become effective until the 1962-63 school year we have no experience as yet.

We have also developed another policy, issued at ages 0 through 15, which seems to be fairly unique. Basically, it is a single premium term to age 22 for $1,000 which automatically becomes a life paid-up at 65 for $5,000 at age 22.

The policy has a built-in protection against lapse prior to age 22 since no cash values are developed until attained age 25. There were some problems in convincing people that our cash values were at least minimum, but we succeeded in overcoming most of the objections.

The policy has proven to be very popular with the agents and the basic sales approach is directed at grandparents and relatives as a valuable gift to a child on various occasions, such as birthdays, Christmas, etc.

MR. KEMPER: As to section C, Acacia issues a whole life policy with a death benefit equal to the face amount plus the cash value provided death occurs before age 65. After age 65, the death benefit reduces to the face amount and the premiums reduce to the premiums for our regular whole life policy.

The greatest problem in connection with this policy arises from the fact that the cash value rather than the reserve is the additional death benefit. In order to determine the premium, it is necessary to know the basis of the cash values. As minimum cash values depend on the net premium for the policy (as well as the gross premium, since the adjusted premium must be a uniform percentage of the gross premium) and the equivalent level amount of insurance, the computation of the premium and the determination of the cash values are closely related.

However, the nature of this policy suggests high cash values and therefore it is possible to choose in advance an expense allowance and the number of years over which the expense allowance is to be amortized so that there will be no doubt that the cash values exceed minimum values. Fixing

the expense allowance in advance greatly simplifies the premium computation. After the net premiums and cash values have been determined, the values should be tested to see if they are at least as great as the minimum values.

Assuming an expense allowance of E is to be amortized over n years, the net premium derivation is given below:

Let x = issue age

π = net yearly premium payable continuously to age 65

E = initial expense allowance

n = years over which expense allowance is to be amortized

${}_k\bar{V}_x$ = kth reserve for policy

$$ {}_k\bar{V}_x = \int_0^k (1+i)^{k-t}(\pi - \mu_{x+t})\,dt - E(1+i)^k + E\int_0^n \frac{(1+i)^{k-t}}{\bar{a}_{x:\overline{n|}}}\,dt $$
$$ \text{for } k \leq 65 - x $$

$$ = \pi\,\bar{s}_{\overline{k|}} + E\frac{\bar{a}_{\overline{n|}}}{\bar{a}_{x:\overline{n|}}}(1+i)^k - E(1+i)^k - (1+i)^{x+k}\int_0^k v^{x+t}\mu_{x+t}\,dt\,. $$

Let

$$ \bar{M}'_x = \int_0^\infty v^{x+t}\mu_{x+t}\,dt\ , $$

so that

$$ {}_k\bar{V}_x = \pi\,\bar{s}_{\overline{k|}} + E(1+i)^k\left(\frac{\bar{a}_{\overline{n|}}}{\bar{a}_{x:\overline{n|}}} - 1\right) - (1+i)^{x+k}(\bar{M}'_x - \bar{M}'_{x+k})\,. $$

Solving for π gives

$$ \pi = \frac{{}_k\bar{V}_x - E(1+i)^k\left(\frac{\bar{a}_{\overline{n|}}}{\bar{a}_{x:\overline{n|}}} - 1\right) + (1+i)^{x+k}(\bar{M}'_x - \bar{M}'_{x+k})}{\bar{s}_{\overline{k|}}}\,. $$

Although a policy of this type will naturally have high cash values, it would be an interesting exercise to work out a formula for the net premium without assuming a fixed expense allowance initially and by combining the relationships between the net premium and the minimum values formula.

Another problem in connection with this policy is to be certain that the cash values in the early policy years, which represent the additional death benefit, are large enough to justify the additional premium, as

compared with the premium for the regular whole life policy, that is paid for this policy. For example, it would not be proper to employ a cash value formula which would not provide a cash value at the end of the first policy year. To do so would put the policyholder in the position of paying a larger premium than the premium for the regular whole life policy but having no additional benefits during the first year.

Acacia's policy which provides for the payment of the cash value in addition to the face amount is especially adaptable to the split-dollar plan or the minimum outlay or bank loan plan. Under these plans the policy provides a death benefit to the insured of the face amount of the policy and the cash value is used to pay off the indebtedness against the policy in the case of a minimum outlay or bank loan plan or is paid to the employer in case of the split-dollar plan. However, in spite of all of the claims concerning the value of this policy for these special forms of business insurance, we have found that the policy is often purchased by individuals who are interested in whole life insurance but to whom the prospect of receiving an additional death benefit is appealing.

Our persistency on this policy has been favorable. Our first year lapse rates were 8.8% in 1958, 7.2% in 1959 and 8.3% in 1960. Our second year lapse rates were 8.1% in 1959 and 6.3% in 1960. Our third year lapse rate in 1960 was 5.7%. Compared with other life policies, the lapse rates on this policy have been lower in the first policy year and higher in the second and third policy years. The lower rate in the first policy year probably reflects the influence of the use of this policy on the minimum outlay plan.

We have been quite pleased with the results achieved from this plan and intend to include it in our portfolio of policies when we change to the 1958 CSO Mortality Table.

MR. HARWOOD ROSSER: One of the problems that we had at Monumental with cash values on term riders was that, when a policy with a loan went on extended insurance, the cash value on the basic policy was wiped out first and we still had small amounts of extended insurance arising solely from the rider.

To solve this problem we drafted our loan clause to provide that, rather than first applying the policy cash value toward paying off the loan, the rider cash value was applied first. This eliminated the small amounts of extended insurance that might otherwise arise. Much to our surprise, this was accepted by all of the Insurance Departments where we operated.

MR. ROBERT J. BOHN: The President's Plan issued by Franklin Life is a 20 payment life policy with 19 annual coupons after the first year, and a return premium feature in case of death within the first 20 years

if prior to age 65. This plan has had tremendous appeal to the insurance-buying public since, as our sales literature says, we issue a check for so much of the Company's money plus a check for the return of all "your" money.

Our Junior Insured Savings Plan triples in amount at age 21 and matures for the tripled amount at age 55. It also has a return premium feature in case of death prior to maturity. The plan is very popular, but my feeling is that the *main* appeal is that of a "jumping juvenile" plan plus high cash values since it is on an endowment plan rather than whole life. In addition to building an estate, it has the possibility at the younger issue ages of providing a fund for education or starting into business.

Other return premium plans—term to 65, home protector rider, and 4% family income rider—have not been so popular, so that return premium is not magic all by itself.

A potential problem among our insureds under the President's Plan is the cessation of the extra death benefit at the end of the 20th year. This has been overcome so far by the listing of 20th year options—in spite of the basic whole life nature of the plan—based on cash values which are substantial because of the guaranteed coupons and any dividends on participating plans which have accumulated.

The return premium feature is actually a scheduled death benefit. This results, for fractional modes of premium payment, in death benefits other than the premiums paid. This used to be explained by saying we returned premiums on the annual basis. Upon switching to the policy fee method of determining gross premiums, we maintained the same schedule of death benefits. The difference for larger amounts is explained by saying we return premiums on the basis of a $1,000 policy.

Explanations are necessary because of 25 to 30 questions on this subject in the home office mail bag every day. Our President's Plan and Junior Insured Savings Plan are passbook plans. The posting of current death benefits in these passbooks calls the discrepancies to the attention of the insureds. I would consider this a problem caused by the use of passbooks, however, rather than by the issue of the return premium feature. In spite of our ever increasing volume, incidentally, these inquiries have not increased in number since we switched passbook posting methods coincident with the switch to policy fees.

Agents themselves have frequent questions about passbook posting. Otherwise the return premium benefit causes them no major problems except perhaps talking loosely about "getting your money back" when early cash values are not sufficient to support the statement.

Special care is required in the preparation of sales promotional material

on these plans, mainly because of the discrepancies between death benefits and premiums actually paid.

Our agents' volume credit is special for these plans anyway, so the additional amount causes no problem. It is also covered specifically in the rules and formulas for the Million Dollar Round Table qualification.

With respect to reinsurance, the net amount at risk calculation is only slightly lengthened.

Juvenile substandard risks are not eligible for return premium policies, nor are any applicants rated more than 300% (formerly 200%). To generalize our underwriter's point of view otherwise, the return premium extra amount is disregarded in all respects except two, and the policy is considered for its face amount only. One exception is that flat extra premiums are increased by 50% unless temporary for one year when they are not increased, or for 2 to 5 years when they are increased by 25%. Since extended insurance benefits are for face amounts only, reinstatements can cause an immediate substantial increase in the amount at risk. (As of right now, the plan for our new policies on the 1958 CSO Table is to include the amount of return premium benefit in the extended insurance amount.)

Our retention limit was formerly 25% smaller, in terms of face amount, than for regular plans, but this has not been true since September of 1959.

For exchanges, the amount considered exchanged to or from is the face amount. But for the arithmetic in the calculations, average amounts of insurance are used, such averages being based on the face amount plus the return premium benefits of the various policy years. That statement oversimplifies the exchange problems. They are not too great, however, since well-established rules have evolved over the years. It might be noted that these rules are easier to follow than to explain to new employees. Since reinstatement calculations are based on gross premiums plus interest, the return premium benefit does not affect them.

Calculation of terminal reserves by an accumulation method is not quite so convenient for return premium policies (as is true when asset shares are calculated) but the terminals are needed only once for any one valuation basis. Valuation itself is no problem for our group method since mean reserve factors are calculated only once also. These policies would not be so adaptable to an attained age valuation method, of course.

Derivation of cash values requires calculation of the equivalent level amount for each issue age. The formula is not too complicated since the annual increase is constant.

Occasionally we have questions from the field about the portion of the gross premium which pays for the return premium benefit. One set of calculations has provided the data to answer all these questions.

The total amount of insurance under return premium benefits is obtained as part of the regular Univac program for our Policy Exhibit.

MR. BOERMEESTER: For a few years now we have been offering a 10-year return of premium rider which can be attached to quite a number of policies. This rider was the result of our decision to offer a relatively low premium rider that would be simple to administer and would have some sales appeal.

There are some limitations to the rider because of the nature of the standard nonforfeiture law which may demand additional cash values. But, by limiting the period to 10 years you may not have to provide increased cash values.

Our sales have been meager and there have been practically no sales where the basic policy is over $5,000. The rider does have some appeal to our MDO operations.

MR. GEORGE A. MACLEAN: The Standard Life includes the return of premium benefit in three policies, all of which are the coupon type. The main problem created by the inclusion of such a benefit, aside from the calculation of cash values, is how to handle the benefit for ages at issue above 40 or 45 where the added premium becomes comparatively high because of the large amount of insurance toward the end of the benefit period. One policy, which is basically a 25 payment life policy with return during the entire premium paying period, we originally offered only to age 40. When we decided to extend the ages at issue to age 55, we terminated the return of premium benefit at age 65 without any decrease in premiums. In another policy, while providing the return of premium benefit for the entire premium paying period which was 20 years, the liability for policies issued above age 45 was limited by providing that in case of death after age 65 only the premiums paid before age 65 would be returned. We have had a number of requests for a return of premium rider which may be attached to any policy, and it is possible that we may make such a rider available when we go to the 1958 CSO Table. I do not know how successful it will actually be. I had one experience with another company where there was a great demand for such a rider, and then when it was offered only about 5 cases were sold. Probably the main objection to the benefit is the small amount of insurance in the early years in relation to the premium charged, although this would offer an offset to decreasing term riders where a level premium is paid for the entire insurance period. One other objection to the introduction of such a rider might be that there are too many term riders being offered at the present time and it could well be that in some cases the insured would be paying more for the insurance benefits provided by the riders than for his permanent insurance

provided by the main policy. This might be controlled by lower commissions but if the commissions on the riders are set too low it is possible that the company might sell little or none of the riders, or even lose business to other companies paying higher commissions.

The Standard Life recently introduced a family insurance rider with a basic premium of $30 per unit which provides, besides the usual waiver of premium benefit on the father and insurance on the children, a benefit at the death of the wife of $50 a month to the end of a certain period from the date of issue, the length of which depends upon the age of the wife (running from 25 years at age 16 to 10 years at age 40), as well as $1,000 of term insurance on the wife expiring at her age 65. This rider follows that of one of the Eastern companies more closely than I would have liked, as the agency department wanted fast action on it. The comparatively large amount of insurance available in the first few years probably makes it important that the persistency on policies containing this rider be good. The large amount of initial insurance on the wife may require more evidence of insurability on the wife than would be justified by the premium or required for the normal family policy. When the income period ends and the wife has only $1,000 of insurance, which is really one year term and on which a premium of $30 is called for, there is a decided overcharge. It is possible that when we revise this rider we may include a provision by which the wife can convert to an ordinary life policy with a premium of $30 at any time after the income period ends, with the amount of insurance depending on her age at the time of conversion. At such time the children would, of course, have the usual right of converting their insurance.

MR. STEINBERG: We have experienced one problem with a 10 payment life policy providing for the return of cash value in addition to the face amount in the event of death during the first 10 years. The nature of this policy is such that the cash values become greater than the total premiums, often as early as the 8th year.

Since this policy is primarily used in a minimum deposit market it is sold in large amounts and the maximum policy loan is always taken. The question arises: What is the effect on a policyholder who defaults in payment of premium at a time when his cash value is greater than the total premiums paid? The answer appears to be that he will incur a substantial tax liability even though he has no equity left in the policy. Our attorneys are of the opinion we must give notice of this liability on IRS Form 1096.

Actually this may be a blessing in disguise so far as we are concerned since it could turn out that it would be cheaper for a policyholder to keep

the policy in force than to accept the tax liability. Our only problem now is to have the policy kept in force until that time.

MR. G. EMERSON REILLY: The Midland issued in the years 1953 through 1961 an adult payor death and disability benefit in connection with a 25 payment life policy offered only to women.

Some recognition of the lower mortality among women was made in the dividends apportioned to this policy. It was thought that this recognition, together with the availability of the payor benefits, would make the policy a "best-seller." However, the policy was not too successful as evidenced by the fact that when it was discontinued on December 31, 1961, our in-force business was 1,450 policies for about $3,000,000 of insurance. The average size policy was $2,069 which did not differ materially from the minimum policy requirement of $1,500; 25% of the insured women were over 30 years of age and 25% of the payors were over 37 years of age. The persistency experienced to date on the policy has been a little better than that of the entire company business.

It is interesting to note that only 27% of the in-force on August 31, 1961, carried the payor death benefit. We have no figures on the amount of payor disability benefit, but it would be less than the payor death benefit figure because the disability benefit was available only with the death benefit and all the applicants would not have been acceptable for the benefit. There were only 55 policies for $326,000 of insurance where the amount of the policy was $5,000 or more and 18% of these contained the payor death benefit.

In most instances the husband of the insured woman was the payor, but we also had some father-daughter and grandfather-granddaughter issues. Our underwriters feel that the cost of underwriting the benefits was somewhat higher than that of underwriting the similar benefits on juvenile insurance, because for some unexplained reason there seemed to be more investigation required for these payors.

To date we have had only two payor death claims, involving present value of benefits of about $1,300. No payor disability claims have been experienced. From this standpoint the benefit appears to be satisfactory, but, of course, most of the claims will come in future years.

It is quite likely that our writings of the benefits were influenced by: regular, instead of simplified and relaxed, underwriting requirements for the payor; too low a minimum basic policy requirement; a relatively high premium basic policy; and little or no sales promotion. Basically the idea of adult payor benefits should appeal to the insuring public. Perhaps if offered on a basis different from that which we used more success could be attained.

MR. SHELLY: The Equitable adopted a premium payor benefit on adult policies in July 1958. We call it Purchaser Benefit and we provide two forms, Purchaser Benefit—Disability, and Purchaser Benefit—Death and Disability. The "disability only" version waives premiums in the event of disability of the purchaser prior to his age 60. The "death and disability" form provides the same disability benefit and, in addition, makes the policy paid-up on the death of the purchaser *prior to his age 60.* Under the "death and disability" form we also make the policy paid-up on the death of a purchaser who is disabled at age 60 and remains disabled to the date of his death.

These benefits were developed in response to occasional requests from our field force. It was felt that the "disability only" benefit would be particularly useful for "crisscross partnership" sales in business insurance cases. The death and disability version was primarily for insurance purchased by a husband on the life of his wife.

It was not expected when we adopted the riders that there would be a large market for these types of benefit. Even so, our results have been somewhat disappointing. As of the end of 1961, we had 165 policies in force for a total amount of $2,635,000 with purchaser benefit; the "disability only" benefit was included in 106 policies for an amount of $1,720,000, the "death and disability" version in 59 policies with an amount of $915,000.

Because of the expense entailed in underwriting a second life, we felt it necessary to limit the rider to policies of substantial size. In general, the benefits are available with our Adjustable Whole Life policy (a $10,000 minimum plan) and our Executive policy (a $25,000 minimum), and we publish rates only for these plans. We have on occasion issued the benefit on other plans, but only with policies of $10,000 or more.

The administrative problems involved in a benefit of this type are largely those connected with any benefit which varies according to two ages. The result is a large volume of ratebook and other material. There are also a large number of valuation groups, but because of our limited in-force, we are now valuing on a seriatim basis.

Some problems arose in the development of the benefits:

1. For one thing, the cost of the death benefit feature appears relatively high compared to the benefit provided. While originally we had in mind a lifetime coverage, this proved to be too costly. Premiums for lifetime coverage would be of the order of twice those providing death benefit coverage to age 60.
2. Another problem area is that rates for both types of benefit must, of course, provide for the expense of an additional underwriting. To some extent we alleviated this expense by assuming that a portion of the cases issued would ac-

tually be the crisscross type and involve no additional expense—that is, policies would be issued on both lives simultaneously, with the feature attached to one or both policies.

3. There were also some nonforfeiture problems which arose in connection with the death benefit. If premiums were to be actually waived following the death of the purchaser, it is likely that the benefit could be excluded under the Standard Non-Forfeiture Law as a reversionary annuity. However, for practical considerations we felt it necessary to make the policy paid-up on the death of the purchaser. With this feature, we felt compelled to make tests under the Standard Non-Forfeiture Law on the basic policy cash values, assuming premiums payable over the joint lifetime of the insured and purchaser. We found that we were able to comply over a large range of ages with the death benefit terminating at purchaser's age 60, but with the lifetime benefit our nonforfeiture values would have to be increased for some important age combinations.

In summary, we have found the market for these benefits to be quite limited. However, the existence of the benefit has proved helpful in some large amount sales and may be worth while in our portfolio as a service to our field force.

MR. BOERMEESTER: The John Hancock's family policy provides an automatic benefit on the life of the wife which makes the policy paid-up in event of the husband's death or waives premiums in event of his disability. In view of the fact that our family policy has continued to be popular without any particular policyholder or agent criticism, we might reason that the inclusion of this particular benefit, at least on an automatic basis, is a desirable feature in the eyes of the family market.

In 1960, the Company introduced its "Policy Protector" rider which was designed for the husband-wife market to provide for the situation where the insurance is on the life of the wife but the husband pays the premiums. This benefit may be added to a whole life policy, an endowment at age 65 plan or any 20 payment plans. In the case of a whole life plan, the ages of the wife vary from 20 to 65; the age of the husband may be as much as 10 years younger or 20 years higher, but in no event below 20 or above 65.

It was reasoned at the time of adoption that a substantial market existed for this benefit because of the popularity of the similar benefit in family policies. However, in the first full year of its operation the results were disappointing; the number of sales was practically nil, and we plan to discontinue it.

Two primary reasons are given by the agency force for lack of sales: First, the premium is relatively high. The second point concerns the dif-

ficulty of making a good sales presentation. In a typical situation, the agent first concentrates on selling insurance on the life of the wife. And, after he has sold the wife he probably feels that there is no need to jeopardize the sale by introducing a new complication involving a second life.

A few technical problems are associated with the type of benefit which we introduced:

1. A double entry rate table is normally required to show premium rates which vary for each period during which the premiums are payable according to the age of the wife and the age of the husband.
2. It is possible that the attachment of the benefits for some plan-age combinations may require an increase in cash values in order to satisfy minimum legal requirements.
3. Valuation of the benefit may require an undue proportion of memory space in the valuation programs.

Chicago Regional Meeting

MR. PAUL E. MARTIN reviewed a discussion presented by Mr. William H. Breeze at the Jacksonville regional meeting.

MR. ROBERT H. JORDAN: We feel the advantages of using a rider to provide family coverage are: (1) it is easier to sell; (2) higher quality business results; (3) it provides flexibility since a variety of basic plans are available; and (4) discontinuance of the family benefit is easier to establish. Disadvantages of the rider approach include: (1) approval has not been received in every state; (2) the total premium may be less where a rider is involved; and (3) rather large amounts are provided on the wife at younger ages.

MR. J. STANLEY HILL: Thirty years ago Minnesota Mutual offered a family policy on the husband, wife and each of the children for suitable amounts. All of the family were insured under one plan of insurance, the choice being life, 20 payment life, or endowment at age 65. This policy was designed to provide smaller amounts of insurance than could be offered on regular type coverages. We introduced the present form of family policy and withdrew the permanent insurance policy because we concluded we could not issue permanent plans to each member of a family under one policy on an expense basis roughly equivalent to expense for one policy.

MR. WILLIAM J. NOVEMBER reviewed the discussion on section A presented by Mr. George W. Shelly at the Jacksonville regional meeting.

MR. HAROLD A. GARABEDIAN reviewed the discussion on section A presented by Mr. John M. Boermeester at the Jacksonville regional meeting.

MR. SAMUEL P. ADAMS: The Lincoln National is currently revising its family policy and has changed the beneficiary designation slightly to bring in children as contingent beneficiaries for all three groups of insureds —husband, wife, and children—for it seems that we are getting many requests for that type of endorsement.

MR. EDWIN L. BARTLESON: Our family policies other than the one-parent policy provide for payment at the death of the insured to his wife, if living, otherwise to his estate. The insurance payable at the death of the wife is payable to the insured, if living, otherwise to the wife's estate. The insurance payable at the death of a child is payable to the insured, if living, otherwise to the wife, if living, otherwise to the estate of the survivor of the insured and his wife. This provision assumed that the usual use of the amount payable would be for last expenses and for short-term requirements of the wife. The family policy application provides for designation of beneficiaries only by a "special request." Training material urges the standard provision. Relatively few requests are received at issue for a change in the standard designation—usually for a settlement option (particularly with decreasing term riders). Most of the rest are to designate "children" contingent beneficiaries. Printed beneficiary riders minimize special handling.

The policy applications for the one-parent policy provide a space for beneficiary designations, since there may or may not be a spouse. Issue expense is minimized by policy wording that, if the named beneficiary predeceases the parent, proceeds are payable to the insured's estate, unless otherwise provided by endorsement. The insurance payable on the death of a child is payable to the insured, if living, otherwise to the beneficiary named in the application. The pattern of requests for issue modification is similar to that for family policies.

Family policies provide ownership in the insured while living, then in the wife while living, and then in the insured's dependent children; one-parent policies are the same, without the spouse. Requests at issue for modified ownership provisions are rare.

Our experience with after-issue changes supports our view that beneficiary and ownership arrangements contained in our family and one-parent policies are working out well. The annual transaction rate is under 3% for one-parent policies and under 1% for family policies (including those caused by divorce or other change in the wife's status).

MR. LALANDER S. NORMAN reviewed a discussion presented by Mr. Richard S. Miller at the Jacksonville regional meeting.

MR. HILL: Concerning section B, our company issues decreasing term policies and riders expiring at every age from 30 to 70. The unit of insur-

ance is $10 of monthly income payable from death to the expiration anniversary. Another policy is sold as mortgage insurance. It is issued on a different form, using a lump sum death benefit for each year instead of monthly income. Rates and dividends are the same. The main difficulty with this policy was the relatively high minimum of insurance. This difficulty has been alleviated by permitting smaller amounts with special premiums that make each policy self-supporting. We have experimented with a single premium mortgage policy, where the premium is added to and collected with the mortgage loan balance. The amount of business developed under this arrangement has been very disappointing. On mortgage business we have relaxed the qualifications required of an agent for the privilege of nonmedical underwriting.

MR. CHARLES W. McMAHON: In regard to section C, the Union Central has included a return of premium rider in its ratebook for many years. This rider is available with most life and endowment plans. We have sold very little of it. A few years ago we issued a policy providing increasing amounts of insurance. The amount of insurance was equal to the cash value for at least ten years but not beyond age 65 or for more than 30 years. Cash values equaled the full net level premium reserve from the first year. We sold a great deal of this coverage but we withdrew it from the market in 1959. Ninety percent of this business was sold on minimum deposit basis. We heard a great deal about its use for split-dollar coverage, but we would have great difficulty in identifying such business from sales completed. Some agents contend that the split-dollar idea is a door opener and leads to other types of sales.

The problems on this type of business all have to do with persistency. Our persistency appears to be quite similar to that for term insurance. Withdrawal rates in the first five years are at least twice those for normal permanent insurance. There is no indication that the persistency will improve as this business grows older. Because there are no equities accumulated, it is difficult to make any changes to some other form of insurance when the insured becomes dissatisfied with the increasing loans and minimum deposit costs.

MR. LYMAN R. TUCKER reviewed the discussion on section C presented by Mr. George W. Shelly at the Jacksonville regional meeting.