

DIGEST OF SMALLER COMPANY FORUM—
JACKSONVILLE REGIONAL MEETING

POLICIES ON THE 1958 CSO MORTALITY TABLE

- A. What simplifications or other changes are occurring in policy format, policy provisions, and policy language?
- B. What interest and mortality assumptions are suitable for nonparticipating insurance asset share calculations? How is federal income tax being introduced into these calculations?
- C. What interest and mortality assumptions have been adopted for settlement options? Is there a need for additional types of settlement options?

MR. JAMES G. BRUCE: The Hartford Life does not intend at this time to make any policy format changes, and any variations in policy language will be kept to an absolute minimum. Because of the heavy burden the various state insurance departments have in reviewing a large volume of new policies, we want to be able to say to them that a particular policy is exactly the same as that now on file and approved except as to nonforfeiture values and possibly some minor language change.

On section B, our asset share calculations assume Table X₁₈ mortality with our own modification for a five year select period. We assume 3½% interest as the average net rate after income tax over the next twenty years. Because we expect rapid expansion and high development expenses to continue for at least ten years, we strongly doubt we will pay any income tax for some time to come.

Under section C, we will continue the same interest and mortality assumptions under our settlement options as at present (2½% interest and 1937 Standard Annuity Table with two year setback for males). Considering the long-range guarantees involved, we cannot justify any liberalization of settlement option guarantees until competition makes it inevitable. We see no need for additional types of settlement options.

MR. CLAYTON L. JACKSON: In our 1958 CSO policy series the format was changed to improve the appearance and simplify policy preparation. Typing is confined to the policy face and eliminated from inserts and riders as much as possible. The premiums for riders are shown on the policy face and not on the rider. Riders do not show either the policy number or date of issue. Preprinted nonforfeiture value pages are used, with values for all ages at issue on one page.

No important change in policy provisions was made, but policy language was simplified and made more readable.

MR. FREDERICK S. TOWNSEND: Valley Forge Life is issuing its new policy in a 4" × 9" booklet form, and we enclose the policy in a plastic coated cardboard cover. We made serious attempts to simplify our policy forms, but our efforts were somewhat frustrated. One state insurance department asked us to delete two of the provisions with simplified wording and to substitute the language of the state insurance code. They added, "You could use the language appearing in your policy previously approved."

With respect to settlement options, we are using the 1960 modification of the *a*-1949 Table with 3% interest, using 1962 as the male year of entry and 1967 as the female year of entry.

MR. WILLIAM K. NICOL: We hope to introduce our new policies before the end of the year at American National. We will use an automatic premium waiver provision. Some simplification of policy language is being tried. Essentially, we will have two series of policies. One is for a \$3,000 minimum, with a quantity discount technique. The other series is for policies under \$3,000, with an automatic AD&D benefit and some simplification of administrative procedures. In the smaller series, premiums will not be graded by size, and mortality up to 140% or 150% of standard mortality will be provided for.

With respect to section B, we feel the X_{18} table with a select modification is appropriate. We have further graded Norman Buck's select variation which appeared in *TSA IX* to obtain a ten year select period, and our own mortality experience falls within this range. The interest rate used is the yield *before* federal income taxes, after all other investment expenses. Our rate calculations provide for the marginal effects of federal income tax, both Phase 1 and Phase 2.

On section C, our present settlement options are liberal but they are not often exercised, and we do not anticipate too high a rate of utilization in the future. I have noticed there is very little difference in settlement options between stock and mutual companies, and our feeling is that significant differences are justified in this area, as well as in premium rates.