

**TRANSACTIONS OF SOCIETY OF ACTUARIES
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COMBINATION COMPANY PROBLEMS

To stimulate continued company growth in companies with a sizable proportion of industrial business, what changes have been made in:

1. Types of agency operation and in agents' compensation plans?
2. Lines of business written?
3. Product design?
4. Debit premium collection and accounting systems?

MR. JAMES A. LIVINGSTON, JR.: Liberty National revises its agents' compensation schedules annually. Several things are accomplished by this practice. First, the agent's attention is redirected to the relative weighting of production and conservation and servicing in his contract. Secondly, any weaknesses in the previous year's contract can be quickly remedied. Finally, annual revision provides an opportunity to install new ideas and simplifications in agents' compensation. Without a regularly scheduled revision of compensation it tends to remain a static system, and we feel our annual review provides a constant evolution in the compensation system which keeps it abreast of current problems.

The advent of the policy fee system has to a considerable extent caused ordinary insurance to neglect the \$1,000 to \$2,000 policy market. Our company has redesigned its weekly premium policies to satisfy this market. The revised policies provide liberal accidental death and disability benefits together with very rapid claim settlement. We have continued to make increases in our weekly premium debit, and believe the revised policies are responsible for this result.

MR. RALPH E. EDWARDS: To renew interest in Industrial sales, we at the Baltimore Life have changed to a premium basis instead of amount of insurance for our production club credits. Early results are encouraging. We have one series of Ordinary policies with a minimum of \$1,000 and a maximum of \$4,999. In this series only, accidental death, dismemberment, and common carrier death benefits are included automatically. The premium is reduced for \$2,000 or more. Our other series begins at \$5,000 with bands at \$7,500, \$10,000 and \$25,000.

MR. LAWRENCE J. GIBNEY: Our present field accounting system at the Peninsular Life produces in the home office a route list covering two weeks of premium collections to be made by the agent. Collections are re-

ported weekly to the district office and biweekly to the home office; lapses and transfers are reported weekly to the home office. Combined life and lapse registers for Industrial and Ordinary are produced weekly in the home office, and other accounting reports biweekly. Our data processing costs increased in 1952 with the introduction of our present system but growth and volume have since reduced these costs by 13% with a further decrease of 20% arising from the change to the biweekly system in 1958. Our collection percentage prior to the field accounting system was 94%, and for 1960 and 1961 has been 97.2%. The main advantage is in placing control of collections in the home office.

MR. L. JEFFERSON STULCE: Our new Life of Georgia industrial policies provide specific loss benefits of four times the face amount for loss of two limbs or both eyes, but only one-half the face amount for loss of one limb. We have added a common carrier accidental death benefit equal to the face amount, although we feel that large amounts of this benefit can lull the policyholder into a false sense of security and are not in the public interest. Age limits for the accidental death benefit (still equal to the face amount) are now ages 1 to 70, instead of 5 to 65. Policies include a guaranteed right to obtain additional insurance, exercisable on the 3rd anniversary and at age 30 (or upon prior marriage). Finally, we have rewritten and simplified our policy language and adopted a modern format.

MISS GERTRUDE A. SCHLACHTER: About 10 years ago the Colonial Life began establishing Ordinary agencies; prior to that time it had operated through combination offices only. However, we have not de-emphasized Industrial insurance; on the contrary, despite industry trends we have maintained sales and insurance in force levels and have even achieved small increases in sales of 4% in 1960 and 5% in 1961, and in premium-paying insurance in force of 2% in each of these years. Special plans, including a 20 payment life plan with special options at the end of 20 years, have been partly responsible for this. Our results in the monthly debit area are somewhat disappointing, despite changing over to the 1958 CSO Table in 1961 with lowered premiums and improved extra benefits. We now write monthly debit Accident and Health insurance, but results are not yet conclusive. We also write small group coverages on the monthly debit basis.

Production of regular ordinary business by our combination agents declined markedly in 1960 and 1961 probably because of the diversion of time and attention resulting from the other new coverages; but this trend has been reversed in the first four months of 1962.

MR. WILLIAM K. NICOL: *The American National* has successfully used combined weekly premium and monthly debit Ordinary life and lapse registers for four years. A special total to which the agent must balance is recorded on the last register of each month. The register and special totals, produced by our computer system, have permitted a monthly system of agents' accounting with significant economies for the agent, other field personnel and the home office.