

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

**MISCELLANEOUS TOPICS**

- A. Have recent improvements in small and medium sized electronic data processing systems made it feasible to use them at an earlier stage in the growth of a company? If so, in what types of operations?
- B. Does ownership of an electronic data processing system give rise to a competitive advantage due to increased flexibility of plans offered?
- C. For a stock company, what are the advantages and disadvantages of offering both nonparticipating and participating policies?
- D. What have companies done to increase sales of individual policies on the lives of juveniles?
- E. What methods are being used to ascertain occupation and home environment by companies now classifying industrial applicants primarily on the basis of these two factors? What range of ratios to standard mortality should be covered in a single rate table by a company classifying industrial applicants on the basis of occupation and home environment?

**MR. JAMES M. WOOLERY:** For the first 50 years of its history the Occidental Life Insurance Company of North Carolina wrote nonparticipating business only. About three years ago we began issuing participating business, primarily for the following reasons:

- 1. Deficiency reserves do not arise under participating plans
- 2. Participating policies will help us utilize a loss carry-over under the Federal Income Tax
- 3. Participating plans are popular
- 4. Participating plans create an extra margin of safety for our large volume of military business.

The principal disadvantages are the preparation of separate gain and loss exhibits and the difficulty of allocating administration expense.

**MR. JAMES G. BRUCE:** It is difficult for me to see how a company can for years stress the advantages of nonparticipating insurance and then suddenly reverse its philosophy and begin issuing participating policies.

**MR. WILLIAM L. FARMER:** Protective Life has written both participating and nonparticipating business since its inception, with 20% to 25% of its current issues on the participating basis; so our philosophical problems are less acute. The primary disadvantages are the smaller profits available to stockholders and the additional work required.

**MR. GENE P. ARCHER:** In my opinion, the only Juvenile policies that bear their fair share of overhead expenses are those sold for higher premi-

ums, such as the "Jumping Juveniles," and certain special plans sufficiently different to avoid direct comparisons. As to section A, we recently ordered an IBM 1401, primarily because of the programming aids available, including a complete package system for the consolidated functions approach. Our studies indicate the cost of the complete unit will be amortized in less than ten years.

**MR. EDWIN J. STEINBERG:** In conjunction with our school accident program we sell a \$1,000 Juvenile term to age 18 policy automatically converting it at expiry to \$1,500 Ordinary life. Level premiums are used for all ages and no cash values are required. Our \$10 policy fee for regular business prevents sales of small policies, so that we are considering reducing it at the juvenile ages.

**MR. RALPH E. EDWARDS:** Our new Ordinary policies provide full benefit from issue age zero.

**MR. L. JEFFERSON STULCE:** For many years, because of cost considerations, Industrial underwriting was limited to a simple classification according to very broad categories, and Industrial premiums reflected the general level of mortality for these broad categories as derived from population studies and other statistics. Equity and public policy have in recent years demanded refinements which would place more emphasis on the characteristics of the individual himself. Life of Georgia attempts to underwrite the individual on the basis of occupation, home environment, socio-economic forces, etc., as well as any medical or other evidence available. Because it is difficult to furnish agents with listings of definitive environmental or social categories, we use occupational listings to guide agents in classifying applicants into the low rate class, the higher rate class, the higher rate class without extra benefits, and the class not acceptable. Since any rules must necessarily be simple, inexpensive, and easily applied in the field, these occupation lists have been for us a satisfactory means of reflecting socio-environmental class and expected mortality.

To ascertain occupation and environment we rely on information supplied by the applicant and agent, with frequent spot-checking by inspection reports.

Our underwriting procedures reflect the mortality characteristics reported by Mr. Arthur Pedoe in his 1960 paper "Occupation, Social Class, and Mortality."

Referring to the second question, a single rate table would seem adequate and equitable for only a limited range of mortality. Yet the Industrial market includes groups of widely varying mortality. The single rate

company must therefore discourage business from the higher mortality classes, or risk pricing itself out of the truly standard market.

Companies using the single rate arrangement must presumably concentrate their debit operations in the better industrial neighborhoods, and leave the poorer socio-economic groups to other insurers. We at Life of Georgia do not use the single rate basis for we wish to offer protection aggressively to all classes of this very broad market and we cannot do this equitably and competitively with a single mortality classification.