

Small Cases

Has the practice of issuing group annuity contracts for a very small number of lives affected new sales of individual pension-trust policies? What administrative difficulties arise under the group annuity contract? Do these operate to establish a practical limit to the number of lives under such a contract?

MR. THOMAS H. DANCY: Manufacturers Life Insurance Company has restricted the sale of pension-trust policies to cases of four lives or less at issue but will issue group annuity plans for two lives or more.

We have avoided misunderstandings by marketing a modified group annuity contract for small employers that provides level premiums guaranteed to retirement and free choice of all options, including cash upon termination of employment. This plan has been successfully sold by our own agency force, as we have over twelve hundred plans on the books.

MR. CONRAD M. SIEGEL: I object to the use of deposit administration group annuities for very small United States employers because a \$600-\$750 policy fee develops expense rates of 20-25 per cent of premium. Individual policy expense rates run high too, but some policies are available at 8-10 per cent expense rates. Unfortunately, in proposals, the deposit administration expense charge may be effectively hidden by inadequate actuarial assumptions or inappropriate funding methods.