RECORD OF SOCIETY OF ACTUARIES
1979 VOL. 5 NO. 4

AGENT'S COMPENSATION: INDIVIDUAL AND GROUP ASPECTS

Moderator: J. ROSS HANSON. Panelists: ALICE M. NEENAN, STEPHEN T. CARTER, JOSEPH R. BRZEZINSKI

1. What have been the effects on agent compensation of such factors as inflation, change in product mix, development of new products, servicing requirements for certain products, consumerism and changes in statute or regulation?

   Do these effects vary by insurance product or type of agent and, if so, how?

   What responses are currently being made to these effects? What are the future trends in agent compensation?

   a. Individual insurance
   b. Group insurance

2. What studies have been made and what statistics are available about agent compensation?

MR. J. ROSS HANSON: I would like to begin by introducing the members of our panel. Following the presentation of my opening remarks we will hear from Stephen T. Carter, Group Actuary with Provident Life and Accident Insurance, who will cover group aspects of agent compensation. He will be followed by Joseph R. Brzezinski, Research Scientist with the Life Insurance Marketing and Research Association, who will discuss studies which have been made and statistics which are available concerning agent's compensation. We will then hear from Alice Neenan, Actuary with Connecticut Mutual Life Insurance Company, who will present the effects on agent compensation of such factors as inflation, new products, servicing requirements and consumerism.

I would like to speak briefly on agent compensation as it affects new product development, at least in one particular way.

Life insurance is sold principally by an agent who receives a commission for his services. This commission is usually expressed as a percentage of the premium and the percentage amount may depend on the plan of insurance. This arrangement puts the agent in a conflict-of-interest position if it turns out that his client's needs are best served by the policy which offers the agent the lowest compensation. This is not only embarrassing; it is also unfair since the agent's effort at prospecting, selling and advising may be the same regardless of the form of insurance selected by the prospect. Furthermore, the compensation of an agent ought to be commensurate with the professional services he provides. Some sales may deal with a simple needs situation whereas others include very complicated considerations. The current arrangement pays the same compensation in both these sales provided the insurance purchased is the same in both.

The straightforward way to remove these conflicts is to have the agent's services paid for directly by his client, regardless of what plan or volume

of insurance is chosen. It would be desirable, but perhaps not practicable, to have the agent compensated for services even when a sale of insurance does not follow. The agent would offer his services to clients as a financial counsellor or insurance specialist. His charges would be on some fee for service basis such as $200 plus $80 per hour of time spent directly on the client's insurance counselling. There would be no commission paid by the insurance company even if life insurance is applied for and issued as a result of the agent's work. This same principle could be extended to the later years of the policy whenever the agent advises his client on his ongoing insurance situation.

Our studies show that by transferring the agent's compensation from the premiums for life insurance to the client directly, it is possible to compensate the agent adequately for his activity and reduce the cost of insurance substantially as well.

Furthermore, it is possible that any fees paid to an agent for estate planning and financial counselling services would be deductible by the client for federal income tax purposes. Section 212 of the Internal Revenue Code allows as a deduction all the ordinary and necessary expenses for the management, conservation, or maintenance of property held for the production of income. Regulations under the section and related case law seem to support the deductibility of estate planning fees. If this is in fact the case, the after-tax distribution expense of life insurance sold in this manner will be considerably less to the consumer than the commissions now paid to life insurance salesmen.

A life insurance policy is an investment vehicle which provides additional benefits upon death of the insured. This definition must be used carefully in order not to understate or overstate the cost of the insurance element. Many life insurance people do not agree with the description just given and prefer to think of the reserves under a life insurance policy as derivative of the system of payment of level premiums. The principal reason for their opposition to my description involves the cost of commissions.

If the premiums can be separated into a portion which pays for current coverage and a portion which is invested, then the agent's commission might also be separated into two parts correspondingly. This would result in lower commissions than are currently allowed, because the commission for sale of savings vehicles and for annual renewable term insurance are, taken together, lower than the commissions on cash value life insurance. If, however, we separate the expense for commissions from the premium, this objection may be avoided altogether since the fees paid by the client should be perceived both by him and by the agent as satisfactory payment for services rendered. Thus we may construct a life insurance policy where the life insurance and investment elements are separated. This construction allows us to introduce almost limitless flexibility into the policyholder's insurance

program.

We have long been worried over the buy-term-and-invest-the-difference concept. Whole Life is a buy-term-and-invest-the-difference contract, also, but with the relation between insurance and premium actuarially fixed and, furthermore, with the investment limited to the general account of the insurance company. The desired objective seems to me to be to lure insurance buyers back to our version of buy-term-and-invest-the-difference. We will only do this with imaginative approaches to agent compensation and life insurance product design.

Another excellent example of the usefulness of this approach is in the individual policy pension trust business. The agent should be compensated by the plan sponsor for the design and installation of the plan and for services in later years. If the agent commission is no longer related to the product, we can design much more useful and competitive insurance products for the individual policy pension trust market.

STEPHEN T. CARTER: In the Group area, the term"agent"includes not only the commissioned representatives of insurance companies, but also independent brokers, representatives of large national brokerage houses, and consultants. It can even be extended to include your own salaried group representatives who receive bonus money. In my company, over 95% of our business is through the national brokerage houses.

Inflation has been both good and bad for agents. The good news is that inflation, especially in health care, has created higher premiums and more commission dollars per case, but the bad news is that a typical group commission scale is a decremental scale based on premiums and may grade down to a tenth of a percent on the last premium dollars on the very large cases.

On the other hand, for the salaried representatives of our company, inflation has generally had a favorable effect on their bonuses.

Every company is different but we seem to feel that proportionally there is more money being spent on long term disability. This change in product mix has a good effect on agents since LTD commission scales are typically separate scales and much higher than your normal group life and A&H commission scales.

We also think that today there is more A&H premium in relation to life premium than there was a few years ago. Of course this makes no difference under a normal group commission scale since life and A&H premiums are generally lumped together. However, it may be to an agent's advantage from a commissions point of view to place the life insurance and the A&H with seperate companies. We do seem to be seeing more of that today than we used to.

Some old products that we are seeing more frequently include vision care and dental care, especially dental care. These products have the effect of generating higher premiums and higher commission dollars for the same number of employees, but again the commissions are normally lumped in with the group A&H and life insurance and are paid on a decremental scale. Of course, dental is very often placed by itself which has a favorable effect on commissions to an agent.

Other products that have had a favorable effect on agent compensation are the Section 79 products - the older group ordinary product and the newer retired lives reserves products. Both of these products normally have a higher commission scale than your typical group life and A&H commission scale.

Maternity as any other illness and ADEA legislation have had a favorable impact on agent compensation in two ways. First, these acts have generated more premium dollars per case and consequently more commission dollars, but again on a decremental scale. On the other hand, this legislation has required more consultation by a policyholder with his agent, more booklet-certificate work, more summary plan descriptions and, in general, more service from his agent. This has given agents the opportunity to ask the employer for more monies as a result of the extra service requirements. My company has seen more and more of this and we have entered into more and more special commission scales, but always with policyholder approval.

On the other hand, under ERISA, the 5500 forms with attached Schedule A would reveal monies being paid to agents and may cause agents to be more reluctant to ask for special commission scales than they otherwise would be.

Well,what's the effect of all these changes and factors? On small cases the need for more money seems to be creating increasing demands from agents to renegotiate commission levels. Further, the small group business seems to be a constant process of writing and losing a large number of cases. The type of commission scales used by a company may play a role in this constant turnover of cases. The current trend by insurance companies on small group business is one of not paying a high first year commission but paying level commissions to presumably minimize the changing of carriers simply for higher commissions.

On the larger cases, agents seem to be providing more and more services from the production of specifications to the suggesting and analyzing of special financial arrangements such as ASO, minimum premium, split funding, etc. This in turn has led to a demand in some instances for higher commissions.

In fact, the flat fee basis in lieu of commissions on ASO, minimum premium, and split funding arrangements has probably benefited agent compensation as opposed to the standard commission scale.

This trend towards a fee basis instead of a commission basis on the larger cases has also created a trend by agents to keep an insurance company at arm's length from its policyholder. This of course helps the agent justify his need for higher dollars because of increased service.

It's interesting to note that 20 years ago it was not unusual for an insurance company to pay a group overwrite in addition to a standard group commission scale. But over the years, insurance companies generally went away from the overwrite. Now, however, we are seeing a trend back to overwrites.

Also there seems to be more of a trend towards special service allowances that some companies are agreeable to paying. These special service allowances are payable to agents that produce a specified volume of business based on premiums and number of cases. The aim is to attempt to make your insurance company a major carrier of that agent. This special service allowance produces more money for an agent and is not disclosable.

Because of the pressure that the national brokerage houses seem to be under to make more money, a number of these houses have established group A&H claim paying outfits. These are, of course, in direct competition with insurance companies, and an agent of a national brokerage house needs to be very careful in his dealings with a policyholder to avoid a conflict of interest.

I would like to summarize by saying that, for an insurance company, goals need to be set before an orderly agent compensation scheme can be drawn up. That is, what do you want to do? Do you want to penetrate the large case market or the small case market? There is a decided difference in agent compensation that an insurance company might follow. My company definitely supports the agency system and we want to respond with the maximum commissions that agents can justify to their policyholders and that we can justify to those same policyholders.

JOSEPH R. BRZEZINSKI: Collecting statistics about agent compensation tends to be a complicated endeavor involving work either with the company or companies paying the compensation or with the agents receiving the compensation.

In obtaining statistics from companies paying the compensation to the agent, it is immediately obvious that an agent may obtain income from more than one insurance company or be involved in income producing activity not involving the sale of life insurance or associated products. As a result, such studies have the potential of greatly understating the true income levels of agents. The understatement is probably the greatest in obtaining data from companies with limited product offerings or from companies that are uncompetitive in commissions scales, product pricing, or service to agents.

Greater emphasis upon satisfying privacy regulations in the past few years has further complicated the gathering of statistics on agent earnings with

these notable results:

a. More companies are reluctant to participate in studies of agent earnings.

b. Summary statistics may be collected rather than conducting a more appropriate study conducted on the basis of individual agent statistics.

The alternative to obtaining statistics from companies paying compensation is to collect statistics from individual agents receiving the compensation. While this approach is able to learn about income from various sources, it is potentially more prone to reporting error and is generally more expensive.

It is not uncommon for such surveys to have fairly low response rates, often in the range of 30% response to questionnaires. Care must be taken to assure that the responses are representative of the entire population or at the very least, that the composition of response has not changed drastically from one survey to another.

Aside from the problems associated with low response rate, individual questionnaires are generally not verifiable without the use of expensive and time consuming procedures.

Now, let us divert our attention from the problems of obtaining earnings statistics to several recent studies of such earnings of agents and what they are showing. I will spend the rest of this discussion reviewing three ongoing studies of individual agent compensation being conducted in the insurance industry:

a. The LIMRA Survey of Agency Opinion

b. The MDRT Agent Profile Survey

c. The LIMRA Manpower and Production Survey

LIMRA Survey of Agency Opinion (SAO)

Every two years, LIMRA conducts a survey of NALU members covering a cross-section of topics of interest to the insurance industry. Included in the survey are questions about income as well as attitudinal items about the state of the insurance industry and prospects for the future of marketing of insurance products. Responses are obtained from around 1,500 agents. In general, the sample is made up of older, more experienced agents than is average for the industry. Average age of respondents is around 38 to 40.

The income or earnings reported by the agents is all income from all sources

for all companies the agent sells for. It is estimated that around 97% of all earnings are associated with the sales of life insurance and annuities. The earnings reported to the study are as follows:

Year	Median Earnings	Median Earnings 1977 Dollars
1971	$17,620	$26,424
1973	19,660	26,822
1975	21,540	24,265
1977	22,188	22,188

Over the period from 1971 to 1977, earnings reported in the survey increased by about 25.9%, while during the same period, the Consumer Price Index increased by some 49.7%. As a result, the purchasing power of agent earnings decreased by some 16% over the period. The figures indicated above are gross earnings rather than net earnings. Although some expense statistics were collected in the survey, they were not available in time for this analysis.

It is interesting to note that the constant dollar earnings peaked in 1973 and have declined in each of the succeeding surveys, representing a drop in purchasing power of around 17% from 1973 to 1977.

The response rate to the 4 surveys was about the same and a review of the attitudinal responses did not reveal any potential bias in the results.

The most recent surveys subdivided the sample by type of agent. Preliminary results imply that the combination agents have fared worst against inflation, while multiple line agents and PPGA's have fared the best.

MDRT Agent Profile Survey

The MDRT periodically conducts surveys of its membership in an Agent Profile Survey. Surveys were conducted in 1973 and in 1976. I am indebted to Mr. John Bell of the MDRT staff for sharing these data with LIMRA and permitting their use in this program.

The two surveys show the changes that have occurred based upon responses of some 5,000 agents to each survey. The respondents are MDRT members and are characterized by higher productivity and experience than average for the industry. Some distortion can result because MDRT qualifications for both surveys were the same and represent different purchasing power. The MDRT qualifications did not become indexed until after these surveys were completed.

Median earnings reported in 1973 were $48,600 (or $66,300 in constant 1977

dollars), while median earnings reported for 1976 were $57,100 (or $60,800 in constant 1977 dollars). During that period, the Consumer Price Index increased 28%, while median earnings increased by only 17%. This study shows these agents experiencing an 8% decline in earning power.

Although the SAO and MDRT studies show slightly different results in terms of actual numbers, both show agent gross earnings growth falling short of the rate of inflation. The remaining study I will discuss provides a contrasting viewpoint.

<u>LIMRA Manpower and Production Survey (MAPS)</u>

The LIMRA Manpower and Production Survey is a continuing annually conducted study that LIMRA has been doing for over 10 years. Statistics are collected not only on agent earnings but also on agent survival by calendar year of contract and on various production measures. Since a different number of companies can contribute each year, I have asked for the results of a constant group of 23 companies that have participated in the study from 1974 to 1978, subdivided by class of agent. Nearly all classes of agents have similar results over this period, so I will limit my comments to the fifth year and over experience class of survivors. (Results are for the whole sample of 23 companies--results vary by company considerably).

As shown in Chart 1, median earnings increased from $14,236 to $19,811 over this period or increased some 39%. Average earnings increased from $19,050 or some 37%. The much higher average earnings reflect the fact that agent earnings are heavily skewed upward.

Over the same period, the Consumer Price Index increased by 32%. This increase nearly eliminated the growth in real earnings and limited it to a total of about 5%. The pattern over the period, as illustrated in Chart 2, is not steady. Real earnings declined in 1975, increased steadily until 1977, and again declined in 1978.

First year commissions represent the portion of earnings that agents have greatest control over. As seen in Chart 3, first year commissions had a smaller dip than did total earnings in 1975, and while total earnings dipped in 1978, first year earnings were nearly level.

The statistic of more interest to the company is probably the productivity in terms of new annualized premium. Here the trend is not favorable in constant dollar terms. The decline in annualized premium productivity is greatest of any production measure studied. See Chart 4.

To try to get a better idea of the forces that are influencing agent earnings and productivity, I tried to do a little extra analysis of these statistics. To start with, see Chart 5, I look at several performance ratios

that can be derived from the MAPS statistics with the following results.

Note that these statistics are rather bland except for what happened in 1974 and 1975. These two years are not coincidently the years of our last recession. Considering the likelihood of a recession occurring today, what happened then is of some interest.

First, I found out that much of the effect of ERISA was felt in 1974 and 1975. LIMRA Buyer Studies indicated a temporary shift of new business toward pension products. The shift resulted in higher productivity and a shift toward higher commission forms. The Buyer Studies also showed a slight shift away from monthly modes of premium payment, thus shifting income closer to point of sale.

On the downside, however, both the LIMRA 13-month Lapse Survey and the Long-term Lapse Study showed increases in lapsation. Long-term lapsation has recovered slowly while short term lapse rates have declined steadily since that period. Consequently, first year commission became a large portion of total earnings and has declined to the present.

A final factor is the growth of term insurance. In the previous discussion, I minimized this factor by using premium and earnings. Term insurance and the decreases in premium rates we have seen over the past few years have resulted in growth in amount of insurance exceeding the rate of inflation. Chart 6 shows this growth over the past 10 years for a slightly different group of companies. Chart 7 shows the growth in real coverage adjusted for CPI increases. As long as we can expect term to grow, the amount of insurance sold will have to exceed the CPI growth by some margin if agent earnings are to remain steady in earning power.

The major question that has to be faced is whether agents will be able to fare as well against inflation as they have in the past.

MS. ALICE M. NEENAN: The traditional patterns of agent's compensation of individual products have not changed dramatically in recent years, but the current environment has created ever-increasing pressures for change.

Inflation/Energy Crisis

Inflation has obviously increased the agent's cost of doing business. The agent must pay more for rent, equipment, office staff, etc. These costs are also being pushed up by the desire of today's experienced agent to be as professional as possible. This requires investment in an attractive office

and in the tools of modern technology. More and more agents are investing in mini-computers, to produce more professional-looking customized sales illustrations and to improve their servicing capabilities.

New agents also feel the pressures of inflation. Ever-higher financing levels are being required, which means they have to generate more first year commissions in order to validate. This is particularly tough on young agents trying to sell to young families struggling to cope with inflation. These buyers need more insurance than ever but have a limited ability to pay.

The energy crisis has aggravated the problems of finding new buyers and servicing existing clients. The gasoline shortage has disappeared for the moment, but the cost is certainly a consideration for agents, particularly for those with clients spread over a wide geographic area. Some agents in metropolitan areas have been successful in maintaining a philosophy that clients must come to their office. For most though, the belief that the life insurance agent is a professional like a doctor or lawyer doesn't mesh with the maxim that life insurance is sold, not bought. In general, agents still go out and call on prospective buyers, and that's an increasingly expensive method of doing business.

Servicing

Servicing has also become a bigger problem in this inflationary environment. Small policyholders in particular may not be getting much service from their agents, because of the costs of gasoline, postage, telephones and office staff. The agent is trying to maintain his or her standard of living by selling more insurance, and this leaves less time for servicing existing business. All this could lead to poorer persistency, more mortality antiselection (because of low term conversion rates and few elections of insurability options), and fewer repeat sales.

Our compensation systems theoretically reward servicing efforts, through new commissions on repeat sales or term conversions. Also, good service should help generate good persistency, which affects an agent's renewal commissions and bonuses. The rewards may not be adequate in many cases, from the agent's point of view. Some of our agents don't feel it's worth their while to spend time trying to convince an old policyholder to convert a $10,000 term rider or to try to prevent the replacement of a small whole life policy.

Agents who have concentrated on the sale of flexible premium annuities are having a particularly difficult time with the service problem. Unless they spend a lot of time on conservation efforts, they're likely to see large chunks of business go off the books as buyers switch their funds from one savings vehicle to another, looking for the best deal in town.

We pay a 2% service fee to our agents on their block of renewal premiums,

but the term "service fee" is really not an accurate description of this part of the compensation package. It's paid regardless of how much or how little service is actually being provided. When the selling agent's contract is terminated, service fee payments end.

I think the industry will have to move toward transferable service fees. On a product like adjustable life, for example, it's highly unlikely that the original agent and the buyer will stay together for the lifetime of the contract. If a new agent takes on the servicing responsibility, it seems logical to pay that person the service fee. In fact, it makes sense to separate sales and service compensation. If an agent lacks the time or the desire to handle the servicing responsibilities, they should be assigned to someone else, who would receive the service fee. Renewal commissions are generally viewed as deferred sales compensation, so a transfer of service fees shouldn't affect the continuing payment of renewals to the selling agent.

The biggest barrier to implementing transferable service fees may be making the decisions about when the compensation will be transferred. Basically, fees ought to be transferred when the agent is no longer in a position to provide service. Contract termination, death, disability and retirement would seem to be reasons for a transfer. If the policyowner wants to do business with a different agent, because of a move or any other reason, that should also result in a transfer of service fees to the new agent. The toughest problem may be finding someone to make all the difficult decisions on borderline cases!

New Products/Product Mix

The product portfolio has become a much more important factor in agent incomes. On the life insurance side, everyone is aware that inflation has accelerated the trend toward more term insurance. Normally, term plans have lower commission rates than permanent insurance. Some agents characterize their dilemma by saying that if they sell permanent insurance they can't sleep at night, but if they sell term they can't afford to eat. The answer seems to lie in increased emphasis on term conversions.

As incomes go up with inflation, there is a need for more disability income. Since disability income commission rates are at the whole life level, or better, this is an incentive for the agent to shift to selling more disability income. It may be a tougher sale than whole life, though because of the complexity of the product, and the average premium per case still tends to be lower.

Annuity sales have increased, as endowments are no longer popular savings vehicles. Competition with other savings media has pushed annuity commission rates well below those paid on life and endowment contracts, but this has been offset to some extent by the larger average premium per sale. At

Connecticut Mutual the average first year commission per case is about the same on endowments and retirement annuities, but renewal commissions are substantially lower on annuities.

Competition in the annuity area and current interest earnings have pushed down the premium cost per dollar of monthly income, despite mortality improvements. For example, based on our guaranteed cash values, a $500 monthly life income (for male issue age 45, retirement age 65) required a $3542 annual premium, while today we would charge $2905, or 18% less. The difference would be more dramatic if the comparison included dividend illustrations and alternate life income rates. Of course, inflation has generated a need for larger retirement incomes, but many buyers fail to adequately reflect this in their buying decision and agents are sometimes reluctant to illustrate the devastating impact of inflation on retirement incomes.

Competition has led to lower premium rates for life insurance, and new valuation and nonforfeiture laws have tended to push down whole life rates. Many companies now have a 4% whole life plan, and at Connecticut Mutual our 4% plan, which we call Econolife, is far and away our most popular plan.

Higher average policy size has tended to offset the impact of lower premium rates. For example, in 1973 our "average" whole life sale was $19,000 policy, while today our Econolife policy has a $48,000 average size. Using our premium rates for our average issue age of 35, this means a $208 commission in 1973 compared to $363 today. This increase of almost 75% has helped our agents stay ahead of the increase in the CPI.

In some cases, particularly on YRT and flexible premium annuities, commission rates have been reduced in order to achieve a more competitive product. If this results in more sales, larger average size and better persistency, agents' incomes will be increased rather than decreased.

For example, when we introduced YRT in 1976 we elected to pay a 50% first year commission rate, so that for a given premium commitment the agent would get the same first year commission regardless of whether the client bought a YRT policy or a smaller permanent policy. We've been very successful in selling small policies (i.e. under $100,000) to younger buyers, but we couldn't capture very many large cases. This summer we brought out a seven year YRT product with a $100,000 minimum and a 30% first year commission. With an average premium of over $500, the new YRT is generating essentially the same commission per sale as the old product. Naturally, a conversion will generate more income than before because of the larger size and higher average age.

Consumerism

Consumerism is another source of pressure on agent's compensation, partic-

ularly as buyers become more aware of commission scales on various products.

Consumerism and commission disclosure have certainly put pressure on the front-end load in the commission structure. Some of our agents and brokers who've sold business insurance cases with an annual premium in six figures have told us they're uncomfortable responding to questions about their commission. They would prefer a more level commission structure. Since income tax brackets are not indexed to reflect inflation, an ever-larger percentage of first year compensation is going to Uncle Sam, and this increases the appeal of commission deferral for big producers. Of course, more level commissions also encourage the agent to strive for good persistency.

On flexible premium products, a front-end load has the potential for causing a lot of problems. On our flexible premium annuity we've had a 20% first year commission (at the younger issue ages) coupled with a chargeback when the premium decreased in the second year. The administrative cost and the impact of chargebacks on agent morale have convinced us that a more level commission structure is necessary on such a volatile product.

The consumerist issue also raises questions about vesting. If renewals are really deferred sales compensation, one can argue that the agent is entitled to full vesting. But vesting increases the cost of the compensation package, and doesn't provide any incentive for service. A company subject to New York requirements might prefer to trade off some vesting for higher service compensation. Alternatively, reduced vesting can be used to help lower the price of the product.

Future Trends

In the future, product development actuaries will have to place increasing emphasis on the design of the compensation package for each product. The need for a competitive product often conflicts with the needs for a commission scale that will help attract and retain good agents to sell that product. The fact that individual agents have widely varying opinions on the ideal design for a compensation package increases the complexity of the problem.

Giving agents a choice of two or more different commission schedules would clearly involve potential problems relating to persistency. The agent who doesn't expect to stay with the company, or who anticipates poor policy persistency, will choose the scale with the most front-end loading and vesting. Perhaps this can be solved by establishing alternatives which have equal present values based on expected agent and policyholder persistency.

The challenge is clear.

A well-designed compensation package is essential if we are to attract and

keep good agents, and a lot more work needs to be done on exploring alternatives which will meet the sometimes conflicting objectives of motivating agents to sell our products and keeping the product competitive.

CHART 1

LIMRA MANPOWER AND PRODUCTION SURVEY

TREND IN FIFTH YEAR AND OVER AGENT EARNINGS

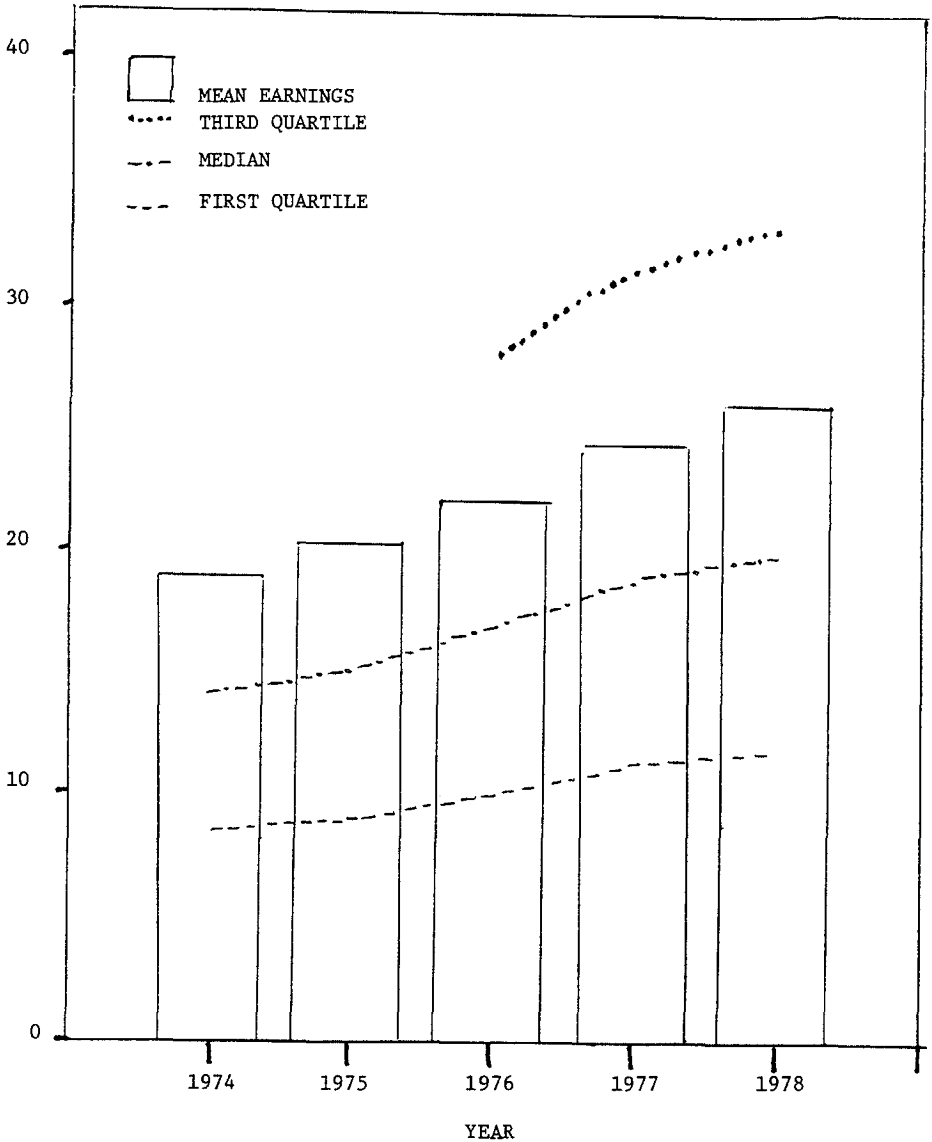

CHART 2

LIMRA MANPOWER AND PRODUCTION SURVEY

TREND IN FIFTH YEAR AND OVER AGENT EARNINGS - 1977 DOLLARS

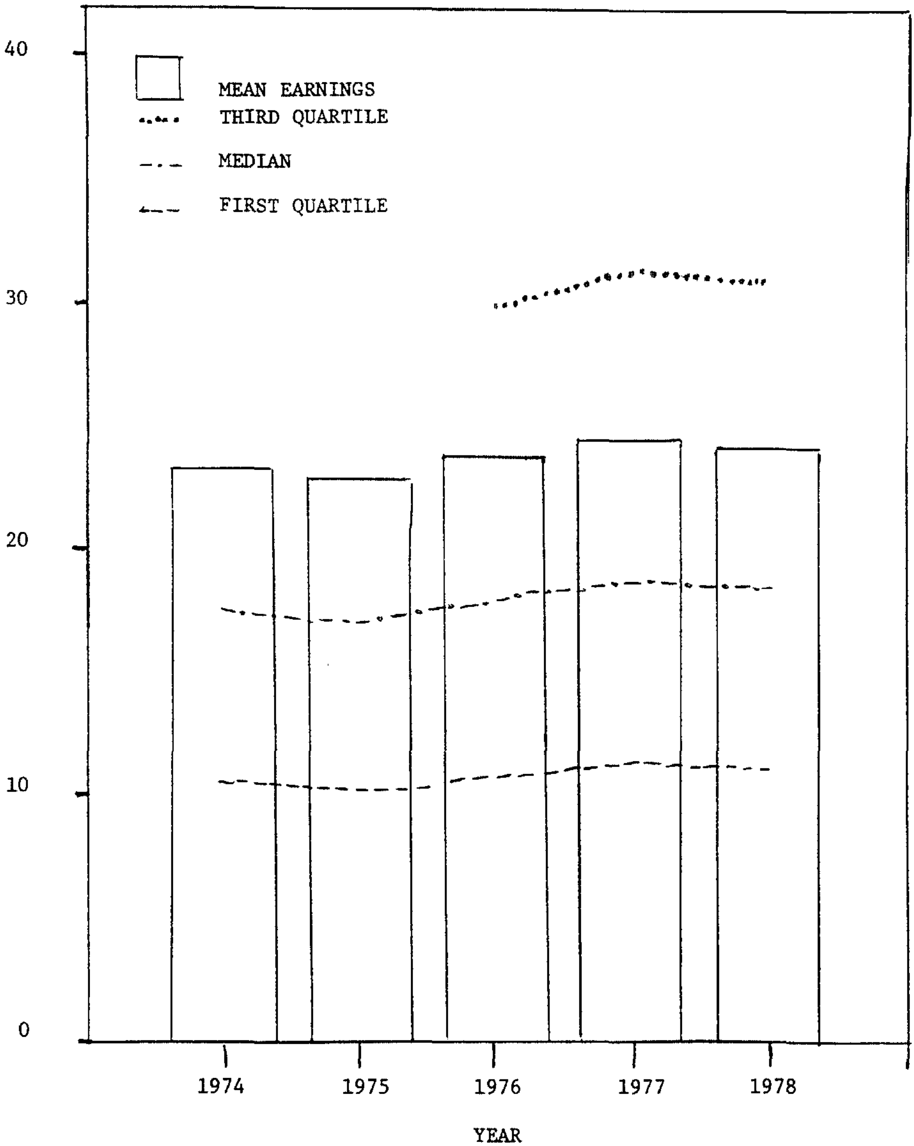

CHART 3

TREND IN FIFTH YEAR AND OVER AGENT STATISTICS - 1977 DOLLARS

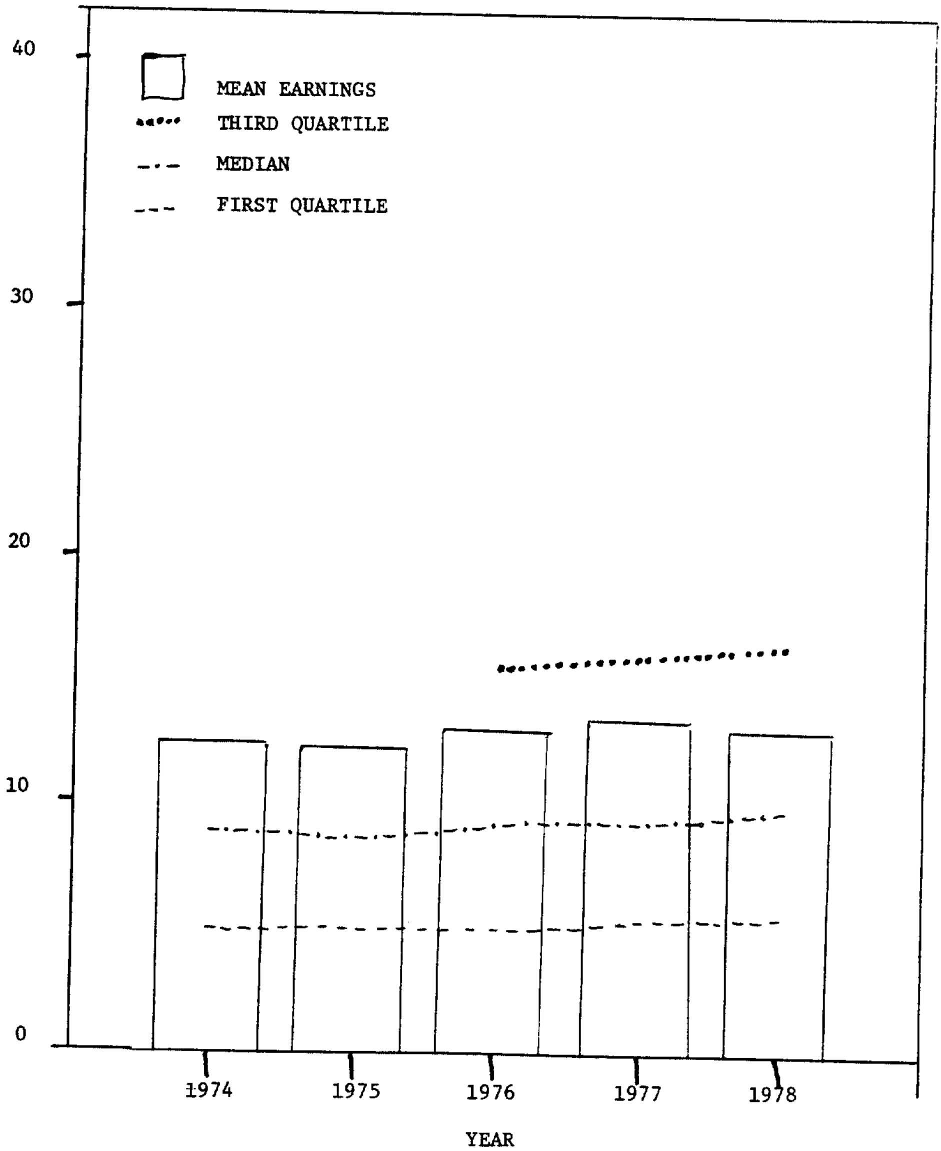

CHART 4

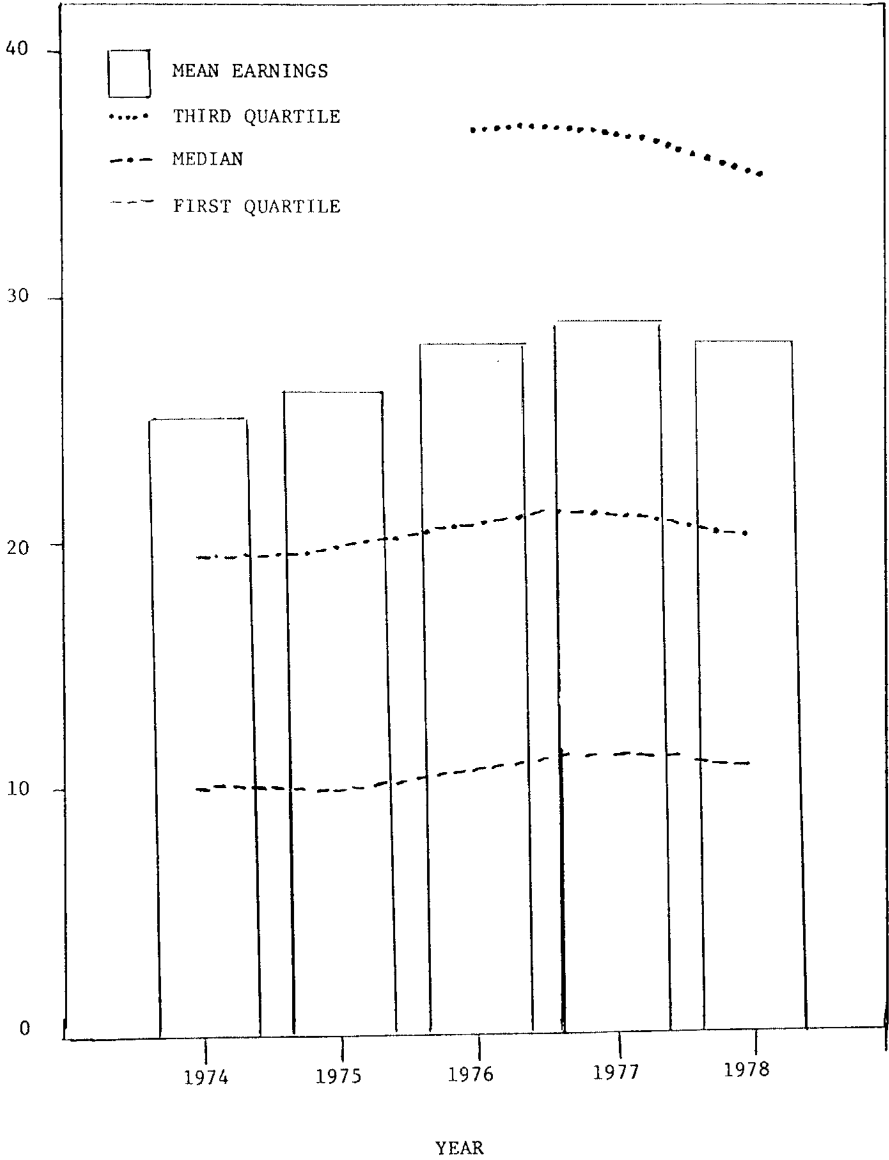

CHART 5

PERFORMANCE RATIOS

TREND IN FIFTH YEAR AND OVER AGENT STATISTICS

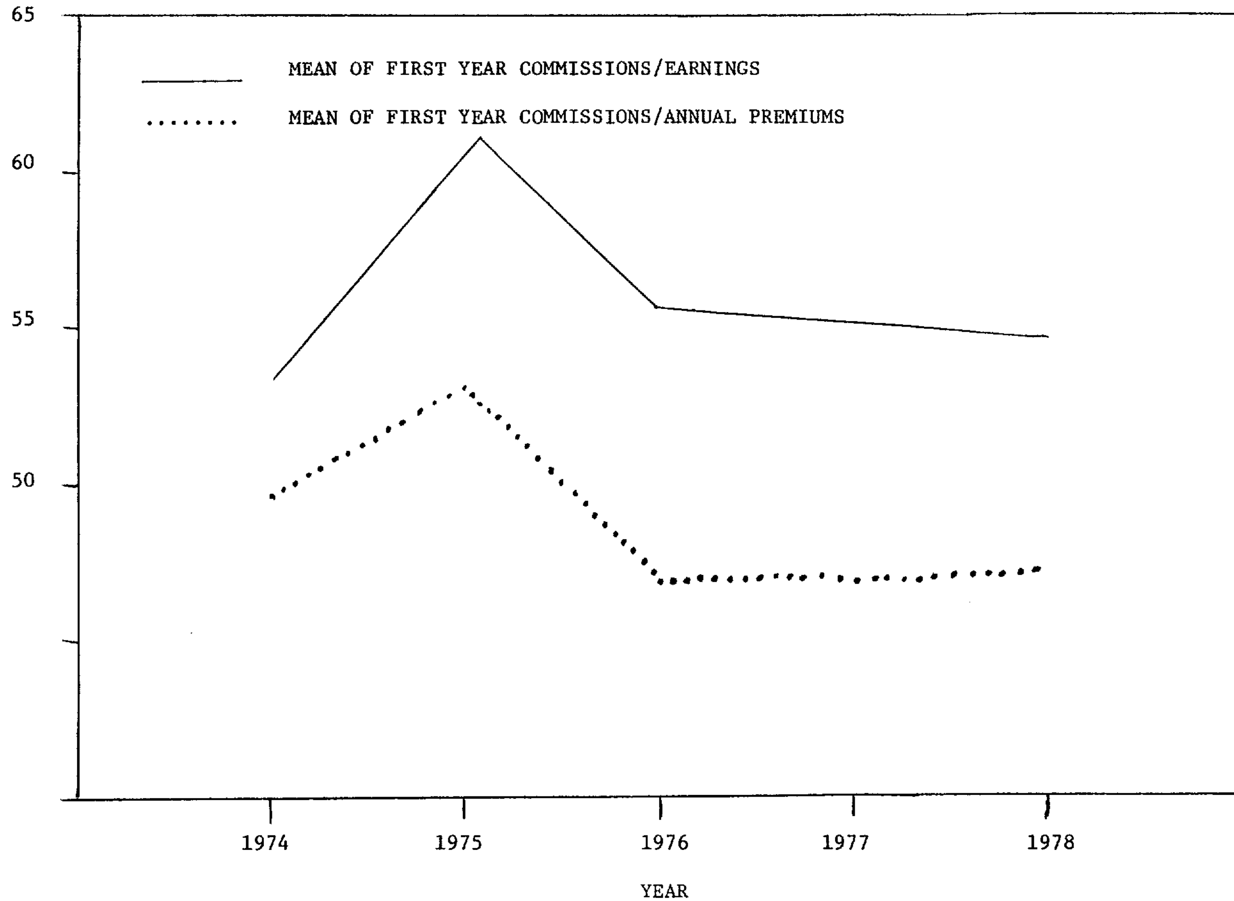

CHART 6

UNITED STATES AGENT PRODUCTION RATES BY AGENT CLASS

SURVIVORS (CONSTANT 1978 DOLLARS) — YEARS 1968-1977

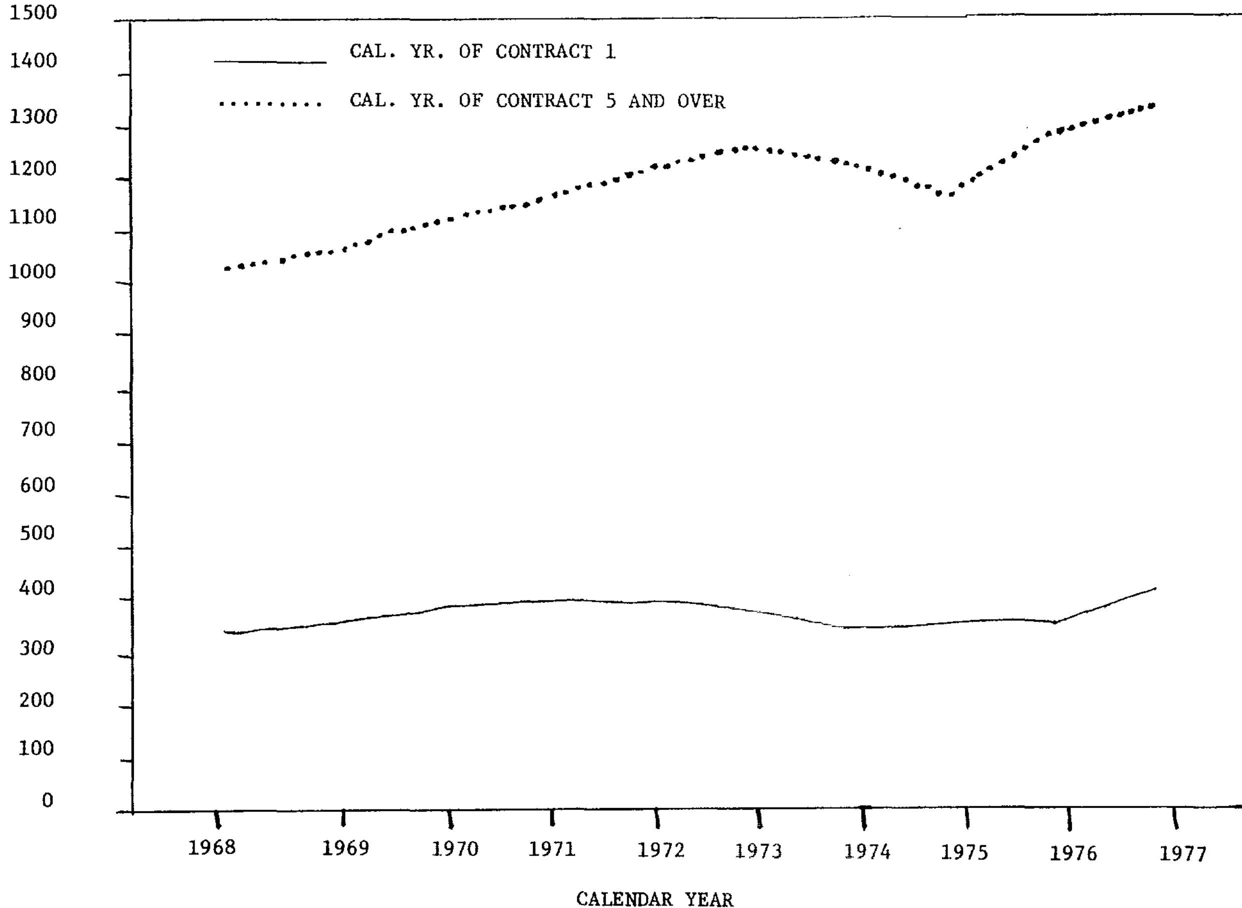

CHART 7

UNITED STATES AGENT PRODUCTION RATES BY AGENT CLASS

SURVIVORS -- YEARS 1968-1977