For Companies Operating in N.Y.

INSURANCE DEPT. RULING ON GRADED PREMIUM POLICIES

C. F. B. Richardson has brought to our attention a recent ruling of the New York Insurance Department on the treatment of graded premium policies in Schedule Q. The Department has kindly furnished us with a copy of the ruling which we are glad to publish for the information of interested readers.

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Parts 1 and 2 of Exhibit I of the annual statement will have been prepared in the usual manner, the premiums and commissions of the policies issued and paid for during the year having been entered as first year and those for policies issued in previous years having been entered as renewal. The figures from the exhibit will have been entered in Schedule Q as per instructions and lines 16 and 17 will contain the normal entries for the new policies paid for and in force at the end of the year as per instructions.

In addition to these normal procedures, the following special entries need to be made in Schedule Q each calendar year for each such policy paying premiums during the year, starting with its second policy year and ending with but including the year in which the ultimate premium is first payable.

• *SECTION (A) — PREMIUMS*: Add to first year the increase in the current year's accrued renewal premiums over the previous year's premiums. Deduct from renewal the amount added to first year.

• *SECTION (B) — COMMISSIONS*: Add to first year the commissions payable on the increase in premiums which have been added to the first year premiums above. Deduct a like amount from renewal.

• *SECTION (C) — RATIO*: The lines in this section are adjusted only with respect to policies which are in force at the end of the calendar year. The first year premiums for new policies would have been included in lines 16 (c) or 16 (b) in accordance with the instructions. Each year as noted above the following adjustments for each policy should be performed in lines 16.

(1) That year's gross annual premium for the policy should be included in lines 16 (c) or 16 (b) or 16 (a) depending on its size relative to that for the corresponding whole life level premium policy in accordance with the instructions for these lines; and

(2) The previous year's gross annual premium for the policy should be deducted from the line 16 (c) or 16 (b) or 16 (a) depending upon

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SEGLI EXPERIENCE, FISCAL YEAR TO JUNE 30, 1967

W. A. Poissant, Chief Actuary, Veterans Administration, forwarded the Second Annual Report for the Servicemen's Group Life Insurance Program which contains a number of points of special interest.

At the end of the fiscal year, the insurance-in-force amounted to $36 billion and covered 3,640,000 lives. Death claims incurred during the fiscal year amounted to about $138 million. In the closing months of the year, monthly claims averaged slightly over 1,600. Since normal peacetime claims, based on the current size of the armed strength, would not exceed a monthly average of 500, the difference is ascribable to increased combat and training activity.

The covered services are required by law to contribute for the extra hazard costs by paying for the death claims in excess of a certain maximum. The maximum is defined in the law as what the total claims would be if mortality in the Uniformed Services were the same as the mortality for the entire U. S. male population of the same average age.

The services remit to the VA a prescribed percentage of servicemen's premiums each month, their monthly premium being $2 per $10,000 of insurance. The percentages of servicemen's premiums paid by the covered services for extra hazard costs are:

Year	*Months*	*Paid for Extra Hazard*
1965	Oct. - Dec.	9%
1966	Jan. - April	50%
1966	May - June	100%
1966	July - Oct.	60%
1966	Nov. - Dec.	100%
1967	Jan. - June	100%

Indications are that the percentages will have to be increased to 175% if current claim experience continues.

The statistical development of the statutory extra hazard premium for the fiscal year 1967, with amounts shown in thousands of dollars, is as follows:

		(Amts. in Thousands)
1.	Servicemen's premiums	$ 80,207
2.	Extra hazard contributions paid by Services	69,803
3.	Death claims incurred	137,654
4.	Average active duty exposure	33,419,541
5.	Average post-separation exposure	1,936,103
6.	Average total exposure	35,355,644
7.	Median age of military personnel	23.2 yrs.
8.	Annual death rate at age 23 from latest U. S. total male population table	1.91 per 1,000
9.	Death claims at population rate, (6) times (8)	67,529
10.	Extra hazard contribution required by law, (3) minus (9)	70,125
11.	Excess of statutory extra hazard required over amount paid, (10) minus (2)	322

The Report may be obtained from Insurance Service, Department of Veterans Benefits, Veterans Administration, Washington, D. C. 20420.

THE GOOD OLD DAYS

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panies. For example, I recall one in Toronto where we ate in the Great Dining Hall at Hart House of the University of Toronto. As Hart House was a "men only" dining and recreation centre, any ladies in attendance were fed elsewhere and treated to a concert by violinist Mischa Elman. Such light fare was not for the serious Society.

In New York, the dinners were held at the meeting place, then the old Astor Hotel. Eventually these dinners cramped the style of those out-of-town members who preferred non-actuarial entertainment in the evenings and so in the late twenties it was arranged that the dinners should wind up by 8 o'clock.

The complaints leading to this change may have called the attention of the Council to the fact that the lobby of the Astor was becoming more and more populated with lovely ladies of a class on which our selection committees would not look with favour because, after this, the meetings were transferred to the Roosevelt. Along in the thirties, the formal dinners were dropped.

Lighter Moments

But the "good old days" had their lighter moments. There was a memorable occasion at one of the dinners when the senior group was brilliantly lampooned in a skit written by a New England actuary and performed by some of his New England confreres. The skit purported to be a replica of a Council meeting and many current actuarial topics were touched upon lightly.

The Examination Committee gave its passing percentages on the then eight examinations as 1%, 2%, 3%, 5%, 3%, 2%, 1%, and 0% respectively. One member suggested the road to knowledge was full of toil, labor and "catch" questions. The students then struggling with Robert Henderson's book on graduation were delighted to hear the Council recommend that the book be written backwards in order to make it more intelligible, a suggestion which Mr. Henderson enjoyed as much as any of the students.

Even as now, not all of the wit and wisdom of the meetings was reported in *The Transactions*. □

CANADIAN COLUMN

J. Ross Gray

The new Canadian Assured Lives Table 1958-1964 (see *The Actuary* October, 1967) shows a definite hump in mortality in the early twenties, and while a hump was present in earlier Canadian tables, this time it is more noticeable.

The graduated rates of mortality for the years after the fifth rise from .000320 at age 11, through .000855 at age 17, to a peak of .001129 at age 22. They then drop to .000880 at age 29 before they start rising again.

At the October meeting of the Canadian Institute of Actuaries there was a discussion about the extent to which careless driving hazards might have contributed to this rise in the mortality rates at these young ages. This is an underwriting problem because of the difficulty in getting accurate information and in establishing any satisfactory substandard classification.

Question on App

One major company has inserted a question in the application form with respect to driving a motorcycle, and this company also asks for special handling in inspection reports when there is any criticism of careless driving, violations, etc.

While there was general agreement that outright criticism of an applicant's driving should not be disregarded, there was also a feeling that the companies should attempt to offer standard insurance to as wide a group of persons as possible, not searching for minor underwriting considerations.

It was mentioned that the ultimate mortality rates could be affected by policies issued at juvenile ages before driving habits became established. □

TOP WEALTHHOLDERS

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The report, *Personal Wealth Estimated from Estate Tax Returns,* was issued by the I. R. S. as Publication No. 482 (7-67) and is available at the Government Printing Office, Washington, D. C., 20402 (price, 65 cents). □

INSURANCE DEPT. RULING

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which line it was included in the previous year.

On line 17 the adjustments would be to add to lines 17 (a) and 17 (b) the gross annual whole life premiums corresponding to the gross annual premiums for the policies which had been added to 16 (a) and 16 (b) respectively, and to deduct from 17 (a) and 17 (b) the gross annual whole life premiums corresponding to the gross annual premiums for the policies which had been deducted from 16(a) and 16(b) respectively.

The adjustments for policies with graded premiums are not mandatory. The company can make them each year or only in the year that the ultimate premium for the policy is first payable. If the company does not make the adjustment each year it will not get the benefit of the first year expense limit which would be generated by the increase in the premium each year. If the company makes the adjustment only in the year the ultimate premium is first payable, it will not get the benefit during the years the policies were in force, of the first year expense limit which would have been generated by the policies which lapse before the premium has increased to the ultimate level. □

SAVINGS IN THE ECONOMY

(Continued from page 1)

that a major depression can be avoided. His optimism is founded on the improvement in the depth of our understanding of the economic processes and the reflection of that understanding in political decisions and public opinion.

Tilford C. Gaines, Vice-President and Economist, Manufacturers Hanover Trust Company, believed that the increase in savings which began in the fourth quarter of last year gave hope that it may be possible to avoid inflation in the months ahead. Mr. Gaines stated that "the pattern of 1967 has been one not only of a higher savings rate but also of return to the customary pattern of savings flow through financial intermediaries."

Mr. Gaines believed that interest rates would move up in 1968 at some point which is still difficult to predict, because it will depend on Federal Reserve policy. □