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THE LIFE GAME

by

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Lotteries and other games of chance have made tremendous progress in establishing themselves as an integral part of the national economy. But what about games based on such chance occurrences as birth, death or disability - events of primordial importance in the human life cycle? Is it possible to sell interesting and popular games no matter what type of chance event is involved? The following scenario explores the practical potential for just such a phenomenon.

The year is 1995. The life insurance industry, suffering from the effects of prolonged recession, has witnessed a record number of bankruptcies, primarily of small and medium-sized companies. The widespread public disenchantment with the industry, fed by highly sensationalized coverage by certain media representatives, has spawned several innovations in traditonal life coverage in the more highly populated states. One of the most controversial is known as the "Life Game."

The Life Game, under the sponsorship of the State Gaming Commission, provides death benefits to players who purchase tickets whose price varies according to the age and sex of the purchaser. A typical pattern of charges looks like this:

Age	Price per Ticket
0-39	$ 3.00
40-44	6.00
45-49	9.00
50-54	15.00
55-59	21.00
60-64	33.00
65 & Up	59.00

For females a 20% discount applies below age 40 and a 33% discount applies at 40 and over. Fractional tickets can be purchased at the higher age brackets in units of $3.00 each. Tickets are sold wherever lottery tickets are also available during the calendar month prior to the month when coverage begins. Players who also purchase lottery tickets with the transaction are entitled to a small discount off their lottery tickets. A maximum of ten tickets per player can be bought each calendar month. The Game operates concurrently, so full coverage is possible at all times by buying a new ticket monthly.

Several states sponsor two Life Games - one for those working 30 or more hours a week, the other for those not working at least 30 hours. Payroll deduction plans make participation more convenient for anyone working regularly. All players must be permanent residents of the state (or multi-state region) and possess a drivers license or other acceptable form of identification. Of course, suicides and homicides are not covered and Life Game representatives validate all deaths by inspecting death certificates and coroner's reports. No beneficiary designations are involved since proceeds are paid directly to the estate. The State collects an excise tax and pays all administrative expenses from the tax and interest earned on ticket revenue. The pot is always divided among those dying during the coverage period. The State retains no part of the pot.

All valid deaths participate in the pot proceeds equally according to the number of tickets or fractions of tickets purchased. However, a minimum number of deaths must occur during the regular three-month coverage period to split the pot. If the minimum isn't reached, the Game continues for one additional month, and the pot is divided at that time even if the minimum isn't achieved. If no one dies, the Game continues on a month at a time until at least one death is validated. Life Game officials predetermine the minimum number of deaths using a simple ratio applied to the total number of players. For example, with a ratio of 50,000 to 1, the minimum need for 1,000,000 players would be 20 deaths. Any player dying after buying a ticket but before coverage begins receives the purchase price as a refund. Thus, anyone purchasing tickets regularly each month is guaranteed a share of three pots and sometimes may participate in four or more.

All proofs of death must be received within 30 days after the close of the coverage period. An 800 number is available to the public for death validation purposes. Pot proceeds are customarily paid to the recipients 45 days after coverage ends, so the State earns interest on each pot for about 4 3/4 months.

Despite massive opposition from the life insurance industry, the Life Game has proven a godsend for many of the unemployed and those on fixed incomes or in poor health who either can't afford or qualify for the policies offered by commercial carriers. The recession has swollen the ranks of these categories of the population plus those who refuse to deal with insurance agents. Life Game proponents emphasize that a guaranteed 90% or higher payout rate has never been achieved by the private sector and probably never will be. The real difference between the Life Game and a life insurance company operation is that the company is required to pay income taxes and pursue a legally specified surplus target. The inherently high cost of surplus management and agents' commissions is eliminated by the Game, and state sponsorship minimizes public concern over fraud or irresponsible management practices.

Some life companies, impressed with the success of the Life Game, have begun to market their own version--a hybrid of the traditional life policy and the Life Game where death benefits are fixed at issue, but premiums fluctuate in direct response to actual numbers dying. These policies are sold at the insurance counters of major department stores and the offices of financial service centers and commercial banking outlets. Agent interaction is minimal and underwriting quite elementary. Usually, the most critical underwriting requirement is that the insured be actively at work on a full-time basis.

Is this scenario totally unrealistic? Not really. Competition between companies and between agents for the consumers' insurance dollar has never been keener and profit margins and commission scales have been shrinking rapidly in response. The ever increasing issue requirement needed to support the average agent in a viable life style makes it increasingly uneconomical to deal with the small premiums and face amounts affordable by the lower twenty or twent-five percent of the population. Three dollars per month worth of insurance can't be bought in today's market. According to the Life Insurance Fact Book, the total number of individual life policies in force in the United States has been slowly declining since 1981 from 149 million to 144 million, even though the average face amount has grown over 150%.

The popularity of the Life Game arises from its public format as a game of chance and its practical orientation. It illustrates one application of the old business adage which urges us to eliminate the middleman as a key to real success. Certainly, with the advent of sophisticated computer technology, it is becoming quite feasible to do without intermediaries in any standard business or monetary transaction. This is exactly the environment where games involving thousands or millions of players can thrive.