

AGENCY-ACTUARIAL COOPERATION

- A. How can the actuary help the agency department in the development of sound financing methods for new agents and agency managers?
- B. 1. What factors should be included in setting up standards of performance for qualification to attend agency conventions so that proper recognition can be given to production, persistency, plan, length of service, etc.?
 - 2. How are these factors applied?
 - 3. What bases of credit are used for annuities, industrial insurance, group life insurance, wholesale life insurance, group accident and health insurance, and individual accident and health insurance?

MR. R. E. EDWARDS emphasized that the agency head must be sold on a financing method if it is to succeed. One way to accomplish this is to let the agency head design the plan, while the actuary's role is to prevent, in a tactful way, the adoption of features that will not work. The need to be practical often involves giving in on minor items, but insisting that major issues be given adequate consideration. Mr. Edwards suggested that if a company violates the general agency system concept by helping to finance new agents, it should, to be consistent about the violation, exercise considerable control over that use of its own money. To do otherwise is plain bad management. He considered it important that the surviving agent should get more compensation after than during the financing period. In addition, he pointed out the need for quick action to cut the losses short on unsuccessful agents.

MR. W. C. BROWN stated that a very effective solution to the problem of agency-actuarial cooperation in the Colonial Life had been to make the Actuary head of the Agency Department. One disadvantage of such an arrangement was apparent from the fact that the individual involved had been unable, because of an agency meeting, to attend this actuarial meeting. In the Colonial the Actuary participates fully in the development of all compensation plans for the field, including financing methods, since these affect operating costs and must be reflected in premiums.

Mr. Brown advised that his company uses a point system for convention qualification credits. Appropriately weighted numbers of points are allowed for the various units of performance to which the company wants to give recognition. The top ranking seventy-five agents on this point basis are taken to the convention. He said that many agents are more interested in their convention credits than in the rate of compensation for a given plan of insurance.

MR. E. F. ESTES described three formulas used by the Bankers Life of Nebraska, each for a different purpose. The first of these, used in measuring the activities of writing agents, is based on written, examined and paid business, adjusted for first-year lapses. It is a yardstick agents understand, and the emphasis on volume is tempered by the deduction of first-year lapses. All forms of term insurance are given one-half volume credit; the volume credit for annuities is one year's income. As a guide to agency performance, the Bankers of Nebraska uses a "standard production unit" in order to reflect the factors of persistency, premium frequency and proportion of term riders in each agency. This formula is not applied to individual agents. A third formula, used for contests between agencies, reflects the factors of economy of operation and development of new organization in addition to the factors previously mentioned.

MR. M. R. DODSON advised that the Ohio National had recently added a persistency requirement and a premium volume requirement to the production requirements for convention qualification. These changes were followed by marked increases in average persistency and in average premiums.

MR. R. E. EDWARDS suggested that convention requirements be set to accomplish desired results. In his company, conventions are a postwar development, so the standard is based only on volume written. Now that this has raised the sights of the agents, other factors may be added to the formula.

MR. W. L. RUGLAND said that the Aid Association for Lutherans brings all full-time representatives to conventions, regardless of production or persistency.

In a show of hands among those present, it appeared that about one-third of the companies hold conventions annually, about one-third every eighteen months and about one-third every two years. Four of the companies represented at the forum now base their convention qualifications on commission earnings only.