

MULTIPLE LINES

- A. What are the problems facing a small company on expanding its operations into one or more of the following fields:
1. Group life insurance
 2. Individual accident and health insurance
 3. Group accident and health insurance
 4. Pension trust business

MR. G. R. BINGHAM pointed out the difficulty of securing competent Group men for both home office and field salaried jobs. He suggested that, in view of the difficulty of selling through untrained agents, it might be desirable for a smaller company to limit its group coverage to its most intensively developed territory where it can offer salaried field service and he mentioned the desirability of interesting the company's established agents in group insurance without diverting the unqualified. He suggested that the smaller cases be sought, since competition is a little less keen and since unfavorable experience on one or two large cases might cause losses which would require years of handling of small cases to overcome. He pointed out, however, that in most states cases of less than twenty-five lives cannot be written even with evidence of insurability. He recommended that even a small company establish a separate Group Division which might be subdivided into sections handling issues and additions, claims, accounting and terminations, and quotations and miscellaneous. He stressed the importance of persistency and stated that policyowners frequently "shopped" for increased benefits and lowered costs. Finally, he stated that competition would probably force issuance of group casualty coverages, as well as group life, and discouraged issuance of group permanent or group creditor coverage.

He stated that the Northern Life has been built over a 45-year period upon the logic of protection against both disability and death through a rounded program of life, accident, and health insurance. He expressed concern about the current emphasis on hospital, surgical, medical care and related coverages offering strictly limited benefits, designed to reimburse for expenses he felt should be met by budgeting rather than through insurance; on the other hand, he recommended an attempt to develop comprehensive medical expense coverage on an individual as well as a group basis. He urged the development of simple forms with attendant low administration costs. He stated that accident and health insurance can usually best be handled by integration into the existing systems of under-

writing, policy-writing, premium collection, and claims, but stated that one or more specialists would be required initially.

MR. G. E. CANNON stated that each of the multiple lines requires more supervision all along the way and warned against development through one expert alone as his departure could leave the company in a precarious position.

In connection with sections A and C, he stated that entry into the life field usually was soon followed by entry into the casualty field as well. He felt that a small company entering the group business should have a strong actuarial staff. He mentioned particularly the keen competition with other companies and with Blue Cross and stressed the transfer of business from one insurance company to another with the resulting inability to work out an early loss. He suggested that small companies entering the group field might transfer casualty coverages to a casualty company. He also suggested that operations be localized in order to afford administration and service directly from the home office. Finally, he suggested that a small company should solicit only the smaller group contracts.

In connection with section B, he stated that the Standard Insurance was then entering the field, using an outside man as a consultant rather than permitting him to develop the subject independently. He suggested that a small company should avoid noncancelable contracts and the extremes of coverage, particularly occupational.

In connection with section D, he pointed out that both legal and actuarial talents were involved and stressed federal regulations and the resulting delays. He recommended the use of regular retirement income and retirement annuity contracts rather than the development of group contracts and pointed out that group underwriting could still be used and terminal reinsurance facilities could still be afforded if the company so desired. He also mentioned the fact that competition was experienced not only from other insurance companies but from banks, trust companies, and from self-insured plans as well.

He further suggested that pension trust business be developed through the agency department without the aid of a specialist and recommended, as educational material, the manual published by the Insurance R & R Service.

MR. ARTHUR PEDOE cautioned the smaller companies against entering the accident and health field. He particularly mentioned the effect of diverting the actuary from his other responsibilities and suggested the possibility of having a casualty company underwrite the accident and health business should its writing by one's life agents be deemed necessary. He expressed concern over the tendency to increase benefits without

a corresponding increase in premium rates and cited the parallel with Monthly Income Disability two decades ago. He stated that, since no life insurance is involved, we cannot reduce life insurance dividends should a bad accident and health experience result as we did in the case of Monthly Income Disability.

MR. W. W. WILSON, JR., Actuary of the Atlas Life Insurance Company, in discussion of items one and two suggested that a small company because of special circumstances might have an opportunity singular to itself to underwrite a specific case so as to not only be of more advantage to the insured, but also permit a profit to the company which should be greater than that which might be anticipated if the insurance were written by any other company. He pointed out that many insurance situations were better suited for handling by a particular company than by any other company and that said situations frequently permitted such company to not only better service the business, but also enjoy a lower cost of handling which would result in a higher profit for division between the company and the insured per dollar of premium collected. He stated it was his belief that nearly all companies have some opportunities such as described and that if small companies would recognize these opportunities, through careful selection they not only could increase their earnings, but also might enjoy increased prestige by rendering greater insurance service.

In connection with item two, he reported that his company had hoped through the establishment of an Accident & Health Department to obtain some agents who would develop into good life insurance agents, but that to date little success had been realized in this respect.