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AVERAGE AMOUNTS OF POLICIES

A. What steps have proved successful in increasing average amounts of policies sold, to counteract the effects of inflation?

B. 1. What is the probable future development of Preferred Risk plans and what impact, if any, is such development likely to have on the business generally?
   2. Should plans of policies with large minimum amount be written only on a select medical basis or standard occupation, or male lives?

C. Is there any evidence that persistency rates for larger policies differ from the average?

MR. J. A. CAMPBELL said that more than 70% of the companies represented in one of the premium rate publications are now issuing some form of preferred policy providing for a minimum amount of $2,500 or more. Most companies' preferred policies are limited to Ordinary Life and Term and sometimes Double Protection to Age 65. He said that his own company had been issuing preferred plans since 1922. They had commenced with Ordinary Life and then introduced a series of preferred term policies a few years later. At about the same time they introduced a Twenty Payment Life policy which was afterwards withdrawn because the amount of business sold was too small. This led him to believe that preferred policies must, if they are to stand on their own feet, have a wide appeal and a low premium rate so that a substantial volume is possible. For this reason he did not believe that endowment plans would be successful. Lately they had introduced a Limited Payment Life Paid-Up at Age 65 which was found satisfactory.

Mr. Campbell stated that in underwriting these preferred plans over a period of 28 years they had treated them on a select medical basis allowing for a margin of about ten points in the numerical rating. He said his company required that the occupation of the applicant be better than average from the standpoint of finances and better than standard from the standpoint of mortality. For many years applications for preferred policies had been limited to males but recently this had been changed to accept female lives if they were engaged in business.

Their mortality investigations did not show any substantial differences between standard classes and preferred risk classes, Mr. Campbell stated. On the other hand, investigations of persistency rates showed that in general preferred policies were substantially better than standard contracts, and that persistency rates of policies of over $5,000 were better than average.

For the last fifteen years his company had made no differential in commissions between standard and preferred plans. If an applicant qualified for a policy on the preferred basis the policy was issued on that basis.

Mr. Campbell reported that during the last five years the average amount of policies had increased as follows:

	Ordinary Policies Written by	
Increased	Ordinary Agent	Industrial Agent
From	$4,315	$2,261
To	6,018	3,649
Percentage increase	39%	61%

These amounts do not include the commuted value of Family Income Benefits but substantial amounts of term insurance do account for much of the increase. He could not point to any one force which accounted for these increases which were above the average that could be expected to result from the increase in the amount of income earned by policyholders. An important reason for the increase was the emphasis laid on protection plans both in training agents and through the use of preferred plans.

MR. J. R. GRAY stated that it was quite common practice in Great Britain to reduce the manual rate by £1 per £1,000 if the policy was for £1,000 or more. He said this was feasible because there are no antidiscrimination laws which prohibit distinction in rates of premium according to the size of the policy.

MR. R. I. JACOBSON said that on January 1, 1948 Northwestern National had introduced an extensive line of policies with a minimum amount of $5,000. The increase in the average size policy issued during 1948 was $628. He could not say how much of this was attributable to the introduction of this new line.

In 1949 his company introduced a rule limiting nonparticipating policies to $2,500 or more and the average nonparticipating policy increased by $1,576. Participating policies were still issued for amounts of $1,000 or more but their average size decreased only $43.

Mr. Jacobson felt that the depreciated value of the dollar would indicate that the traditional rule of $1,000 minimum should be changed or an extensive line of policies of large minimum amount offered. He remarked that their experience would indicate the former had more effect than the latter. He was opposed to the idea of issuing such policies on a medically select basis as well as requiring a large minimum amount. The medically select requirement would mean that the agent could not be sure that the applicant would qualify medically and hence would not take the chance of offering the preferred risk plan. About 60% of the policies they issue are on the special plans as compared with about 10% formerly when only whole life was offered on a preferred risk basis.

MR. B. F. BLAIR, in referring to subsection 2 of section B, stated that the Provident Mutual does not issue preferred risk policies, but offers a whole life contract with low premium for the first two years, which accounted for 40% of their life and endowment paid-for business in 1949. He felt that a company should not restrict to superselect lives *all* of its special policies with large minimum amounts, but rather should permit average and substandard risks to benefit from the savings made through the purchase of such plans. He pointed out the underwriting and sales problems which arise from the declination of an average life applying for a superselect plan. These problems are not encountered by his company as their underwriting regulations are the same for all their life plans. Their special plan has proven popular with substandard lives; in 1949 12% of their special plan sales were made on a substandard basis as against 9% of other life plans. He could see no special reason for not issuing such policies to women, particularly because of the generally favorable mortality experience on women and because of the desirability of raising the usually low average size of policies issued to women.

MR. W. G. BOWERMAN, speaking on section C, made reference to his paper in *RAIA* XVII, 15 and pointed out that the results shown there indicated that withdrawal rates were less in the early policy years by amounts than by policies and greater thereafter, with an over-all effect over 15 years of a slight increase by amounts over the rate by policies. He concluded that a study of withdrawal rates would afford a practical check upon the acceptance of risks according to size of policy since it appeared that initial selection by the company had the effect of reducing the withdrawal rate by amounts in the early policy years.