

SELECTION AND POLICY ISSUE

- A. Has the recent trend toward liberalization of death benefits at the younger ages on juvenile insurance resulted in an increased proportion of insurance being issued on the lives of children?
- B. What changes in nonmedical limits, or underwriting rules, would be justified by (a) recent nonmedical mortality experience, (b) increase of average policy amount, and (c) possibility of increased costs of medical examination?
- C. From the company viewpoint, in the light of present investment and other conditions, is it advisable to encourage single premiums, premiums in advance, or to enter the age field beyond 65?

MR. HAROLD G. ALLEN stated that the liberalization of death benefits on juvenile policies by the Bankers Life of Iowa on January 1, 1948 had not materially changed either the volume or the age distribution of this business, almost 50% of their issues being at ages 0 and 1.

Concurrent with a recent increase of \$2.50 in medical examiner fees, their nonmedical rules were liberalized to permit up to \$3,000 on married women and on males a second \$5,000 after a two-year interval.

The discount allowed on advance premium payments was recently increased to 2% and the maximum deposit to \$50,000 because of the feeling that such deposits should prove profitable. Any amount remaining upon death is payable in one sum only and withdrawals are paid only 1% and may be deferred 180 days.

MR. R. C. GUEST reported that the liberalization of juvenile death benefits by the State Mutual had not resulted in any increase in sales.

They are increasing their nonmedical limit at ages 1 to 15 and are offering to accept additional nonmedical after one year up through age 35. Applications qualifying under the rules must now be submitted on the nonmedical basis.

It is his opinion that, with a proper rate and value structure, both single premium and over age 65 business is entirely satisfactory. With a low enough discount rate and adequate withdrawal penalties premiums in advance should be desirable.

MR. VALENTINE HOWELL pointed out that single premiums go into the general funds of the company and receive the same rate of interest credit in the dividend formula as other funds. If a company's average earned interest rate was greater than the rate it could earn on new investments, then a proper rate and value structure would not alone constitute an adequate control of single premium business.

MR. ROSS MOYER said that although their mortality experience

might justify an increase above \$5,000 in their nonmedical limits at ages 30 and below, applications exceeding this amount at these ages were relatively few.

Since most companies have now adjusted their rate and dividend structures to reflect current investment conditions, the arbitrary limits on single and high premium forms would not seem to be as necessary as formerly. Advance premium payments are desirable if the rules are so drawn as to make sure that most of the money so paid will actually be left to take care of premiums in the future.

MR. A. C. WEBSTER stated that in view of their favorable nonmedical experience the Mutual Life liberalized their nonmedical rules as a partial offset to the cost of the recent \$2.50 increase in medical fees. At ages 30 and under the limit was increased from \$5,000 to \$10,000 and the former territorial restriction excluding cities with more than 25,000 inhabitants was eliminated.

MR. E. FORREST ESTES said that the Bankers Life of Nebraska has been accepting advance premiums without limit for some 15 years. Because of the nature of the liability represented by the total policy reserves of a life insurance company, the addition of a comparatively small advance premium reserve creates little reason for concern with respect to the matter of demand liability. His company discounts premiums at 2%, paying 1% on withdrawals other than premium payments.