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AGENCY COMPENSATION AND COSTS

A. If the latest proposals for the revision of Section 213 of the New York Insurance Code become law, what developments are likely with respect to:
   (1) The form of agents' compensation
   (2) Agents' retirement plans and other security benefits
   (3) Managerial and general agents' compensation
   (4) Vested commissions and overridings payable after cancellation of contract
   (5) "Heaping" of renewal commissions
   (6) The use of the proposed limitations in agency budgeting and expense control?

B. During the postwar years, what has been the trend of agents' earnings in comparison with the indices of cost of living and of wages and salaries? How has this trend been affected by the movement in average commissions per sale and in number of sales per agent? Is the problem of a lower number of sales per agent one which is attributable to agency operating methods or to changing merchandising conditions which must be recognized in determining compensation scales?

C. Has the trend to level and decreasing term policies and riders disturbed agents' compensation, and if so, what is the most effective means of dealing with the problem?

D. To what extent have companies been increasing the minimum amounts for regular and special policies, and what difficulties have been encountered in taking such steps? Is it becoming impractical to sell $1,000 policies on the same rate basis as those for considerably larger amounts? How are agency costs and agents' compensation affected by minimum amount restrictions?

MR. R. C. GUEST thought that the generally admitted weaknesses in the present New York statute and the much publicized aims of the industry-proposed legislation pointed pretty directly to what might be expected by way of change.

For one thing, the proposed uniform control of general agency and manager operations permitted more rational and more effective handling of the general agency system, particularly in relation to the establishment of new general agencies or the replacement of general agents in offices already established.

Then, the recommended separation of agents' compensation from the annual expense report, coupled with a compensation formula more carefully related to the incidence of costs, should minimize difficulties over which companies had had little control—for example, variations in vol-

ume of new business and the expense incurred with reference to death claims, disability claims, and the use of settlement options.

Particularly significant was the precise definition contained in the proposed legislation of the agents' compensation limit made applicable to general agency operations as clearly as had been the case with offices conducted on the branch office system. Incidentally, the proposed new limit did not differ greatly from the present limit under the manager type operation. This should clear up many minunderstandings which had existed between management and the field. Recently under the present statute several announcements of additional first year commissions to agents for certain plans and ages had been made. These changes, he believed, had not been made in contemplation of a new statute and, of course, were approved within the present statute.

Two observations might safely be made in relation to New York expense control. In the first place, those companies which had had difficulty in conforming with the present statutes had been mostly concerned with the limits exercised through the annual accounting to the New York insurance department of first year and other expenses. Secondly, within the general agency companies the level of agents' compensation had depended among other things upon two factors—the take-home earnings of the general agent within the over-all commission limit and the amount of agency office operation cost which was required to be paid by the general agent from his commission income. Within the present statute there was little difference between the real commission limit in the manager company and in the general agency company. The key to the situation was in the amount of vouchered office expenses paid directly rather than through commissions.

Because of the clarity of the definition of agents' compensation in the proposed law and because of the discussion which had been aired in connection with the prelegislative activity, it was to be expected that most companies would re-examine their bases of compensation to agents. Probably some companies would make no changes and few companies would make radical changes. Some might pay more dollars as a few were now doing within the present law; some might shift the emphasis on vesting; some might shift the incidence of commission income to facilitate the induction of new men or to stabilize income for established agents. Many companies would no doubt scrutinize the relationship of income during active sales operations to the income received by agents with the comparative inactivity of advancing age.

In view of the stand taken by the New York insurance department that cost to policyholders should not be materially increased and in view of

net cost competition among life insurance companies, we might expect that any sound progressive changes which might be forthcoming would be examined especially as to the best public interest.

It was his personal opinion that the proposed legislation was much needed and that it was genuinely in the best interests of the public, the agency system, and the companies concerned.

MR. H. B. WICKES stated that, although he had been connected with one of the subcommittees on proposals regarding Section 213, his remarks were his personal opinions.

The present Section 213 set no direct limits on compensation for individual salaried managers but did limit the general agents' compensation. The proposed revision of Section 213 would exempt the writing agents' commission from being included in agency expenses for limitation purposes, and there would be no direct control over the amounts paid to individual general agents. He considered this a vital change in practice, and thought that, while it ought to have no effect on managers, it would permit the payment of salaries, perhaps depending on production, to new general agents and thus ease the problem of starting them on the present limited first year available overridings. He felt strongly that, since the general agent has a great incentive to keep costs low, the proposed revision should not much affect the over-all general agency system; and that some companies which have, because of Section 213 restrictions, opened new territories on the branch system will be able to operate from the outset on a proper general agency basis.

At present, the general agent working for a New York company has the incentive of the vesting of certain overriding commissions, nine years at $2\frac{1}{2}\%$ being not uncommon to the successful man with several years' service. The new proposals gave a maximum vesting of 2% for 14 years, and, since this might be commuted, new vesting methods would be available for general agents. The new law should also give much greater flexibility in designing agents' contracts, and with the trend toward security benefits he believed that commissions vesting in terminating agents would diminish, a feature to the benefit of the industry as a whole. There will probably be little change in vesting for brokers.

He believed in heaping commissions, since high second and third year commissions encouraged persistency and eased financing, while in business recessions a cushion was available to lessen the shock of reduction of first year commissions. The revision proposed improved on the present section in that it adequately described the bases for interest, lapse, and agents' continuance rates, and this should aid heaping. Furthermore, the present law made no provision for any change in the over-all expense

controls in Schedule Q, Part 1, in the case of heaped contracts, a feature which probably kept many companies operating in New York from heaping renewals.

MR. D. J. LYONS said that, while the present law affords indirect control of agency expenses, the proposed revision of Section 213 sets a specific limit on agency expenses, excluding soliciting agents' compensation, according to the following formula:

a) the greater of (1) 20% of first year premiums and (2) 10% of first year premiums plus $3.00 per thousand new business
b) $1.00 per premium paying policy in force
c) $1.00 per thousand of insurance in force, subject to the small company allowance

The simplicity of the formula should enable a company to compute approximately at the end of each calendar year its agency expense limit for the following year and, hence, to set the agency budget leaving such margin as the company thought desirable. The limit must cover salaries and travel expense for home office agency supervisors spending more than one-third of their time in the field, 60% of advertising cost, managerial compensation of all kinds including the cost of security benefits, and any allowances made by the company for agency office expenses.

MR. G. D. McKINNEY believed that the structural approach used in drafting the revision of Section 213 was the most constructive step in the regulation of company expense which had taken place since 1906, and said that the separation of agents' compensation from other controls was logical and proper, both freeing general agency companies from a handicap and reverting the control of the agency force to management.

Yet he saw major defects in the present company draft. The first of these defects he called the "Fifteen Year Barrier." The remedy was, he thought, to permit a least $1\frac{1}{2}$% of the 3% limit after 15 years to be moved into the first 15-year period in order to avoid reducing agents' compensation in the first 15 years. Any realistic compensation program under the new limit would, he thought, end by paying 2% nonvested in the 15th year. In the 16th year there would be 3% vested available. His second suggestion was the adoption of the amendment contained in Senate Bill 2257 which would permit 5% of agents' compensation to be moved to the agency expense limit for security benefits. This would eliminate the discrimination against agents whereby they must pay for the entire cost of their pensions, group insurance, etc.

In discussing section B dealing with agents' income, past and present,

he said that there were many difficulties to be faced. To start with, there were no reliable statistics on agents' income, and what data there were might be misleading. The marginal agent of 1940 was unable to continue under present conditions, and statements as to increases in average production per agent rarely referred to the tremendous increase in the sale of low premium, low commission, term insurance, even though that trend had a marked effect on the agents' earnings. The business expenses of the agent had more than doubled over the past ten years. There had been too little emphasis on the damaging survival rate of agents, a rate which showed no signs of improvement, and that rate hurt the life insurance industry's prestige and added to the cost to policyholders. Yet the survival rate was directly dependent on the compensation system. In brief, there could be no ground for assuming complacently that the compensation system in the industry was satisfactory. Indeed, new agents could be put on a self-supporting basis much faster if they sold A & H business than if they sold life insurance.

MR. R. C. GUEST suggested that, as some not very familiar with the design of the new statute might be confused by certain of the remarks passed by his very good friend Gordon McKinney, a short explanatory note might be inserted, and Mr. McKinney, in agreeing, suggested Mr. Guest construct the note.

He stated that the 15-year gate was there, but that the design of this proposed statute involved 3% beyond the 15 years only as a limit. But it was a very flexible scheme, because the 3% could be used as income after the 15 years, or in any way for social coverage or retirement benefits within or after the 15 years.

MR. R. E. SLATER, who is a member of the McLain Committee, did not consider that the proposed revision of Section 213 would mean increased agency compensation for all companies, and instanced the margins, generally available though diminishing, under the present law. But he thought that, irrespective of the size of the permissible maximum under a given law, influences existed which in the future would force compensation to that maximum. In view of the probable increase in distribution cost, actuaries should impress on agency men that many compensation plans can adequately reward a good agent, but that no plan could possibly satisfy a poor one. He thought there would be a trend to a 55% graded first year commission, heaped renewals, and higher service fees than at present.

Since there are now fewer men with the capital to start a general agency, and since, in spite of the ease with which a company can start

one under the proposed revision, control follows the handing out of money, he foresaw the gradual end of the day of the free and independent operator.

MR. C. F. B. RICHARDSON, in discussing section B, observed that statements have been made from time to time suggesting that the earnings of life insurance agents have not kept pace with increases in the cost of living, but no actual facts were available. Serious consideration had been given by a committee of agency executives and actuaries to the feasibility of making a survey to determine the true facts, but the project had to be abandoned because there were so many factors which might invalidate the results, some of these being the difficulty of obtaining a representative and unbiased sample, the question of precisely what constituted a full-time agent, the lack of adequate records in many companies, the volume of business placed in other companies, changes in commission scales, and the trend in business expenses of the agent.

There had also been a widespread impression that the trend of average premium and average commission per thousand was downward. Reliable figures had been obtained from seventeen of the largest companies, showing that for the period 1939 to 1949 the average premium per thousand had increased by 10%, excluding decreasing term, and by 3% including decreasing term. The average policy had increased 67% excluding and 75% including decreasing term, while the average premium per policy increased from $96 to $175, or by 83%, in this group of companies. The average first year commission per policy increased 78% and first year commission per thousand increased 8% excluding and 1% including decreasing term. In these figures, decreasing term was credited at approximately 60% of the initial amount. The Department of Labor Consumer Price Index for 1949 was 170% of the 1939 figure, so these increases are rather close to the increase in the Price Index. However, we still did not know whether agents are selling more or fewer policies.

The National Industrial Conference Board figures show an increase in average weekly earnings in manufacturing of 148% from 1939 to 1950 and such evidence as we have on agents' earnings obtained from a handful of companies indicated that agents' gross earnings increased during this period by a substantially smaller amount. Furthermore, we did not know whether agents' earnings compared satisfactorily with earnings in industry at the beginning of the period. Personally, he doubted whether the income the average agent is likely to make in the life insurance business today can compete with the high wages available in industry and he believed the disparity to be especially great for the new agent because of the very nature of our compensation system, under which about half of the

compensation is deferred. The major problem appears to be in the area of financing new agents so as to provide an income which will attract men of sufficiently high calibre from the labor market.

MR. W. J. NOVEMBER, in reverting to section A, asked that the reasons for revision of Section 213 be kept in perspective: at the first hearing of the New York State Joint Legislative Committee testimony was given that the inflationary rise in costs produced a very important problem for the companies. There had been so much concentration in discussions on the compensation of agents that he feared many believed that to be the reason for the contemplated revision; it was important that it be understood that it was not the sole reason.

He had served on the subcommittee which developed the statistics presented by Mr. Richardson on section B, and felt that Mr. McKinney might have been rather severe on the subject of statistics. Although Mr. Richardson had not mentioned it, the figures indicated that the major part of the increase in agents' earnings from 1939 onwards had occurred up to 1946. There appeared to have been some slowing up after that. There was evidence in other statistics he had seen that the improvement in earnings had not kept pace with the increase in cost of living during the postwar period. He thought that if this tendency continued, the industry would be confronted with a serious problem. Even though the current level of earnings had a satisfactory relationship to the prewar level, it would be more natural for agents to look back to a postwar year such as 1946 in measuring their economic position. Because of that he expected that there would be considerable pressure for an upward adjustment of agents' compensation.

MR. N. D. CAMPBELL gave figures comparing the earnings of Canadian agents of five Canadian companies with cost of living and with wages and salaries indices. The percentage increases from 1939 to 1949 were, for Canadian cost of living 58.4%, wages and salaries 83.3%, earnings of agents under contract only 3 years 69%, only 5 years 76%, under contract only 11 years 56%. For the same groups of agents, the percentage increases in cases closed per agent were 25%, 44%, and 60% respectively. However, the figures for four other companies for 1949 as compared with 1945 showed decreases in the average number of cases closed per agent of 10%, 10%, 20% and 53%. An investigation of 95 representative Canadian agents in the Crown Life gave the results shown in Table 1.

These figures were, Mr. Campbell pointed out, based on gross earnings, and he noted that the cost of living index might not be the truest standard of comparison. He felt that the agent who was trained to the programming of sales received a reasonable increase in earnings as compared with

the cost of living, and here the newer agent, more apt to programme, had the advantage, although his average number of sales had probably fallen owing to the greater time spent on programming. The doubt remained whether the increase in earnings would match the 1950 and 1951 increase in cost of living.

TABLE 1

(1939 = 100.0%)

Year	Cost of Living	Wages and Salaries	Agents' Earnings		
			Under Contract Less than 10 Yrs.	Under Contract More than 10 Yrs.	All Agents
1939	100.0%	100.0%	100.0%	100.0%	100.0%
1940	104.0	*	124.8	96.1	106.3
1941	110.0	*	118.5	111.0	109.8
1942	115.3	*	152.7	117.7	128.1
1943	116.7	*	150.8	125.3	129.7
1944	117.1	*	171.7	143.2	147.0
1945	117.7	*	202.9	166.9	172.2
1946	121.8	*	206.7	199.2	181.4
1947	133.5	154.4	188.7	153.5	160.5
1948	152.7	170.9	176.8	163.1	157.0
1949	158.4	183.3	182.1	163.0	161.9
1950	164.0	191.3	191.8	162.7	169.2

* Figures not available. "Cost of Living" and "Wages and Salaries" percentages based on Dominion Bureau of Statistics Indices.

MR. THOMAS IRVINE drew attention to the many difficulties in studying agents' earnings, and even in defining a full-time agent. A study in 1940 by the Life Insurance Sales Research Bureau based on eleven agencies in Hartford revealed that only 59 out of 176 agents could be included as strictly under full-time contract, the others being out for reasons of health, other earnings, old age, shortness of service, incomplete data, etc. Moreover, institutional records did not give income from outside sources, and such income is probably on the increase, nor are income tax data for agents as such available. A firmly based investigation by personal interview would be very expensive and the investigation would be subject to some bias, while the questionnaire method would be even more subject to bias. There were further difficulties in finding a control group against which to measure agents as regards earnings: life insurance agents could not be considered a homogeneous group to the same extent as could, for example, doctors or lawyers. In spite of the many advantages of having reliable data, his Association decided on the basis of the foregoing factors

not to proceed with a study of agents' earnings on an institutional basis at present.

He referred to the Association's 1949 research report, "Applications," which studied number of policies and volume of insurance written in relation to paid business from 1946 to the middle of 1949. The two major trends apparent were a decided downward trend in the number of applications and an increase in the average size of application over the period. At the spring meeting of the Society, a third major trend, the increase in the proportion of term business, was developed.

On analysis it proved impossible to relate these trends to the economy, every economic factor foreshadowing a decrease in number of applications also predicting smaller applications, and vice versa. Within the business it could be shown that the combination agent was not taking part of the field previously covered by the ordinary agent, nor could group life insurance be shown to be a cause of an increase in average application and, at the same time, of a decreased number of applications. It might be that group pension had a more profound effect, and he instanced the contributory pension cases under which life insurance is used to underwrite pensions, leaving less money to buy personal life insurance and less need for it. The only conclusion reached was the need for further facts.

MR. L. A. CANNON had found that in the Great-West Life the increase of 40% in average first year commission earnings for agents with at least two years service was identical with the increase in both the Canadian and United States cost of living indices, over the period 1945 to 1950. While the increase in renewals was, of course, less, he considered that, with the current favorable persistency, potential renewals established in 1950 were more than 40% greater than those of 1945. Over the same period the increase in average policy was 75%, the decrease in policies sold per agent was 22%, and the average first year commission per $1,000 changed from $15.23 to $15.36. The end result was an increase of 40% in average first year commissions as previously noted.

He thought that factors increasing the average policy were the increase in incomes consequent on the depreciation of the dollar, increased emphasis on quality business and programming, and the increasing number of special plans offered with high minimum amounts. The factors of improved quality of sales and service to policyholders have probably decreased the number of sales per agent. Also, agents have been able to maintain their standard of living in the face of rising prices by writing fewer policies of larger average size.

MR. JOHN BOYER presented figures taken from the records of the Prudential for a group of 137 agents selling ordinary insurance only who

were hired prior to 1946 and who were surviving at the end of 1950 (Table 1). He observed that the inclusion of incipient terminators, whose incomes had, in general, declined in the last few years, reduced the averages of the whole group in later calendar years. The noticeable drop in sales in 1948 was probably due, in part, to the introduction of elementary programming training. Decreasing term, introduced in 1947, reached 18% of total production credit in 1950, using a basis of approximately 60% of the initial amount.

With regard to section C, he stated that while some agents' incomes were lowered seriously by selling decreasing term riders, most agents had not suffered incomewise. He thought this due to "needs" selling which now usually required the applicant to lay out the maximum amount he could afford for premiums, to the commission on the rider being at the same rate as for the basic policy, and to the fact that most of the riders are

TABLE 1

Calendar Year	Average Total Income Ord. and Group	Consumers' Price Index	Average Ordinary Production	Average Number of Policies Sold	Average Size Policy
1946....	$5,765	139.3	$287,000	63	$4,577
1947....	6,013	159.2	283,000	60	4,746
1948....	6,157	171.2	266,000	47	5,670
1949....	6,236	169.1	253,000	42	6,078
1950....	6,772	171.2	272,000	41	6,607

attached to the highest commission rate plans. It was important, also, that the agent should not suffer a reduction of income through "needs" selling of term insurance, and commission rates should be set accordingly.

MR. T. A. STEMMERMANN had found that the proportion of term insurance to new insurance was 26% in 1935, gradually increasing to 37% in the first 8 months of 1950, and dropping to 31% in the first 8 months of 1951, the drop being thought due to the revised Social Security Act providing a larger income than the former during the dependency period, thus reducing the need for decreasing term insurance. Family income, which constituted almost all the term insurance, was included for the initial amount. A planned estates programme introduced in 1933 was largely responsible for increasing, from 1935 to 1950, their average policy from $5,000 to $12,000 including term, and from $4,200 to $8,100 excluding term.

He found it difficult to justify the practice of paying a considerably lower rate of commission on a term policy of long duration than on a whole

life policy, and was glad that the committee revising Section 213 was recommending higher first year compensation limits for term insurance.

MR. R. M. SELLERS described the methods used by the Commonwealth Life to decrease the proportion of term insurance written. Five particularly effective factors were basing production clubs on first year commissions rather than on volume, awarding a trophy for quality business giving less credit to term than to permanent insurance, stimulating specific permanent plans periodically, conducting semiannual contests in which term insurance is of less value than permanent and in which term riders have no value, and using the leadership of branch managers to encourage the permanent plans. The result of this management effort was that during the years 1948 to 1951 inclusive, the ratio of term to total insurance written was 29%, 25%, 25%, and 22% for ordinary agents, and a similar trend existed for combination agents.

MR. F. D. KINEKE, in discussing section D, regretted that the Prudential had not increased the minimum amount for ordinary policies, though it did pay a higher rate of first year commission for amounts of $2,000 and over. While he thought it not impracticable to sell $1,000 policies on the same basis as larger policies, he did think it unwise, since the policies under $2,000 were subsidized by the larger ones to the extent of $1 to $2 per thousand. He suggested that small policies might better be limited to the monthly debit basis where the mass handling of records results in keeping Home Office expenses far below those for regular ordinary policies.

MR. P. E. MARTIN gave a summary of the methods used by the Ohio National in dealing with the small policy problem. He stated that there were a few agents excellent in all respects save that they consistently wrote small and, hence, proportionally expensive policies, and that these agents should be permitted to continue, provided the policies paid their way as regards premiums and dividends. But over-all, it was decided, perhaps three plans of insurance would cover most requirements under, say, $2,000 or $2,500, although it was the practice, until recently, to offer most plans down to $1,000. This decision met with the approval of their leading producers, and their new rate book would be on this basis: the exception to generally favorable field reaction came from a heavily industrialized area.

He pointed out that a high commission rate company, whose agents were not yet in the large average policy field, could not meet competition if all its business were thrown into one hopper in converting per policy expenses to a per thousand basis. When the practice of varying costs by amount was followed, it was necessary to ensure that expenses varying per

thousand or per premium basis be treated as such: the result of the practice was that the proportionate cost was greater to buyers of small policies than to those of large but, as an offsetting factor, note should be taken of the extra mortality on large amounts.

As regards special plans, minimums were also being raised, and he considered that such special plans do not necessarily reduce a company's average regular policy appreciably, if availability of special plans means writing additional business which otherwise would be lost to competing companies.

MR. J. R. LARUS agreed that the $1,000 minimum was essentially historical, and gave figures for 13 medium sized eastern companies showing, over the last fifty years, an increase in average policy from $2,000 to $6,700; $1,000 might be a reasonable minimum for the former average, but certainly was not for the latter. He thought a $2,000 minimum better than a $1,000 one, for the company and also for the agent, who would probably, on the $2,000 basis, sell at least half those who would, on the $1,000 basis, take only $1,000.

The Phoenix Mutual found it a very rare exception for "the $1,000 policy to lead to $250,000 business." In fact, both his and another company found successive sales on an individual in constant ratio to the previous sale, regardless of whether it was $1,000 or even upwards of $15,000. In spite of this they had not felt able to discard the $1,000 minimum.

The expedient of paying lower commissions on $1,000 policies was resented by the field force, and was modified. More success was achieved by establishing higher minimums on new forms of policies, except when the policy was in use in other companies with a low minimum and it was introduced by his company with a higher minimum.

MR. L. A. CANNON mentioned that the Great-West Life issued several special high minimum policies, and said there had undoubtedly been a pronounced trend toward issuing special policies with a $5,000 or $10,000 minimum and increasing the minimum for regular plans. The increase in minimums for regular plans, which can be justified in view of the depreciation of the dollar, had largely been confined to term plans, term riders and low premium plans.

Certain problems arise in issuing a special policy of high minimum amount. In about half of the states the Fair Trade Practices legislation appeared to permit a distinction in rates, dividends, and benefits for policies of different minimum amount on the same plan. But in certain other states the statutes might be interpreted otherwise, and the general practice had been to issue the special policy on a new plan.

A company introducing high minimum policies, especially when the rates were competitive in the brokerage market, might experience an increase in sales and average policy. To the extent this was due to obtaining business that would not otherwise have been written, it was advantageous, but it might happen that the increases were at the expense of similar plans on regular policies. It was, therefore, necessary to see that the special plans bore their fair share of expenses.

Small policies accounted for a much larger proportion of expenses than of sums insured, and $1,000 policies could not be issued on the same net cost basis as considerably larger amounts without subsidization or severe reduction in profit margins; for example, on a 20 payment life policy the expense differential between a $5,000 and $1,000 policy might reach $3.00 per thousand per annum.

He thought it wise to differentiate between the juvenile and adult markets. In the juvenile field experience had produced a very low average policy, probably since the policy was bought only after the major need of adequate parental coverage had been met.

It might be possible to raise the sights of the public and agents in this field to a certain extent, in view of currency depreciation. However, the only practicable solution seemed to be to charge juvenile policies with a reasonable share of expenses and reflect this in rates or dividends. The adult small policy might well be considered as being in the weekly premium class, and was largely an agency problem.

Since expenses were much more important than mortality at the younger ages, a serious practical problem arose in maintaining the traditional pattern of net costs by age at issue when an attempt was made to vary expense factors materially by age at issue in the dividend formula or in nonparticipating rates, in order to reflect the lower average policy at juvenile and young adult ages. It was easier, as a practical matter, to vary expense factors by plan. While certain plans tended to have high average policies, it was a fact that occasional large policies were written on all plans at all ages. A solution, adopted by one company, to the problem of compensating the large buyer, was to issue two complete series of policies, one series with a $5,000 minimum giving more favorable net costs. However, this could logically be extended to the use of several series, and an unfavorable reaction from policyholders might result.

He emphasized that, as a conscientious agent sold the plan most favorable to the buyer, care had to be taken in the relation between commissions on regular and special plans, both in equity and to avoid unfavorable field reaction.

MR. R. I. JACOBSON noted that, since January 1, 1948, 30 companies had added special policies or increased their minimum special policy. The Northwestern National increased, without difficulty, the minimum for nonparticipating policies from $1,000 to $2,500, and he thought this due to the fact that it was still possible to write participating plans for $1,000. An attempt to raise the participating minimum would probably meet difficulties, especially in the juvenile field. Since one-half of their $1,000 policies were on juveniles a raising of the minimum excluding juveniles would not be very effective.

He believed that it was becoming impractical to sell $1,000 policies on an ordinary basis and that the class (mostly women, children, and very young people setting out on their own) which buys $1,000 policies today does so as a carry-over of a custom established in the old days when $1,000 was a reasonable amount for an ordinary policy. He added that when they raised the minimum nonparticipating policy from $1,000 to $2,500 a comparison indicated for such business a decrease of 30% in number of policies and an increase of 10% in amount; and that, therefore, the increased minimum was to the advantage of the agent.