

**TRANSACTIONS OF SOCIETY OF ACTUARIES
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EXPENSES

- A. What can the smaller company do about the problem of increasing unit cost? What work-saving procedures have recently been adopted and what measures have been most productive in reducing costs?
- B. In view of increased costs and shortage of trained technical staff, what simplifications can be made in the routine of policy changes? What prohibitions can be introduced in the general service given by companies on policy changes, particularly changes in plan and redatings?

MR. A. E. ARCHIBALD observed that an actuary is particularly fitted to consider questions of this nature because of his ability to decide which procedures are essential and which can be eliminated or radically changed. He stated that unit costs can be cut most effectively by selecting and training capable supervisors and by simplifying procedures. He cautioned against changes that would increase the work of experts unless the saving in clerical time were large. He cited as examples of economy measures the allocation of premiums among life, disability, and double indemnity coverages and the allocation of premiums for Schedule T by periodic analysis rather than by individual treatment of each premium. He also described the Volunteer State Life's change to open-shelf and modified terminal digit filing of policy folders. This change effected substantial economies of money and space without any sacrifice of cleanliness.

MR. G. O. HEAD, speaking from the viewpoint of a young company of rapid growth, mentioned the extensive use of punched card equipment by the Iowa Life for premium billing, general accounting, and dividend and nonforfeiture calculations. Other work-saving procedures reported by him included the use of form letters and preprinted calculation sheets, designing policy forms to expedite typewriting, sending premium receipts only upon request, and enclosing a \$2.00 fee in currency with medical inquiries.

MR. KARSTENS KENNEDY gave a check list of procedures, most of which the Provident Life of North Dakota has used, to reduce costs. Some of these involve reducing the services to policyholder or field force: establishing a minimum policy and a minimum annual premium; sending only one premium notice; eliminating premium receipts and notices to agents of paid premiums; and limiting the complexities of settlement option agreements. Other procedures involve reducing the amount of information available for underwriting purposes: increasing nonmedical limits; limiting the use of special narrative inspection reports; eliminating

inspection reports on small cases; and adopting a late payment offer on lapses. Still other procedures consist of work simplification: substituting a checking service for M.I.B. files; using carbon copies of work-sheets as notices of automatic premium liens; using preprinted settlement option agreements with blanks to be filled in; and designing policy forms for rapid writing and checking by concentrating the typing in one place, by staggering the length of riders, and by eliminating all typing from the filing back.

In the field of policy changes he mentioned the use of endorsements to effect addition or cancellation of extra benefits and the use of a certificate in case of a lost policy. His company has urged policyholders to take cash values instead of small amounts of paid-up insurance. It has discouraged changes by requiring medical examinations at policyholder's expense for changing to lower premium plan and by making a nominal charge to the agent for changes made in the first policy year. The practice of reinstating and redating a lapsed policy has been discontinued because of poor persistency of such reinstated policies.

MR. D. R. SUMNER believed that simplified rules for calculating charges and credits on policy changes would save substantial time for the home office staff. Calculations could then be made in the Policyholders Service Department, and the person corresponding on the case would be more familiar with it. The use of model paragraphs coordinated with the calculation sheets would in many instances enable a stenographer to compose letters without dictation. Mr. Sumner suggested that the expense of adding premium waiver benefits to juvenile policies upon the insured's reaching the minimum age for coverage could be eliminated by including the rider at issue with provision that the benefit would not become effective until the insured reached the minimum age. Also, it might be required that all changes be made as of either the original age or the attained age of the insured. He pointed out that any prohibitions of policy changes would weaken a company's competitive position and cause pressures from its field force. He referred to the possibility of making specific charges for policy changes.