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GENERAL

A. What measures can the smaller company take to reduce the expense of printing and preparing policy forms for ordinary and group? How far is it feasible to go in shortening or simplifying application forms to reduce expenses?

B. At what stage in a company's growth is it advisable to shift from manual to machine accounting processes? To what extent, if any, should a company plan beyond its immediate needs in adopting or revising a punch card system?

C. Are quality rating selection methods achieving satisfactory results? What other measures have been taken by smaller companies in recent years to promote persistency of both old and new business? Do the results obtained justify the expense?

MR. C. C. KIRKPATRICK said that American Mutual Life has had its own print shop for many years. They have made every attempt to standardize policy forms and riders and also application forms and believe that by doing this and purchasing paper stock in large quantities, they have reduced printing expenses considerably.

MR. W. M. STEWART said that Central Standard has eliminated the third party application form by inserting a special box on the regular application for this purpose.

MR. HAROLD THOMPSON said that for many years Monarch of Canada has had just one application form for all types of insurance, including retirement annuities, business insurance, and third party. MR. R. P. WALKER commented that Wisconsin National is not quite so simplified, having one form for adult insurance, one for juvenile, and another for annuities.

DR. A. C. OLSHEN recommended that any company contemplating establishing its own print shop look into it very carefully. West Coast Life had its own for many years but found it was costing much more than if they bought their printing outside as they now do.

MR. J. F. HOOK told of some troubles he had getting a group policy approved in California. They had prepared the text on an I.B.M. electric typewriter, then printed the policies by a photo-offset process. The policy was originally disapproved for a number of reasons, one of which was that it was not in printed form. Gradually, all objections were removed, including even the latter.

MR. R. P. WALKER told how the offset printing copy of a new rate book was prepared in the Wisconsin National on an executive model

I.B.M. typewriter and an Underwood round tail Medium Roman 10 pitch typewriter. The explanatory sections were first typed rough, then re-spaced for an even right-hand border. The finished job compared very well with regular printing and was much less expensive. Printing and binding bids varied considerably according to size of presses and local labor costs.

On section B, MR. R. E. EDWARDS said there was, in his opinion, no particular point in a company's growth at which it could be stated categorically that a change should be made to machine operation. The change is gradual, beginning when the company buys its first adding machine. The initial move to mechanization is apt to arise from a machine salesman who will survey procedures and demonstrate expected savings. It is quite possible that the same savings might arise not from mechanization itself but from the change in system.

A point to consider in mechanization is whether the machines will handle peak loads, *e.g.*, at annual statement time, and what would happen in case of a serious breakdown. Also, machines take up space, they are noisy, and may require strengthening of floors. In his company's experience, mechanization resulted in assigning clerks to jobs where special skills were needed and where routine was very boring, and in both instances special adjustments of the salary scale were needed.

MR. KARSTENS KENNEDY agreed that there is no rule as to a time to change to mechanization. He cited the example of his company which had over \$100,000,000 before doing so and another company which did not do so until it had about \$400,000,000 in force. Other speakers cited examples of doing certain jobs by hand even though an I.B.M. setup existed.

On section C, MR. LEO NORDQUIST said that after considerable study the West Coat Life concluded that tying policy size and persistency to the agent's purse would have the best chance of arousing the agent's awareness of the persistency characteristics of his prospects. Agents' contracts were revised in 1951 to include the following modifications in commissions based on policy size and two-year persistency rating:

A. *Size*		*Commission Modification*			
\$5,000 or over			+ 5%		
Under \$2,000			−10%		
B. *Persistency Rating:*	*90–100*	*80–89*	*70–79*	*60–69*	*Under 60*
Commission Modification:	+15%	+10%	+5%	−5%	−10%

The persistency rating is determined as of January 1 and July 1 for each agent and his commission adjustment is applicable to new business written during the next six months. There is no retroactive effect. The result has been to improve the quality of business both as to size and as to persistency and agents are earning more income under the new contract than they would have under the old.

MR. L. S. NORMAN said the American United has had good results using a two-year persistency ratio determined for each agent by the National Quality Award formula. The ratio is determined at the end of each quarter; if it is 90% or higher, a bonus of 50¢ per $1,000 is paid on the basic policy business in the numerator, if 85–90%, 25¢, and if below 85%, no bonus.

MR. J. F. MACLEAN reported that Bankers of Nebraska is using the new LIAMA persistency rater under the following regulations: (1) Financed agents must complete the rater for each application, (2) agents with less than 2 years of service are urged to complete it, (3) the General Agent will require completion for any agent whose persistency is poor. The program has been in effect only since March 1, 1955, and it is too early to assess its value.

MR. W. M. ANDERSON said that North American of Canada is using the Agency Management Association persistency rater for all business by all agents. Lately they have started to decline to issue low-rated cases. If the rating is 65–69 they issue only with a letter of recommendation from the Manager and below 65 they will not issue. He commented that although from the point of view of the Company this makes sense, he rather worries about it from the point of view of the industry. If an applicant's rating shows one chance out of three that he will lapse, insurance will not be issued. If all companies start to do this, then the two persons out of three who are not going to lapse may not be able to buy insurance anywhere.