TRANSACTIONS OF SOCIETY OF ACTUARIES
1957 VOL. 9 NO. 24

DIGEST OF SMALLER COMPANY FORUM

FAMILY PLANS

A. What are the salient features of these plans? What are the advantages and disadvantages of the different types or features of these plans? If not issued, what competitive alternatives are offered?
B. Are these plans suitable for issue by smaller companies? What effects have these plans had on sales and persistency? In which areas have such effects been most noticeable? What is likely to be the long term result of the present popularity of these plans?
C. How are the nonforfeiture problems of these plans solved? What has been the experience in obtaining state approval of these plans?
D. What administrative problems arise in Underwriting? Valuation? Claims? Policy Exhibit? Beneficiary change? Change in family status?

MR. J. W. HAHN, speaking on section A, reported that the Great Southern's plan consists of $5,000 of Whole Life insurance on the insured, $1,000 of term insurance to the insured's age 65 on the wife (if she is the same age) and $1,000 of term insurance to age 20 on each child, with the premiums on the children waived in the event of the insured's death. The term insurance on the wife is shifted to $1,000 term to 65 on the insured's life if the wife predeceases him. In addition, the contract provides $716 of Endowment at 65 on the life of the insured which, at maturity at age 65 or prior death, is used to change the term insurance on the life of the wife, if living, to paid-up ordinary life, the amount of such paid-up insurance varying with her age at the time the change is made; if the wife is not living at maturity, the maturity value is used to purchase paid-up insurance on his life. These features reduce some of the administrative and nonforfeiture problems. Texas law requires that the names of the people covered be on the face of the policy. In the policy exhibit, one unit counts for $7,000.

MR. M. J. KENT reported that his company, the Interstate Life and Accident, had introduced three sets of family policies designed for the Industrial, Monthly Debit Ordinary and Ordinary markets. The Ordinary policies are for $10,000 and $20,000. The number of children at issue of the policy has averaged 5.1, 3.0 and 1.6 respectively. He estimated that there were 2.3 children per family in the area where the business was sold. The sales in the M.D.O. market have been particularly good.

Almost 80% of Ordinary and M.D.O. applications are on people who have never had insurance before. Children are either accepted standard or excluded but the parents may be rated. Mr. Kent said that the habits and morals of the father and the family life are carefully underwritten.

MR. F. P. CHAPMAN said that in Metropolitan's policy the insurance on the wife is term insurance to the husband's age 85 plus a pure endowment. Premiums and values depend on the husband's age only, but the amount of the wife's term insurance varies with her age. If the husband dies, the insurance on the wife and children becomes fully paid-up. If the wife dies first, premiums and cash values are reduced. Nonforfeiture paid-up insurance is on the life of the husband only. Conversion of the children's insurance, up to five times the amount of their term insurance, is allowed at expiry age 25, which is beyond the period of worst antiselection for aviation or military reasons. The policy sets out who the beneficiary and the owner is, unless other arrangements are agreed to.

The policy has been approved in all states except Massachusetts. While many questions were raised, none were irreconcilable. About ten states wanted proof that cash values, based on actual ages, meet statutory requirements. Experience has shown just over two children per family. For policy exhibit purposes, insurance on two children is included. Of Ordinary business issued, other than debit, about one-fourth by number and two-fifths by amount (including Family Income riders) is on the family policy at the present time.

MR. J. L. GLENN pointed out that one of the reasons for transferring an equivalent amount of coverage to the husband after the wife's death was the desirability of avoiding a rate change at the wife's death. He also felt that making the coverage on the wife and children paid-up at the death of the husband was a desirable feature from a sales standpoint, particularly in the case of a family policy being offered on a debit basis. Combination companies considering offering a family policy must give serious thought to the fact that it may make the sale of additional juvenile insurance difficult.

MR. MITCHELL DEZUBE stated that the Manhattan Life also issues a family term rider for which nonforfeiture values were developed in a similar manner to that given by Mr. Hoskins in his paper in the 1946 *Record*. Extensive test calculations showed that the cash values of the basic policy plus the rider exceeded the statutory minimums.

MR. W. M. STEWART said that the Central Standard Life's policy includes waiver and double indemnity on the father in addition to the more standard provisions. He felt that this plan is here to stay because it seems to be meeting a definite social need. Only one state was found to refuse approval. He noted that the new type of plan inherently involves some principles used in individual insurance. At first blush, it seems like a miniature group life insurance contract, but then it is not administered like a group contract because, in the case of group insurance, the premium varies with the amount of insurance. It is of interest to note that until recently such a device would not have been practical. Now, however, with the advent of the extremely low mortality at these ages, it is feasible. A second ingenious feature is that of varying the mother's insurance and yet retaining a level premium for the benefit. In the event of the death of the mother before the father, the insurance reverts to him; thus a level premium is maintained. For practical reasons, extended insurance is on the father's life.

MR. W. H. AITKEN reported that the Empire Life issues a family rider which may be attached to old or new policies and which covers the wife for $1,000 of permanent insurance that becomes paid-up when the husband reaches age 65. The amount of underwriting was found to be more than expected, but the rider is stimulating many sales.