

Persistency

To what extent does persistency vary according to type of coverage? What has experience been in recent years? How can persistency be improved?

MR. MORRIS PIKE stated that the John Hancock, as in the case of the industry in general, has been experiencing in its newly formed Personal Health line a lapse rate higher than in its Life line. It was his feeling that the generally poor persistency of accident and sickness policies resulted from: the availability of both newly developed and similar policy forms, the nature of the competition, claim attitudes and misunderstandings with regard to waiting periods and limitations, general use of exclusion riders for substandard applicants, the agency pattern and the wide spread of the premium age brackets generally used. He suggested that a well-organized conservation program and agency training would be of important assistance in improving persistency.

MR. FRED DEBARTOLO stated that recent experience of the American United Life indicated that persistency was poorest on their hospital and surgical policies and best on their major medical policies. He indicated that, of their annual premium paying policies, only 70% of the hospital and surgical policies paid a second premium while 86% of the major medical policies did so. For second semiannual premiums, the corresponding figures were 71% and 91%, respectively. For quarterly premium policies, only 50% of the hospital and surgical and 69% of the major medical survived beyond the first policy year. For both types, only 50% of the regular monthly premium policies entered the second policy year.

MR. WALTER I. WELLS stated that the State Mutual, after five years of operation with noncancelable accident and sickness policies had the following results:

PERSISTENCY TO END OF:	TYPE OF POLICY	
	Loss of Time	Hospital and Surgical
3rd year.....	70%	50%
5th year.....	60	37

MR. CHARLES F. B. RICHARDSON stated that regular studies by agency and type of coverage indicated very wide differences in the persistency rate. In a few cases, the rate was so unsatisfactory as to result in

termination of the agents' contracts. He pointed out that the Mutual Life of New York requires a minimum standard of persistency to qualify an agent for attendance at agency conventions and, in addition, imposes a severe penalty in the managers' compensation formula if the lapse rate reaches 120% of the Company average. He went on to say that, in the case of loss-of-time coverage, approximately 60% of the business persists to the end of one year, 53% for two years, and only 46% for three full years. For hospital business, the corresponding figures are 59%, 46%, and 37% respectively.

MR. ALFRED L. BUCKMAN stated that the Beneficial Standard Life was experiencing particularly good persistency on policies issued over age 60.

MR. EDUARD H. MINOR stated that the Metropolitan Life had found a noticeable difference in persistency by type of coverage. Lapse rates for family hospital and surgical coverage were much lower than for similar individual policies. Also much better persistency was experienced on policies issued to white-collar workers than on those issued to blue-collar workers. He did not believe that the type of coverage was the fundamental basis for differences in persistency rates, but stressed that the age and sex of the insured, the size of policy and frequency of premium payment were the major factors giving rise to such differences. For both hospital and loss-of-time coverage, policies issued under age 30 have the most unsatisfactory persistency rates.

He pointed out that the Metropolitan had introduced a "Paid-up at 65" hospital and surgical expense policy in 1956, with the feeling that such a provision would provide an incentive for improving persistency. Actual experience thus far has not developed any significant difference but it is anticipated that improvement will be seen, at least at the older ages at issue.