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MISCELLANEOUS

A. Guaranteed Insurability. What guaranteed insurability problems are peculiar to smaller companies:
   1. On limits of retention?
   2. How to guard companies against adverse selection?
   3. How to get enough volume?

B. Are there any special problems on the Family policy which are peculiar to smaller companies? What has been the experience of smaller companies in introducing it and coping with subsequent problems?

C. What is the place for actuarial research in a smaller company? Is it economically feasible to compile company experience for: A & S claim statistics; mortality, by race and sex as well as age groups; expense; persistency; model office distributions; asset share calculations? Are the results likely to be reliable? Should such studies be made at regular intervals?

D. Actuarial Meetings
   At future meetings of the Society of Actuaries, when a meeting of a regional or local actuarial club is held on an adjacent day and where the membership of the club includes many representatives of smaller companies, would it be preferable to have questions such as have been discussed in this session included in the club program instead of having a Smaller Company Forum?

MR. FRANCIS M. HOPE, of Occidental Life of California, stated that the present form of "guaranteed insurability" offered is rather restrictive with respect to the policy forms available at option dates. Although such limited forms available are better than nothing for those who cannot qualify as regular insurable lives, Mr. Hope felt that this form of insurance should be adapted as much as possible to what the uninsurable life really needs and can pay for.

The healthy life who passes up his option and takes "other insurance" loses nothing by so doing because his option is at the moment of no value to him. He should be persuaded to take his "other insurance" with the same company so that the benefit of his "good mortality" is not lost. Mr. Hope then expressed the thought that to keep all the lives on the books, whether under the options or under new insurance, would require a very active, servicing agency force.

However, when good lives which have been paying option premiums discard their options and are kept on the books of the original company by rewriting on plans better fitted to current insurance needs and pocket book, the company may lose more option premiums on good lives than it had allowed for in its premium calculations.

MR. HAROLD THOMPSON, of the Monarch Insurance Company, reported that his company's retention limit is quite low, and that they are taking under consideration a proposal to retain the first basic policy, but in all options, when the option is exercised, there would be a sharing with the reassuring company.

As a safeguard against adverse selection, Monarch has toyed with the idea of making a juvenile option an integral part of every juvenile policy.

One of the problems they are confronted with is that of providing flexibility with respect to option dates. The extreme is to provide the policyholder with the right to exercise options at any time the agent calls, which will not always be at an option date. Mr. Thompson felt that the cost of providing such flexibility would price the coverage out of the market.

MR. JOHN C. WOODDY, of the North American Reassurance Company, outlined two approaches to reinsurance. One, previously mentioned by Mr. Thompson, is to coinsure part of the option either with or without the basic policy being reinsured, which seems most appropriate for those companies having a relatively low retention. For a company with a high retention limit, where reinsurance will be required only occasionally, a second and more convenient method is the payment at the time an option is elected of a single sum reinsurance premium representing the extra mortality on the amount requiring reinsurance.

MR. RALPH E. EDWARDS, of The Baltimore Life Insurance Company, cautioned that the policy to be available on the option dates should not automatically include disability benefits. This needs to be considered in drafting the provisions of the rider, in setting its amount limits, or in deciding whether or not the company will issue the rider.

MR. LEO NORDQUIST, of West Coast Life Insurance Company, speaking on section B, stated that most of the Family plan problems applied to both large and small companies. Difficulties encountered by his Company were: (*a*) the unusually large volume of actuarial computations, including approximations to joint life functions for substandard premiums; (*b*) the difficulties in the policy drafting and also the necessity of reviewing numerous endorsements very carefully because of the multiple contingencies in the Family policy; (*c*) the determination of what position a company should take on such problems as divorce, remarriage, aviation exclusion (where it was felt that the premiums could be returned and the policy terminated), etc.; (*d*) the problems of underwriting with incomplete information (such as the elimination of MIB searches on children) or incurring higher issue expenses; and (*e*) the replacement of existing policies by Family plans of other companies while not permitting such replacements by the company's own Family policy.

MR. EDWARDS noted that the problems of the Family policy are so numerous that a smaller company's smaller staff is hard pressed to handle them. He illustrated this with a long list of the special endorsements found to be required.

MR. G. PHILIP STREATFEILD, speaking on section C, reviewed problems of small exposures and the necessity for a smaller company to base its mortality predictions on intercompany tables such as the 1946–1949 Basic Table. Although his company performs persistency studies and expense studies, he finds that many approximations are necessary and that obsolescence is a problem with rapidly changing conditions.

MR. E. FORREST ESTES stated that his company had conducted mortality studies for many years, formerly using valuation records but more recently by more precise methods. They also conduct lapse studies and have for many years kept record of lapses by mode of premium payment.

MR. ALFRED L. BUCKMAN, introducing section D, noted that the Actuarial Club of the Pacific States does not record the comments made at its meetings and in this respect does not provide the same benefits as the Smaller Company Forum. This club includes a substantial number of members who are not Fellows or Associates of the Society. Deleting either the club meeting or the Forum would therefore result in a loss to one group or another.

MR. CHARLES H. CONNOLLY stated that the Actuaries Club of the Southwest does record and publish written papers but does not record comments from the floor. He thought that meetings of this club closely resemble the Smaller Company Forum. He anticipated some difficulty in planning next spring's consecutive meetings of this club and the Smaller Company Forum.

MR. NORDQUIST said that the program committee for the Smaller Company Forum (of which he is a member) had encountered some difficulty in getting adequate participation in the discussions because of prior commitments to discuss topics at the Actuarial Club of the Pacific States.

MR. GARNETT E. CANNON felt that the Smaller Company Forum tends to separate those from smaller companies from the major program of the Society. He questioned the advisability of continuance of the Smaller Company Forum and recommended more participation of smaller company representatives in the general program of the Society.

MR. RONALD J. MARTIN felt that the Smaller Company Forum was of particular value to a representative of a smaller company who could not find time to attend the entire Society meeting.

CHAIRMAN GORDON R. BINGHAM asked for a show of hands of those favoring continuance of the Smaller Company Forum even though held in conjunction with a meeting of an actuarial club. A majority favored continuance of the Forum.