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GROUP INSURANCE

For those smaller companies that have entered the group field in the past ten or twenty years,

A. Have results obtained reached expectations? Has the decision been justified?
B. By what underwriting means do small companies compete with "giants" in this field?
C. Is there any tendency for smaller companies to utilize special underwriting, *e.g.*, by accepting unusual types of case, or association groups, etc.?

MR. JOHN C. BERTRAM stated that his company, State Capital Life, started a group department in 1948 which, except for the first few years, has consistently shown a satisfactory profit. The in-force is about $90,000,000 of insurance and about 1½ millions of premium income, which he felt is reasonable growth. He felt that his company has the advantage of a lower than average cost level in the Southeast, which, combined with a high degree of mechanization and intensive knowledge of local conditions, gives them an advantage in underwriting over large competitors. Through constant contact, variations by county in hospital, clinic and doctors' charges are known and can be allowed for in rates. Also contacts of officers and directors with local organizations is helpful in acquiring new business as well as in obtaining an underwriting advantage. He felt small companies are basically at a disadvantage; larger companies definitely have the edge in experimenting with new coverages, although the fact that his company has not yet written major medical provides him with some feeling of satisfaction.

They have written quite a bit of association group business and feel it can be made to work. The company does the billing, but the collection of premiums is left to the association, with a 5% allowance toward administrative expense. Since an agent is not usually willing to sign up each individual person involved, they usually pay no commissions on such business; the payment of commissions is confined to cases where the agent provides valuable contacts and/or definite services. For example, one rule followed is that no commission will be paid unless the employer contributes at least 25% of the premium.

Mr. Bertram did not feel that the establishment of the group department has been too helpful to the agency force except for publicizing the name of the company. The agency force has not provided much of the group business, since it is a combination company and the agents work in a market different from that in which the group business may be obtained.

MR. RALPH G. SWAIL stated that while the Colonial Life is not new in the group business, a specific group department was established only in 1958, previous policies sold having been those that were more or less thrust upon them. During 1958 Colonial decided to enter the group business, including accident, health and life coverages, on an aggressive basis. He felt that the over-all results of 1959 did not reach expectations, the results being an increase in group life volume of $5,750,000, first year life premium of $18,000, first year accident and health premium of $16,000 and a decrease in surplus attributable to group operations of $155,000. In the first two months of 1960 twenty-two policies have been sold, and in this period our gross first year premium income for life insurance was $3,700 and their gross first year premium income for accident and health insurance was $5,000. This is much more satisfactory progress. He felt the decision to enter the group field has been justified because this decision was part of an over-all plan to enter the brokerage market aggressively and to offer all forms of insurance in that market. His agency vice president felt that the fact that group coverages are available is a definite plus so far as recruiting men and attracting brokers is concerned.

He did not feel that there is any difficulty in competing with the larger companies on the relatively small cases, since these are sold much like individual policies where the sale is made by the agent rather than the company. In dealing with relatively large cases, however, involving employees in more than one location, the small company is at a distinct disadvantage, not having nationwide claim service and other such services. They are considering the issuance of some unique forms of coverage to meet competitive situations but have not as yet determined just what lines to follow.

This company has special underwriting rules to the extent that group accident and health coverages are offered to groups of less than ten lives in states where this is permitted by law. Evidence of insurability on individual employees is required, so that groups with obvious health hazards can be declined. This approach does not give any defense against unhealthy lives entering the eligible class after the policy has been issued. No experience has yet been developed under this coverage.

MR. GARNETT E. CANNON stated that Standard of Oregon entered the group field about seven or eight years ago and now has $375,000,000 of group life in force and about $300,000,000 of Ordinary. His company now has more group life insurance in force in Oregon than any other company. Mr. Cannon felt that one of the keys to their success has been confinement of their group operations to a relatively limited area, this having the advantage of better and more closely controlled organization and lower expense rates. His company has avoided as far as possible the loss lines such as medical expense and major medical. They rely on organizations such as Blue Cross, Blue Shield and independent casualty companies to provide those coverages, frequently associating themselves directly with them in making one central billing. They encourage self-administered plans.

The home office group representatives that they employ are selected very carefully, most being only a few years out of college. They expect these men to deal primarily with men in top executive positions because in group insurance most of the decisions are made by such men, and they select their group representatives accordingly. They feel that they have been successful in this selection approach.

Mr. Cannon did not agree that association group is a field to which life insurance companies should not offer their services, particularly in view of the fact that in a case in which his company was in competition recently they found they were one of forty companies competing for the business. He felt the decision on offering association group should be based on the hard facts of what is being offered in the field and what the competition is. He had found association group to be profitable.