



SOCIETY OF ACTUARIES

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## TWO STUDIES OF POLICY LAPSES

Two significant reports on voluntary termination experience of individual policies have recently appeared, one in Scotland, the other in the United States.

(1) *An Investigation into the Withdrawal Experience of Ordinary Life Business.*

This study was conducted by a research group appointed by the Faculty of Actuaries. In the main, it gives withdrawal probabilities derived from the experience of seven Scottish life companies in the calendar year 1976. Some rates for other years between 1972 and 1977 are also shown.

The duration to which a withdrawal was assigned was (calendar year of withdrawal) less (calendar year of issue). In the case of duration zero, the calculated probabilities were multiplied by two. All withdrawal rates are by policy, but rates for policy amount-groups are shown.

Seven plan groups were separately studied. Translated into North American terminology these were:

Whole Life	Endowment	Term
Participating	Participating	All types
Non-Par	Non-Par	
	Open-Ended	
	Variable	

More than two-thirds of the 1.4 million policy years exposed are for the endowments.

Withdrawal rates are given for durations zero to five individually, then by groups of years. Also computed are percentages of policies (ignoring mortality) remaining in force to the fifth, tenth, fifteenth and twentieth years.

(2) *Report to the National Association of Insurance Commissioners by the Industry Advisory Committee on Policy Lapsation.*

This report is on the Society's New Orleans meeting program — a Discussion Forum at 11 a.m. on Tuesday, April 3rd.

In early 1974 an NAIC task force was appointed to look into policy lapses. That committee may have set a record for brevity of existence. It was discharged at the end of 1974 after it had stated that "there is very little of a definitive nature which the regulators can do that has a direct impact on lapse control."

In 1975, however, the possibility that something worthwhile might be accomplished through company disclosure of

lapse rates in annual statements was brought up by the then President of NAIC, William H. Huff, III (Iowa). That line of enquiry caused an Industry Advisory Committee to be put to work at the end of 1977 under the capable chairmanship of LIMRA's Helen T. Noniewicz. Six of the ten committee members and both of its advisors were actuaries.

When the question of just what the Committee was being asked to do came up, it was stated that the authorities want to be able to identify the companies that have excessive lapse rates for cash value policies, so that those authorities may challenge such companies either to improve or to explain why their lapse experience is justified.

The Committee's report to its mentors was put into final form by Bartley L. Munson and released in December 1978. Its scope is shown by its seven chapter titles:

- I. Is There A Lapse Problem?
- II. How Extensive Is The Lapse Problem?
- III. What Are Factors Affecting Persistency?
- IV. What Is Effect On Cost Of Insurance?
- V. What Is Extent Of Injury To Consumers?
- VI. What Possible Solutions May We Find?
- VII. A Disclosure System

Although the Committee constructed a disclosure system in full detail, it took pains to state that "in developing a lapse rate disclosure system, it is responding to a request made by the NAIC and not necessarily advocating such."

The American Council of Life Insurance has appointed a 12-person task force to review this report and to make recommendations upon it. □

## CSO, CSI 4% TAPES AVAILABLE

Magnetic tapes used in the preparation of the 1958 CSO 4% Monetary Tables, published by the Society, and of the 1961 CSI 4% Monetary Tables, published by the Life Insurers Conference, are available for purchase from M & R Services, Inc., 1301 Fifth Avenue, Seattle, WA 98101. Further details are available from Warren W. Leisinger at (206) 624-7970. □

## CONGRATULATIONS!

A headline in the February 1979 issue of our sister-publication *The Actuarial Review* says: "Ruth Salzmann Is First Woman Head of Actuarial Body." We join the Casualty Actuarial Society in rejoicing at this milestone in feminine actuarial accomplishment, and wish Miss Salzmann a year in office that will be as satisfying for her as it surely will be for our profession.

## SOCIETY SEMINARS

by Warren R. Adams

The seminar locations, dates and faculty which are definite are:

### *Individual Life Dividend Determination and Distribution*

New Orleans April 3-4, 1979  
New York City April 9, 1979

#### Faculty:

Robert M. Astley  
James F. Reiskytl  
Thomas C. Sutton

### *Impact of Inflation on Actuarial Responsibilities*

Minneapolis June 25, 1979  
Dallas June 27, 1979  
Boston June 29, 1979

#### Faculty:

John M. Bragg  
Geoffrey M. Calvert  
Joseph R. Zatto

### *Actuarial Applications For Forecasting*

Boston July 25-26, 1979  
Denver August 1-2, 1979

#### Faculty:

Harold Becker The Futures Group  
Joseph Brzezinski LIMRA

### *Company-Wide Approach to Investment Income and Interest Rates*

New York City Sept. 6-7, 1979  
Chicago Sept. 13-14, 1979  
Atlanta Sept. 17-18, 1979

#### Faculty:

Donald D. Cody  
Allan B. Roby, Jr.

Detailed information will be sent to members, approximately 6 weeks prior to each seminar. □