

July 1, 1952

SUBJECT: INSURANCE

WITHDRAWN

TO ALL FRATERNAL BENEFIT SOCIETIES:

A review of the 1951 Annual Statement and Valuation Report of authorized societies indicates that certain societies have failed to include appropriate reserves to cover the non-deduction of deferred fractional premiums at the death of the insured, in item 26, page 5 of the Annual Statement form. This reserve applies to all outstanding certificates of each society. It corresponds to the reserve required in Exhibit 8 of the Annual Statement blank for life insurance companies.

The use of the approximate methods for determining the above reserve is acceptable. In the case of societies which charge so-called true monthly premiums, the attached comparison would indicate that the reserve for the Whole Life plan should be increased by approximately one per cent and on other plans as indicated therein.

Where a society charges true annual, semi-annual, or quarterly premiums, approximate methods similar to those used by life insurance companies are appropriate.

Will you please see that this letter is called to the attention of the Actuary of your Society and that your Society's 1952 Annual Statement and Valuation Report indicate the amount and manner of reporting the above reserve.

Yours very truly

(Signed) ALFRED J. BOHLINGER

Superintendent of Insurance

Enclosure

Comparison of Terminal Reserves -- American Experience 3 1/2% assuming true Annual and true Monthly Premiums

| | Age 25 at Issue | | | Age 35 at Issue | | |
|---------------------|---------------------|--------------------|--------|---------------------|--------------------|-------|
| | Monthly Terminal | Annual Terminal | Ratio | Monthly Terminal | Annual Terminal | Ratio |
| Whole Life | | | | | | |
| 5th Terminal | \$ 41.21 | \$ 40.91 | 1.007 | \$ 63.31 | \$ 62.73 | 1.009 |
| 10th " | 90.06 | 89.42 | 1.007 | 137.03 | 135.76 | 1.009 |
| 15th " | 147.58 | 146.54 | 1.007 | 221.20 | 219.15 | 1.009 |
| 20th " | 214.55 | 213.04 | 1.007 | 313.65 | 310.75 | 1.009 |
| 20 Payment Life | | | | | | |
| 5th Terminal | 83.22 | 83.17 | 1.0006 | 105.64 | 105.51 | 1.001 |

| | Age 25 at Issue | | | Age 35 at Issue | | |
|-----------------|-----------------|----------|--------|-----------------|----------|-------|
| | Monthly | Annual | Ratio | Monthly | Annual | Ratio |
| | Terminal | Terminal | | Terminal | Terminal | |
| Whole Life | | | | | | |
| 10th " | 184.21 | 184.14 | 1.0004 | 232.42 | 232.19 | 1.001 |
| 15th " | 306.85 | 306.79 | 1.0002 | 384.26 | 384.02 | 1.001 |
| | Age 45 at Issue | | | | | |
| | Monthly | Annual | Ratio | | | |
| Whole Life | Terminal | Terminal | | | | |
| 5th Terminal | \$ 97.78 | \$ 96.48 | 1.013 | | | |
| 10th " | 205.18 | 202.47 | 1.013 | | | |
| 15th " | 318.39 | 314.19 | 1.013 | | | |
| 20th " | 432.61 | 426.90 | 1.013 | | | |
| 20 Payment Life | | | | | | |
| 5th Terminal | 135.78 | 135.23 | 1.004 | | | |
| 10th " | 292.37 | 291.42 | 1.003 | | | |
| 15th " | 472.88 | 471.96 | 1.002 | | | |

Note: A reasonable approximation of the extra reserve would be to increase the reserves for Whole Life forms with thirty premiums or more by 1 per cent and reserves for other forms by .2 of 1 per cent.