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EXTENSIONS OF REMARKS

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PENNSYLVANIA ANALYZES STATE INSURANCE PROBLEMS

HON. WILLIAM L. HUNGATE

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Monday, July 24, 1972

Mr. HUNGATE. Mr. Speaker, the State of Pennsylvania is taking what may be a leader's role in analyzing State insurance problems.

The following article should be of interest to all who purchase life insurance: VARIATION IN SURETY COST CITED—CHARGES

CAN DOUBLE FROM FIRM TO FIRM (By Bob Woodward)

A national shopper's guide for life insurance shows that some major companies charge more than twice as much as others for similar policies, and that some of the best known firms charge the most for coverage.

Among the life insurance firms doing business in the Washington area, for example, average annual cost for the same \$10,000 straight life policy from Connecticut Mutual Life is \$22.40 compared to \$53.10 a year from Travelers Insurance Co.

This means that over 20 years it takes to pay off such a policy, the Connecticut Mutual subscriber would pay \$448, compared to \$1,062 paid by a subscriber of Travelers.

The national shopper's guide was released this month by Pennsylvania's crusading insurance commissioner, Dr. Herbert S. Deen-berg, as an outgrowth of a shopper's guide released in April for firms selling life insurance in Pennsylvania.

The national guide shows the actual cost of insurance after the insured person has paid premiums and deducted the ultimate cash value of the policy and the money paid back by the company in dividends.

This method of arriving at the average an-

nual cost was developed by a committee of insurance industry representatives and is generally considered the best way to compare policies and show true cost to the subscriber.

Spokesmen for the Life Insurance Association of America and the Institute of Life Insurance said yesterday that the method is probably the best.

However, both noted that there are other ways to compare policy costs and take into consideration such factors as the desire of some policyholders to pay less of a premium in the years when they are young.

The chief conclusion of the national guide is that the firms charging the lowest premium are not necessarily the best buys.

The Connecticut Mutual annual premium, for example, is \$135 a year, compared to \$118 for Travelers. But the guide calculates interest, dividends and cash value and concludes that the ultimate cost of the Connecticut policy is \$614 less over 20 years.

The comparisons were done on the \$10,000 straight life policy because it is the most popular and representative of life insurance offerings. It is popular because it provides both life insurance coverage and return on investment.

Ranking on the national guide is for the 30 largest life insurance firms in the nation. They hold more than half of all life insurance policies nationally, and all have offices in the Washington area.

The large firms with higher than average

costs include Metropolitan, Prudential, John Hancock, Travelers, Connecticut General, Occidental Life of California, Lincoln National and Mutual of New York.

The guide says that the best buys are Bankers Life, Connecticut Mutual, The Northwestern Mutual, Massachusetts Mutual, New England Mutual, New York Life, and Sun Life Assurance Co. of Canada.

Denenberg does not conceal his purpose in publishing the guide: "We will continue to publish the list of the highest cost companies in order to put pressure on all life insurers to lower their premiums," he said in a recent speech.

In a telephone interview yesterday, Denenberg said that the life insurance industry "hasn't tasted the lash of competition."

He said he will periodically publish a list of the ten firms with the highest life insurance cost and the lowest. "It will be like the FBI's 10 most wanted list, only we'll have a 10 least wanted list also," Denenberg said.

The national guide, he said, should cause the 450,000 agents selling life insurance to put pressure on their companies to make their prices competitive.

Denenberg said that the guide could easily save consumers \$9 billion a year in premiums if they shop for the best buys, and the publicity forces rates down in the entire industry. Total payments for life insurance in 1970 were about \$37 billion.

About 7 of every 10 people in the nation have a life insurance policy. The average

family has \$20,900 in coverage. Total life insurance in force is now more than \$1.4 trillion.

The national shopper's guide was compiled from a \$25 book called "Cost Facts on Life Insurance," which is published by the National Underwriter Company of Cincinnati. Denenberg has also issued shopper's guides on automobile insurance and hospitals in the Philadelphia area. Both have been followed by a storm of protest from those involved.

In issuing the national guide on life insurance, Denenberg emphasized that a person with a higher cost life insurance policy would probably make a mistake to switch to another company.

He said this was because cash value and dividends increase sharply as the policy gets older, making a switch a mistake.

The ranking of the companies is based solely on cost and does not take into account the overall financial conditions of the company and the service provided by the agent.

Denenberg said his insurance department has already received about 50,000 requests for copies of the life insurance shopper's guide. He predicted that millions of copies of the guide would soon be in circulation.

George K. Bernstein, the federal insurance administrator, and Edward P. Lombard, superintendent of the D.C. insurance department, both said yesterday that the guide is an excellent aid for anyone shopping for a new life insurance policy.

PREMIUMS AND INSURANCE COST FOR A \$10,000 STRAIGHT LIFE CASH-VALUE INSURANCE POLICY SOLD BY THE 30 LARGEST COMPANIES (3)

COMPANY (5)	Male Age 20 or Female Age 23 (4)			Male Age 35 or Female Age 38 (4)			Male Age 50 or Female Age 53 (4)		
	Average (6)			Average (6)			Average (6)		
	Annual Premium	Yearly Cost of Insurance	Ranking At Age 20/23	Annual Premium	Yearly Cost of Insurance	Ranking At Age 35/38	Annual Premium	Yearly Cost of Insurance	Ranking At Age 50/53
1. Bankers Life Company (Iowa).....	\$149.70	\$24.70	2	\$229.70	\$42.00	1	\$400.30	\$119.20	1
2. Connecticut Mutual Life Ins. Co.....	135.00	22.40	1	218.50	46.70	3	397.70	132.70	6
3. The Northwestern Mutual Life Ins. Co.....	157.40	28.70	3	234.89	45.50	2	405.40	129.40	3
4. Massachusetts Mutual Life Ins. Co.....	156.30	29.50	5	236.10	50.00	4	407.90	131.40	5
5. New England Mutual Life Ins. Co.....	155.20	31.70	6	232.50	50.50	6	398.80	129.70	4
6. New York Life Ins. Co.....	152.40	32.50	8	233.40	52.40	8	400.50	127.70	7
7. Sun Life Assurance Co. of Canada.....	153.30	29.10	4	234.00	50.10	5	409.00	137.90	2
8. Great-West Life Assurance Co. (Canada).....	131.30	31.90	7	206.00	52.70	7	366.80	140.70	8
9. The Equitable Life Assurance Society of the U.S. (NY).....	152.70	33.60	10	233.20	56.60	12	404.50	141.10	9
10. The Manufacturers Life Ins. Co.....	127.80	37.10	19	197.00	56.00	10	343.70	142.50	11
11. The Penn Mutual Life Ins. Co.....	159.00	35.68	14	235.40	58.30	15	412.70	144.10	13
12. State Farm Life Ins. Co. (2).....	146.10	32.60	9	227.40	53.60	9	409.20	152.85	18
13. Mutual Benefit Life Ins. Co.....	158.00	34.90	12	238.70	58.00	14	412.30	147.60	15
14. Aetna Life Ins. Co.....	160.60	42.00	25	239.50	56.40	11	408.50	142.30	10
15. John Hancock Mutual Life Ins. Co.....	157.00	35.70	15	242.10	61.60	19	415.70	144.90	14
16. Continental Assurance Co.....	155.70	36.00	16	241.20	58.10	18	419.90	147.90	16
17. The Prudential Ins. Co. of America (2).....	157.10	36.40	17	244.40	63.20	21	438.10	143.90	12
18. The Canada Life Assurance Co.....	141.20	35.00	13	214.00	56.80	13	384.60	153.00	19
19. The Mutual Life Ins. Co. of N.Y. (2).....	152.00	34.20	11	234.10	58.50	16	416.20	152.60	17
20. The Lincoln Nat'l. Life Ins. Co. (ind.).....	155.20	36.60	18	235.60	58.90	17	408.60	153.00	19
21. Occidental Life Ins. Co. of California.....	159.30	42.10	26	233.50	65.80	22	401.30	156.30	21
22. The Minnesota Mutual Life Ins. Co. (2).....	156.40	39.70	23	238.90	62.50	20	414.80	162.10	22
23. Metropolitan Life Ins. Co. (2).....	158.60	37.20	20	248.10	66.80	23	427.10	165.80	23
24. Connecticut General Life Ins. Co.....	139.40	39.50	22	220.40	70.70	24	398.80	175.30	24
25. American National Life Ins. Co. (2).....	155.80	38.40	21	239.70	71.30	26	423.50	180.20	25
26. The National Life & Accident Ins. Co. (1).....	116.50	40.30	24	190.80	73.60	27	343.70	180.60	26
27. The Western and Southern Life Ins. Co. (2).....	186.60	43.60	28	246.30	73.80	28	426.30	184.40	27
28. Allstate Life Ins. Co. (1).....	109.00	42.50	27	176.00	71.10	25	343.00	194.80	30
29. Provident Life and Accident Ins. Co. (Tenn.) (1).....	108.80	48.10	29	177.30	77.30	29	328.70	184.70	28
30. The Travelers Ins. Co. (1).....	118.00	53.10	30	190.90	84.70	30	348.10	194.40	29

(1) Policies that pay no dividends, but guarantee premium rate.
 (2) Policy includes waiver of premium for disability at no extra cost. Costs have been adjusted to remove the estimated charge for this benefit.
 (3) Largest by volume of total life in force. Only companies licensed in the United States are shown.
 (4) Usual premiums for a female are the same as those for a male three years younger.
 (5) Listed according to the average of the costs at the 3 ages.
 (6) Ranked at each age according to the average yearly cost of insurance over a 20-year period.