

The Use of Management Reports in the Insurance Business (in the United States¹).

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Insurance theory, principles and practice seem to be thoroughly covered in a large number of U. S. textbooks, and these are also subjects for study in U. S. universities. In the rapidly growing insurance companies there is also wide education and training in the same subjects.

Organization and management in the insurance business seem, on the other hand, not to have been subjects for research or education, but organization and management are discussed in internal seminars for office people.

A description of the use of management reports in the insurance business will therefore not cover general practice or all reports in the management fields. As management and management reports have to be observed in the light of the education and training of insurance personnel, because some reports are combined with training programs, at the end of this article a description will be given of education and training in a university and in an insurance company.

Management and Management Report.

As in other fields, it is very difficult to define the word "Manager". I have discussed the definition used in the insurance business with many executives and professors, but it is not possible to come to an exact definition of "Manager". The title "Manager" implies a decision-making person, but it seems that this title is also used in other cases, e. g. about leaders of insurance agencies, who have no decisions to make. Therefore, in this article the words management and manager will be used in a broad sense, whether it is in connection with management reports or not.

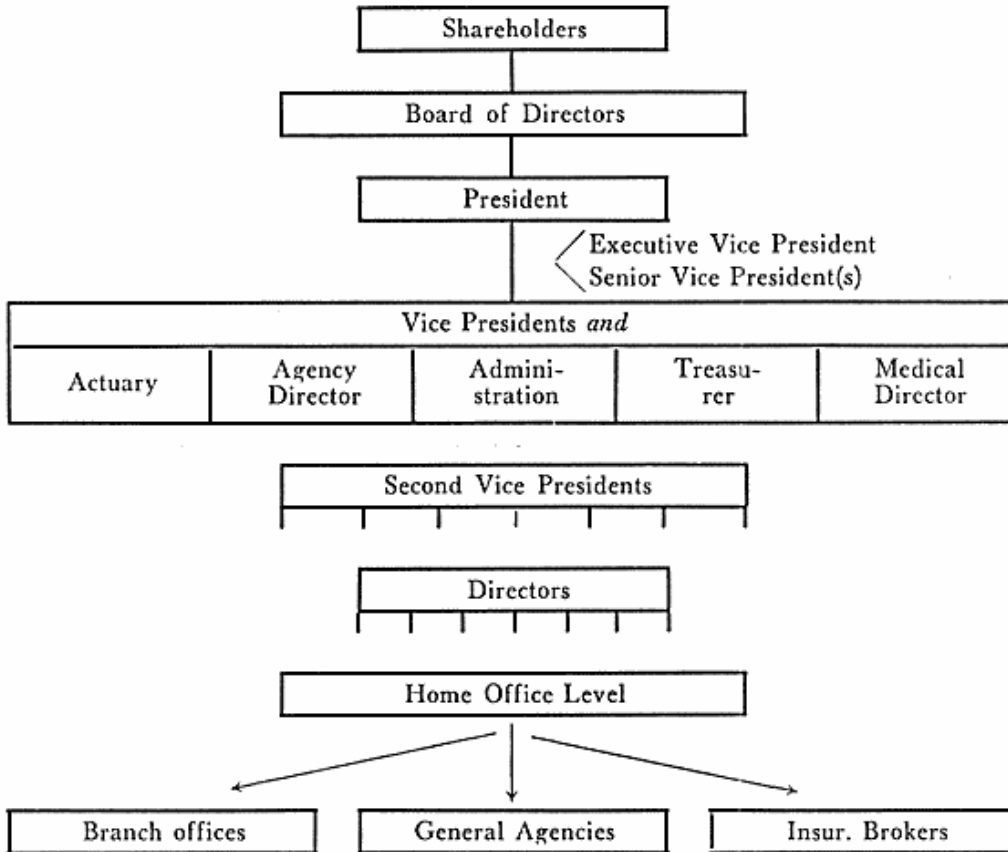
The words "Management Report" can also be discussed, because Management Reports can cover both reports to higher management and to lower management, but also in this case, the description will follow the interest in the reports rather than formal procedure.

The organizationplan in the insurance business differs from one company to another, but it seems that the following outline gives a relatively general outlook of the upper level of an insurance company:

¹) Artiklen omfatter et uddrag af en rapport til E. P. A. fra en studierejse til U. S. A. – januar/marts 1959

²) Lektor, statsaut. revisor.

Organizational Chart

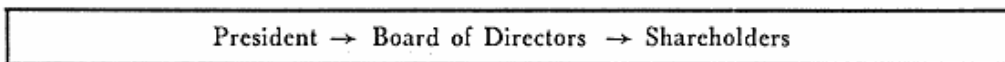


The U. S. insurance companies visited were of a very large size, but it seems that the number of vice presidents is large, although titles sometimes seem to be part of public relations work. In some companies there is an Executive Committee meeting on call, consisting of president, some vice presidents, and directors.

Use of Management Reports.

I. *Annual Reports.*

A. *The Insurance Co. – Public Annual Report.*



The Annual Report will be made out in a good-looking financial report form and in a handy size. The cover page gives the name of the Company and the year covered in the report.

Inside will often be found names and pictures of members of the Board of Directors. These people represent "the upper ten" – normally 9 to 24 members from the area in

which the company operates. The members get no fixed salary, but an amount per meeting, at which it is so often necessary to make special decisions, e. g. approval of the president's Annual Report. Meetings seem to be held mostly three times a year.

After presentation of the Board of Directors in the report follows a message from the president, reporting on the last business year and possibly commenting on plans for the future.

The following pages show statements for both the last and the foregoing year, indicating changes in Assets, Liabilities, and Surplus Funds plus per-centages for easier reading of the statement.

The additional pages give more detailed descriptions and statistical figures showing the increase or decrease in the Company's economic and working operation, figures for owned bonds, stocks, etc., and final pages list names and pictures of executive offices and addresses of agency offices.

a. Textexample of a Published Statement.

ASSETS

United States Government Bonds	
County and Municipal Bonds	
Public Utility and Corporation Bonds	
First Mortgage Loans on Real Estate	
Collateral Loans	
Home Office Building	
Preferred Stocks	
Bank Stocks	
Other Common Stocks	
Cash	
Loans Against Cash Values of Policies	
Accrued Interest and Miscellaneous Assets	
Net Premiums to Complete Policy Years	

These are premiums either in process of collection or due to be paid during the current policy year. Proper offsetting liability is included in the policy reserves shown in the statement.

TOTAL ASSETS

LIABILITIES

Policy Reserves	
Premiums and Interest Paid in Advance	
Reserve for Taxes and Other Liabilities	
Mandatory Valuation Reserve	

TOTAL LIABILITIES

SURPLUS FUNDS for Protection of Policyowners

Reserve for Contingencies	
Capital Stock	
Surplus	

Total Capital and Surplus Funds

TOTAL LIABILITIES AND SURPLUS FUNDS

b. Example of Long-range Trend From a Published Annual Report.

The example, from an Annual Report, gives a good picture of the increase in the life insurance business in the U. S.

NEW LIFE INSURANCE ISSUED

(Annual Totals by Years)

	*New life insurance produced by agency force	Average size of ordinary policies issued to individuals
1957	\$258,585,053	\$8,827
1956	226,104,960	7,377
1955	178,419,027	5,872
1954	159,324,596	6,057
1953	153,680,329	5,905
1952	150,022,918	5,901
1951	121,207,090	5,298
1950	115,186,624	5,063
1949	108,786,968	4,708
1948	97,401,728	3,893

*) Does not include group insurance issued on U. S. Government employees.

INSURANCE IN FORCE

(Cumulative Totals by Years)

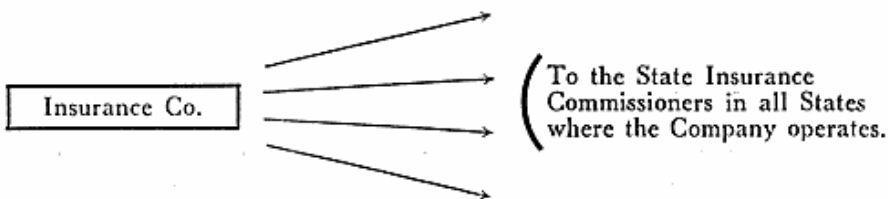
	Total	Ordinary	Group
1957	\$1,615,486,922	\$1,262,905,308	\$352,581,614
1956	1,466,401,879	1,155,503,341	310,898,538
1955	1,340,519,627	1,062,040,480	278,479,147
1954	1,211,600,658	989,736,145	221,864,513
1953	1,065,059,933	925,503,036	139,556,897
1952	979,721,921	862,361,757	117,360,164
1951	891,107,312	789,430,183	101,677,129
1950	829,222,242	732,148,136	97,074,106
1949	761,644,019	675,789,358	85,854,661
1948	697,208,140	623,735,141	73,472,999

GROWTH OF ASSETS
(Cumulative Totals by Years)

	Total	
1957	\$418,163,384.83	
1956	\$393,037,669.52	
1955	\$369,052,237.25	
1954	\$322,553,099.25	
1953	\$296,192,307.23	
1952	\$270,392,846.20	
1951	\$245,641,716.50	
1950	\$223,090,135.97	
1949	\$200,132,922.31	
1948	\$179,601,941.91	

After the Board of Directors' approval the President's Annual Report will be presented for approval to the stockholders in an annual meeting. The annual meeting of all companies chartered by the same state will always be held on the same date. Stockholders, therefore, are able to participate in only one company meeting in the same state.

B. Annual Report to State Insurance Departments.



Each of the 49 States in the U. S. has a State Insurance Department with a Commissioner (political appointment) as a head and a large inspection staff. The annual report to the Commissioner is in a very detailed and statistical form, as it will be inspected by the Insurance Department.

There are special laws and Insurance Department regulations in the several states, but all commissioners meet once or twice a year in a meeting of the National Association of Insurance Commissioners, and try to come to an agreement in case of new problems. The individual commissioner is quite free to express his opinions as the representative of the insurance industry in his state.

Each insurance company will be inspected simultaneously every third year by inspectors from all the State Insurance Departments concerned, but for this purpose the areas of representation (of the up to 49 U. S. State Insurance Departments) are divided into 6 zones. If the Company operates in 3 zones only e. g., the Company will be visited by only three inspectors, who have to review the figures in the Annual Reports.

The Commissioner in each state will publish an Annual Report with statistical information on the insurance companies' operations in the state.

Example of Heading of pages in the Commissioner's Annual Report (Michigan):

Name of Insur. Co.	Total Admitted Assets	Total Liabilities not incl. Capital	Capital Stock	Surplus over Capital and all Liabilities	Direct Michigan Premium	Direct Michigan Losses
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Larger insurance companies are registered in the State Departments and send examples of all insurance records to the State Insurance Department. Smaller insurance companies must be inspected more carefully and more often than every three years.

C. Annual Reports to Policyowners.

In public relations work it seems that most insurance companies send a short Annual Report to all policyowners.

This statement includes figures indicating the growth of the insurance company and public relations comments.

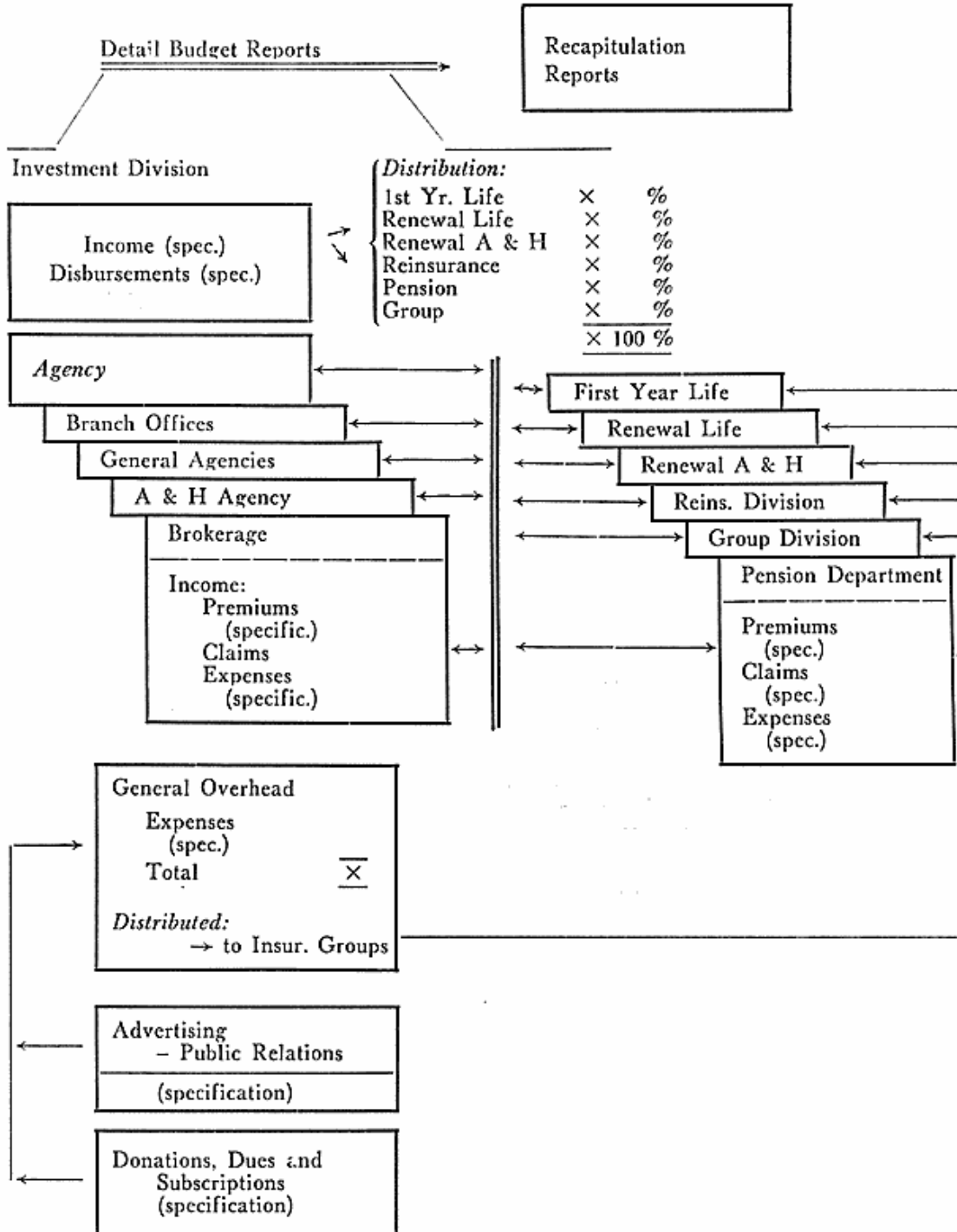
II. Monthly Report to Top Executives.

The basis of the Insurance Company's economic and working operations is the annual budget, which is divided into individual accounts in the total budget as well as into yearly and monthly figures.

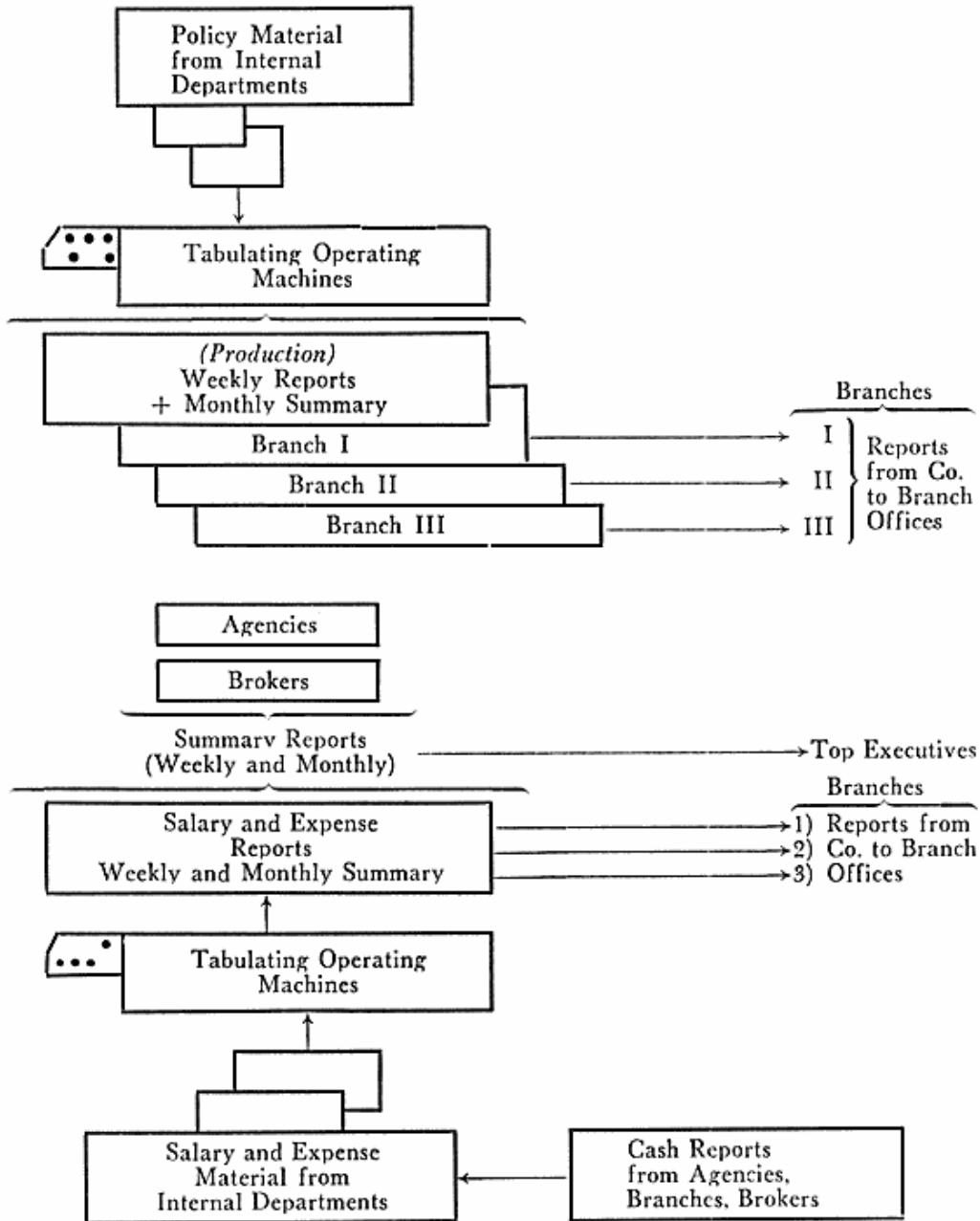
The actual figures will be compiled in different departments and the summary figures worked out on tabulating machines and reported to the top executives shortly after the beginning of a new month.

III. The "Build-Up" of the Budget and Budget Reports.

The different Detail Reports have the same "Head" as the Recapitulation Report.



V. *The Use of Production Reports.*



VI. *Education and Training Programs.*

A. *University Program (Example)* (Texas Christian University)

PROGRAM FOR PEOPLE IN THE INSURANCE BUSINESS

Extensive course offerings in insurance are available through the Texas Christian University Evening College. These Courses are designed primarily for persons actively engaged in the insurance industry who wish to increase their knowledge of this dynamic subject by a study of principles and practices.

Professional Designations.

Texas Christian University is one of the cooperating institutions designated by the American Institute for Property and Liability Underwriters, Incorporated, and the American College of Life Underwriters to prepare students to sit for the *Chartered Property and Casualty Underwriter (C. P. C. U.)* and the *Chartered Life Underwriter (C. L. U.)* examinations. The C. P. C. U. and C. L. U. designations are recognized as signifying attainment of the highest professional competence in the property-casualty and life insurance industries. Texas Christian University offers courses to specifically prepare students for all C. P. C. U. and C. L. U. examinations.

A complete program of basic courses in property insurance is also available. These courses have as their objectives 1) enabling students to gain a general understanding and appreciation of the principles and practices of insurance, and 2) providing students with a solid basis of insurance knowledge upon which they can build by then continuing with the more advanced C. P. C. U. curricula. Moreover, the University makes its facilities available for classes fostered by the Life Underwriter Training Council (L. U. T. C.).

Degree and Certificate Programs.

A Bachelor of Science in Commerce degree with a major in insurance can be obtained through the T.C.U. Evening College. Programs that culminate in the awarding of a certificate in either life or property-casualty insurance are available for students not wishing to spend the time required to earn the Bachelor of Science in Commerce degree. The certificate programs involve successful completion of two years of college work (approximately 60 semester hours). All courses necessary to prepare students for either the C.L.U. or the C.P.C.U. examinations are included in the certificate programs.

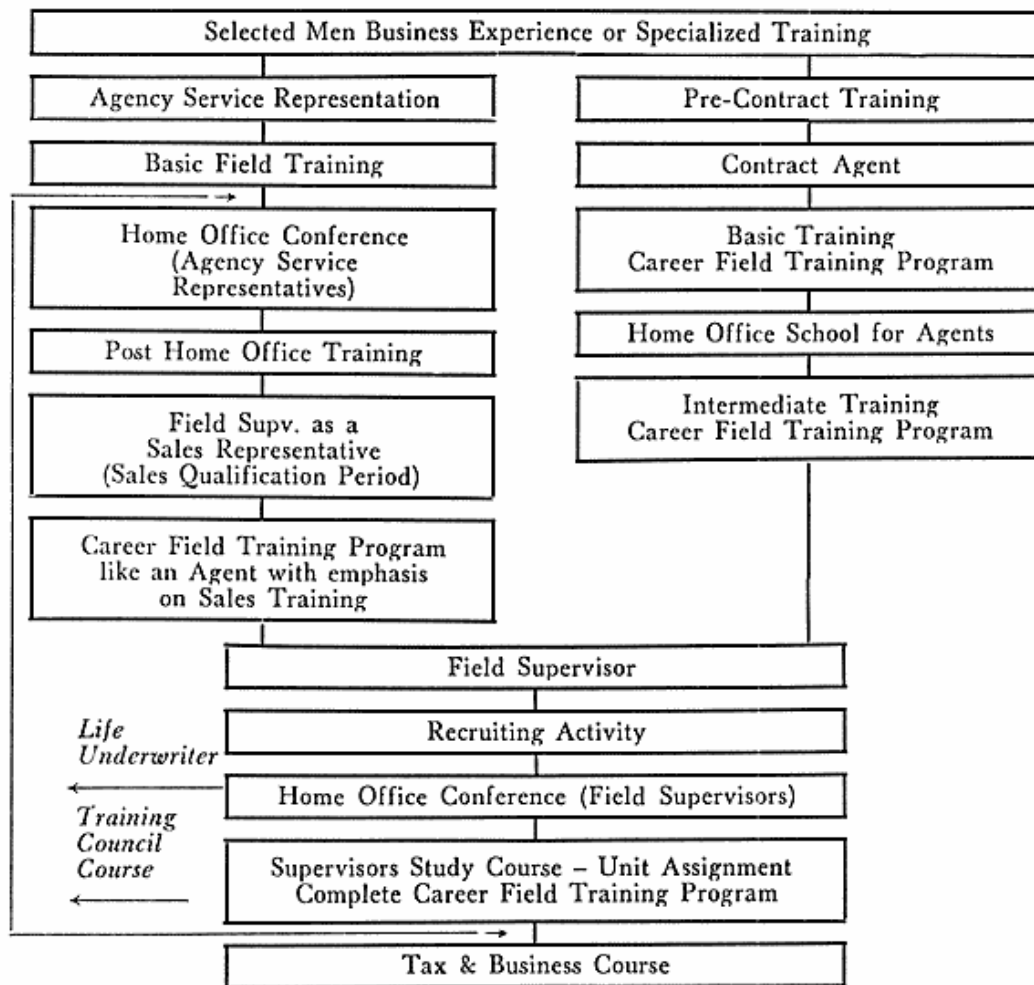
Institutes and Seminars

The insurance department welcomes the opportunity to cooperate with insurance organizations in arranging institutes and seminars. Meetings of this nature serve a vital continuing education function by stimulating a cross fertilization of ideas under the optimum learning conditions provided by a studious atmosphere. Several successful meetings have been held on our campus.

B. Training in an Insurance Company

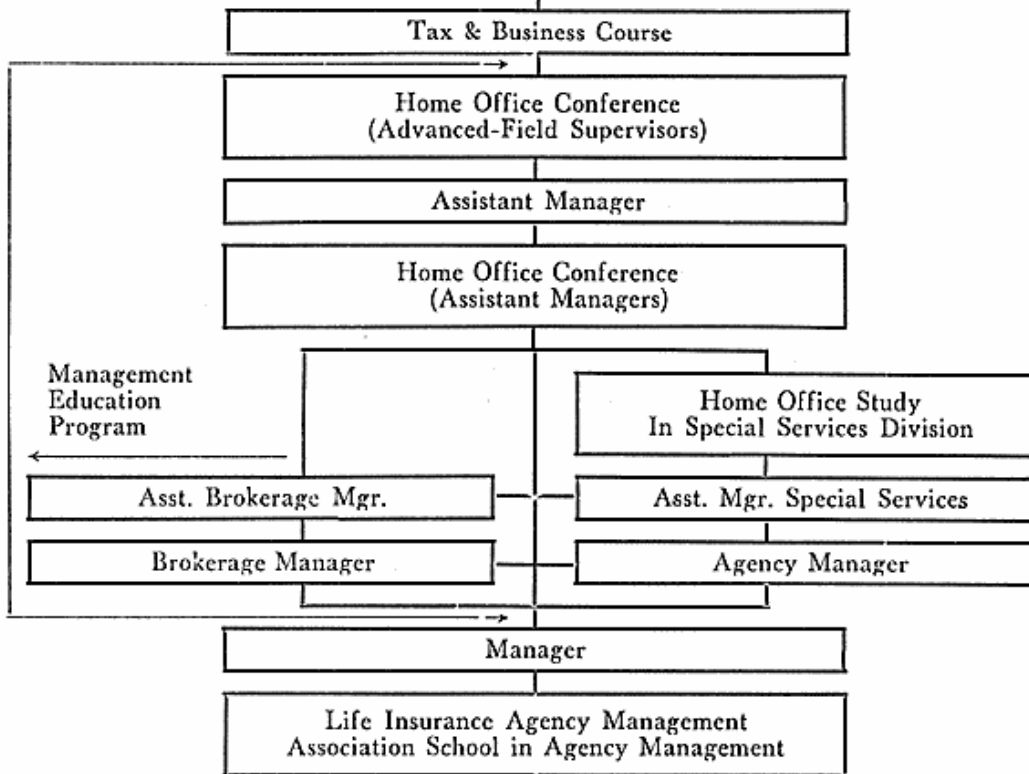
(Example I)

THE TRAVELERS SALES MANAGEMENT TRAINING PROGRAM



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*(Example II)**Southwestern Life Insurance Company**Sales Training Program (3 years)*

1. *Basic Course*
 - I Introduction to Life Underwriting
 - II Life Insurance Salesmanship
2. *Intermediate Course*
 - Career Course in Life Underwriting
3. *Advanced Course*
 - I Business Insurance Course
 - II Tax Insurance Course

L. U. T. C. (Life Underwriter Training Council) (2 years)
 - Institutional -

C. L. U. (Chartered Life Underwriter) (4 years)
 - Academic -