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Survey of Production, Earnings and Persistency of C.L.U.s and Non-C.L.U.s of 23 Major Life Insurance Companies for Year 1962

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SURVEY OF PRODUCTION, EARNINGS AND PERSISTENCY

of

C.L.U.S AND NON-C.L.U.S

of

23 MAJOR LIFE INSURANCE COMPANIES FOR YEAR 1962

Prepared Under The Direction Of:

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American College of Life Underwriters
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Bryn Mawr, Pennsylvania

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GENERAL RESULTS

This is the third study comparing the production, earnings and persistency of business produced by C.L.U.s and non-C.L.U.s. The two previous reports were issued in 1958 and 1959. The current report is for the calendar year 1962.

This study, like the others, shows that the average production and earnings of C.L.U.s were higher than those of non-C.L.U.s with comparable experience in the business for the companies included in the study. It also reveals that the persistency of the business produced by the C.L.U.s was superior to that of the business produced by the non-C.L.U.s.

As is indicated in the accompanying data, an array of percentages by which the C.L.U.'s average production exceeds that of the non-C.L.U. ranges from 7% to 161% with the median differential being 59%. A similar array of percentages with regard to average earnings variations shows that the average earnings of C.L.U.s exceeded the average earnings of non-C.L.U.s from 4% to 114% with the median differential being 59%. (The figures for Company E were not included in the array because all agents without regard for length of service were included in computing the non-C.L.U.s' average.)

The general results for the current study are consistent with those shown in earlier studies although the individual company figures were typically higher in the current study when compared with the figures furnished for 1958 and 1959.

STUDY PROCEDURE

Letters were sent to executives of the 32 companies who had 50 or more C.L.U.s in their organizations. These companies were in the top 56 companies ranked according to amount of ordinary life insurance in force on December 31, 1962. Seven companies could not make the necessary studies at this particular time. Two additional companies were unable to give sufficient data and it was impossible to develop reasonable comparisons for these two companies.

The twenty-three companies' data which are tabulated in this report collectively accounted for more than 4,800 C.L.U.s. It should be stated, however, that not all of these C.L.U.s were in the field. Some were in other areas of company operations.

CAUTIONS

In reading this report a number of important factors should be borne in mind so that erroneous impressions will be avoided:

1. These reports were prepared by the Research Department of the various companies. In each case an attempt was made to use as the "average" the measure of central tendency most representative for each company. In order to make the data as comparable as possible, companies were asked to include only agents who had five or more years' agency experience with the company. In the few cases where this request could not be followed, the method of calculation used is indicated.
2. The production and earning figures are those developed by the agent with his major company and does not include any business he may have placed in other companies.
3. In reporting comparisons of persistency of business written, there is considerable variation among companies but within each company the data for C.L.U.s and non-C.L.U.s were calculated by the same method, so that within a company the data should be fairly comparable.
4. It is always difficult to determine whether the knowledge and analytical skills gained from the C.L.U. program result in improved performance or whether the C.L.U. program attracts persons to it who would succeed regardless of such a program. The demonstrable values of education linked with the expressed views of C.L.U.s as to what the C.L.U. educational experience meant to them in their personal development leads us to believe that there are many direct benefits which accrue to men who take and complete the C.L.U. program and that these benefits tend to improve their production, earnings, and persistency records.

COMPARISON OF
 PRODUCTION, EARNINGS, AND PERSISTENCY OF
 C.L.U. GROUPS AND NON-C.L.U. GROUPS OF
 23 MAJOR LIFE INSURANCE COMPANIES FOR YEAR 1962
 (Based on full-time agents with five or more years' experience
 except as indicated)

Company	Average 1962 Production	% of CLU Production over non-CLUs	Average 1962 Earnings	% of CLU Earnings over non-CLUs	Persistency Record
	A CLUs	\$ 760,500	69%	\$ 18,174	69%
Non-CLUs	451,000		10,742		87.9%

Note: Additional significant information received from the Research Department of this company shows that the average age of the CLUs in the field is 46.9 years as compared to non-CLUs' age of 47.9 years. In this company the average size policy written by CLUs equals \$15,806 as compared with \$11,153 written by non-CLUs. Also, CLUs on the average wrote 48 policies a year as contrasted with 40 written by non-CLUs. The average length of service with the company of the CLUs is 17.2 years while that of non-CLUs is 14.9 years. It is also reported that 22% of the CLU field men of this company are Million Dollar Producers as compared with 9% of the non-CLUs.

This company reported that of the 8 field men whose production in 1962 exceeded \$3,000,000 of life insurance 6 are CLUs and 2 are not. Of the 26 persons whose production was between \$2,000,000 and \$3,000,000 for 1962, 7 have the CLU and 19 do not.

The report on persistency of this company was computed on the basis of first-year lapse ratio.

<u>Company</u>	<u>Average 1962 Production</u>	<u>% of CLU Production over non-CLUs</u>	<u>Average 1962 Earnings</u>	<u>% of CLU Earnings over non-CLUs</u>	<u>Persistence Record</u>
B CLUs	\$ 678,746	41%	\$ 21,942	58%	91.8%
Non-CLUs	480,564		13,822		79%

Note: Persistence record of CLUs based upon business written in 1961; persistency record of non-CLUs based upon company-wide persistency of 1960 business.

C CLUs	\$ 752,908	36%	\$ 17,232	37%	93%
Non-CLUs	552,887		12,534		91%
D CLUs	\$ 619,788	53%	\$ 14,262	23%	92.3%
Non-CLUs	404,513		11,018		89%

Note: The persistency information in this report was accompanied with the following statement: "It seems reasonable to assume that CLUs as a class have more field experience than the class of all full-time producers, since the former class by its very nature would exclude all new agents. Because persistency is partially a function of experience, a comparison of the persistency between the two classes would not give an accurate picture of the value of CLU training. Consequently, in developing persistency rates for the two classes, we developed subclasses with approximately the same amount of experience as follows:

"1961 full-time producers: all agents with contract dates prior to May 1956
 "1962 full-time producers: all agents with contract dates prior to May 1957

Company	Average 1962 Production	% of CLU Production over non-CLUs	Average 1962 Earnings	% of CLU Earnings over non-CLUs	Persistence Record
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D (note continued from page 2)

"The persistency rates were developed from the following lapse study periods:
 "Full-time Producers
 1961
 1962
 "Lapse Study Records
 July-Dec., 1959, Jan.-June, 1960
 July-Dec., 1960, Jan.-June, 1961

"The rates for the two years are as follows:

- "(1) Non-CLU full-time producers: 1961, 88.7%; 1962, 89.%"
- "(2) CLU full-time producers: 1961, 92.3%; 1962, 92.3%"

This company also reported that in 1962, 8% of the non-CLU full-time producers qualified for M.D.R.T. whereas 22% of the CLU producers qualified.

E	CLUs	\$ 1,134,874	380%	\$ 15,097	330%	87%
	Non-CLUs	236,335		3,518		80%

Note: The production and earnings figures for non-CLUs include all agents regardless of years of service including those who are superannuated and others who are minimal producers, as well as some home office part-time producers. This causes the averages for this group to be drawn down considerably but it was impossible to separate these producers.

F	CLUs	\$ 684,854	40%	\$ 15,648	70%	
	Non-CLUs	489,321		9,210		

Note: Instead of presenting persistency figures the officers of this company reported that 73.6% of the CLUs qualified for the National Quality Award as compared with 38% of the non-CLUs. In evaluating these figures, it should be recognized that qualification for the National Quality Award must be applied for and also that it can be earned only by members of the National Association of Life Underwriters.

<u>Company</u>	Average 1962 <u>Production</u>	% of CLU Production over <u>non-CLUs</u>	Average 1962 <u>Earnings</u>	% of CLU Earnings over <u>Non-CLUs</u>	Persistence Record
	G CLUs	\$ 494,058	25%	\$ 13,918	43%
Non-CLUs	395,679		9,720		

Note: It was reported that the average length of service of non-CLUs in the study was 12.9 years, contrasted with the average length of service of CLUs of 16.2 years.

This company also reported that 11.4% of the CLUs produced \$1,000,000 or more of business in 1962 whereas 8.1% of the non-CLUs produced \$1,000,000 or more.

The CLUs produced an average of 22.4 lives for an average-size policy of \$22,056. Comparable figures for non-CLUs were 21.1 lives for an average-size policy of \$18,752.

H CLUs	\$ 729,213	80%	\$ 16,597	78%	
Non-CLUs	403,819		9,379		

Note: Instead of presenting persistency figures the officers of this company reported that 83.5% of the CLUs qualified for the National Quality Award as compared with 35.2% of the non-CLUs. In evaluating these figures it should be recognized that qualification for the National Quality Award must be applied for and also that it can be earned only by members of the National Association of Life Underwriters.

I CLUs	\$ 659,156	59%	\$ 14,739	55%	92.3%
Non-CLUs	413,480		9,517		91.7%

Note: The data given by this company were based on production of agents who were with the company five or more years and who paid for more than \$100,000 of business during 1962.

Company	Average 1962		% of CLU		Average 1962		% of CLU		Persistence Record
	Production	Production over non-CLUs	Production over non-CLUs	Production over non-CLUs	Earnings	Earnings over Non-CLUs	Earnings over Non-CLUs	Earnings over Non-CLUs	
J	CLUs	\$ 589,867	59%		\$ 15,310	76%			Not Available
	Non-CLUs	371,002			8,706				
K	CLUs	\$ 621,583	10%		\$ 14,594	36%			96.9%
	Non-CLUs	566,555			10,734				92.5%

Note: The data presented by this company are for all full-time agents, non-CLUs and CLUs, who produced \$250,000 or more in 1962 and who had been under contract five or more years. This company had 122 such agents, 87 of whom were non-CLUs and 35 were CLUs.

Company	Average 1962		% of CLU		Average 1962		% of CLU		Persistence Record
	Production	Production over non-CLUs	Production over non-CLUs	Production over non-CLUs	Earnings	Earnings over Non-CLUs	Earnings over Non-CLUs	Earnings over Non-CLUs	
L	CLUs	\$ 482,212	15%		Not Available				94.8%
	Non-CLUs	419,406							93.9%
M	CLUs	\$ 667,724	40%		\$ 18,832	56%			92.6%
	Non-CLUs	477,759			12,040				90.7%

Note: This company reported that "it would be a major job to obtain earnings comparisons of the two groups of agents but you can assume that the production averages would be a proper reflection of the earnings differential."

<u>Company</u>	Average 1962 <u>Production</u>	% of CLU Production over <u>Non-CLUs</u>	Average 1962 <u>Earnings</u>	% of CLU Earnings over <u>Non-CLUs</u>	Persistency <u>Record</u>
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(continuation of Company M)

Note: The data given by this company were based on production of agents who were with the company five or more years and who paid for more than \$100,000 of business during 1962. It was also stated that 13% of the CLUs and 8% of the non-CLUs produced \$1,000,000 or more of paid business in 1962.

N	CLUs \$ 597,537	84%	\$ 17,439	73%	96%
	Non-CLUs 325,480		10,094		92%
O	CLUs \$ 633,173	16%	\$ 22,589	59%	
	Non-CLUs 544,117		14,232		

Note: This company could not give the persistency rate for non-CLUs but the persistency figure for C.L.U.s was 95.1% as compared with the figures for all field men including CLUs of 87%.

P	CLUs \$1,022,576	161%	\$ 18,679	114%	97%
	Non-CLUs 392,054		8,739		91%

Note: The company officer who submitted the data for the company added this comment: "The above statistics strongly indicate that there is greater strength where men have achieved the C.L.U. designation."

Company	Average 1962 Production		% of CLU Production over Non-CLUs		Average 1962 Earnings		% of CLU Earnings over Non-CLUs		Persistence Record
	CLUs	Non-CLUs	CLUs	Non-CLUs	CLUs	Non-CLUs	CLUs	Non-CLUs	
Q	CLUs	\$ 676,200	60%		\$ 14,662	61%		Not Available	
	Non-CLUs	422,865			9,083				
R	CLUs	\$ 679,588	68%		\$ 13,142	40%		86%	
	Non-CLUs	403,466			9,440			77%	

Note: Figures are for full-time agents only who have three or more years of service.

The persistency figure as indicated is actual persistency of all business paid for since agent became a career agent and covers a period up to ten years. The only business which was not included in such calculations would be death claims, matured endowments and term conversions.

S	CLUs	\$ 493,275	83%		(Average commissions of CLUs 71% greater than non-CLUs.)
	Non-CLUs	269,926			

Note: It was reported that the number of policies sold averages 28 for non-CLUs and 34 for CLUs. Likewise, the average size policy sold by non-CLUs was \$9,605 as compared with \$14,467 for those sold by CLUs.

Instead of presenting persistency figures the officers of this company reported that 69% of the CLUs qualified for the National Quality Award as compared with 36% of the non-CLUs. In evaluating these figures it should be recognized that qualification for the National Quality Award must be applied for and also that it can be earned only by members of the National Association of Life Underwriters.

Company	Average 1962	% of CLU Production over Non-CLUs	Average 1962	% of CLU Earnings over Non-CLUs	Persistency Record
	Production		Earnings		
T	555 units	7%	\$ 14,054	4%	
Non-CLUs	519 units		13,529		

Note: The production data submitted by this company were converted to production units. Each unit is based upon \$27.50 of paid premiums. As is indicated, the average production per CLU was 555 units--the equivalent of \$15,269 in first-year paid premiums. The production per non-CLU was 519 units--the equivalent of \$14,277 in first-year paid premiums.

Instead of presenting persistency figures the officers of this company reported that 81% of the CLUs qualified for the National Quality Award as compared with 55% of the non-CLUs. In evaluating these figures it should be recognized that qualification for the National Quality Award must be applied for and also that it can be earned only by members of the National Association of Life Underwriters.

U	\$ 5,940(1st yr.	34%	\$ 12,563	36%	95.6%
Non-CLUs	4,401 Comm.)		9,219		91.2%

Note: This company reported 1962 production figures on the basis of first-year commissions.

V	\$ 415,323	90%	Not Available	Not Available
Non-CLUs	219,000			

Note: Figures are for all full-time agents regardless of years of service.

<u>Company</u>	<u>Average 1962 Production</u>	<u>% of CLU Production over Non-CLUs</u>	<u>Average 1962 Earnings</u>	<u>% of CLU Earnings over Non-CLUs</u>	<u>Persistence Record</u>
W CLUs Non-CLUs	\$ 5,492(1st yr. 2,606 Comm.)	111%	\$ 10,062 4,112	145%	Not Available

Note: Figures are for all agents regardless of years of service.

This company furnished a considerable amount of information which compared CLU and non-CLU groups from the standpoint of qualification for various production honor clubs. In all cases the percentage of CLUs who were in the top production clubs was considerably larger than the non-CLUs qualifying for such recognition.

A typical example shows that of the 3,930 agents as classified by this company as their experienced active sales force, 440 were CLUs and 3,490 did not have the designation but had been in the field at least three years. The report showed that 37% of the CLUs or 163 qualified for the half-million club or higher, while 17% or 609 of the non-CLUs were similarly qualified.