THE CLAN McCANNY

A SCOTTISH GOLF COURSE. GRANDAD McCANNY IS PLAYING HIS INSURANCE ADVISER, McSHREWD.

ONE DAY, YOUNG McCANNIES, ALL THAT WILL BE YOURS!

SEE THERE, McSHREWD. DOWN THE BRAE ACROSS THE BURN... THE McCANNy HAGGIS EMPIRE!

DON'T WANT TO SPOIL YOUR GAME, McCANNY, BUT YOU AND YOUR WIFE OWN MOST OF THE SHARES, SO EVEN IF YOU GIVE THEM AWAY WHILE YOU'RE ALIVE THERE'LL BE A LOT OF CAPITAL TRANSFER TAX TO PAY...

IF YOU PUT £2000 A YEAR INTO ONE OF SCOTTISH PROVIDENT'S SPECIAL POLICIES THERE'LL BE A HEFTY TAX-FREE SUM TO TAKE CARE OF THE PROBLEM.

WELL DONE, McSHREWD...

...BUT DON'T WORRY...

THIS MEANS WE CAN GO ON MAKING MINCEMEAT OF OUR COMPETITORS - OOF. ACME HAGGIS

SCOTTISH PROVIDENT

You call it canny, we call it Provident.
ANALYSIS
of an
ENDOWMENT POLICY

There have been a number of 'witch hunts' on the television and radio of late and I decided to carry out an analysis of a 25-year Endowment With-Profits policy in order to see whether or not these attacks were justified.

says

DAVID LINDSEY

At first sight the attached table seems to be just another boring set of figures, but when correctly interpreted it becomes very interesting.

I took the case of a man of 35 taking out a 25-year Endowment With-Profits policy with what I would term a "high average" life office. Only the premiums vary with age. The Sum Assured, Paid-up Values and Cash Surrender Values are not affected.

It will be seen from the table that if the policy is cashed at the end of the third year, the Cash Surrender Value will be £1,071 against net premiums of £1,155-33, so the loss is not nearly so catastrophic as the pundits claim. Of course that is not the full story, because there would be the matter of clawback of the tax relief which would amount to £192-55 in this case, leaving £878-45 in the hands of the policyholder. Not so attractive, but the fault lies with the Revenue, not with the life office.

After the fourth year, the clawback amounts to the tax relief obtained in that policy year, so in this case the clawback will never be higher than £81-69 after the fourth year.

It can now be seen that the Cash Surrender Value equals the net premiums paid some time during the tenth policy year.

The Cash Surrender Value equals gross premiums paid some time during the sixth year of the policy.

From the eighth year onwards, the increase in the Sum Assured each year is greater than the gross premium, i.e. the premium is less than the profits being added each year.

When one considers net premiums, this situation occurs as early as the third year!

The Cash Surrender Value equals the Sum Assured at some time during the sixteenth year. A mortgage could be cleared at this point if necessary, though it would be poor economics to do so.

From the fifteenth years onwards, over £1,000 per annum is being added to the Cash Surrender Value each year. The net premium is still £385-11 per annum. From the twentieth, this figure is over £1,500 per annum increase in C.S.V.

Tax-free profit over gross premiums paid would be £16,072 and over net premiums paid it would be £18,115.

(continued on page 30)
Frederick Forsyth's Rolex is like his novels. Tough, accurate and very stylish.

The facts are drawn from his own many experiences as a front-line war correspondent; the fiction, from something the craftsmen at Rolex appreciate only too well—a sense of style.

Frederick Forsyth wears a Rolex Day-Date watch.

In 18ct. gold, with matching bracelet, it is certainly easy on the eye.

But, as he explains, it is also immensely practical.

"I can wear my Rolex all the time. I never have to take it off, even to use a chain saw. Nothing seems to bother it."

At home—a magnificent house set in 25 acres of County Wicklow, _The Garden of Ireland_—he enjoys the occasional after noon's shooting—but only for wood-pigeons.

Apart from his Rolex, Frederick Forsyth is particularly pleased with the coat you see him wearing in the photograph.

He spotted it in a shop in London, and asked of what fur the collar was made. The assistant told him.

"Jackal."

Frederick Forsyth is not a prolific writer.

To date, he has only written three full-length novels. And yet _The Day of the Jackal, The Odessa File_ and _The Dogs of War_ have all become instant bestsellers around the world.

Already, his first two books have been made into successful feature films.

Forsyth's writing is characterised by a blend of uncannily authentic detail and superb story-telling.
In this two-part article

KEN CLARK

explains the latest position

Part 1

THE BUILDING SOCIETIES' ATTITUDE TO COMMISSION

"The Building Societies Association has written to its members telling them not to claim commission on any life assurance deal linked to a mortgage that has been arranged by a broker. In a confidential circular, the BSA says that their members should ask only for commission on policies arranged without any help from brokers."

When I saw these paragraphs in an article by Robert Langton that appeared in the Evening Standard on September 9th, 1976, I thought perhaps one of the major issues causing concern to our members might be resolved, but there was a further paragraph that cast some doubts on my conclusion.

Mr. Langton went on to say that life assurance men were worried because they thought many local building society managers would ignore the call, and still "push for their commission when handling some of the 150,000 annual life assurance links to new mortgage policies".

Clearly, some fact finding was called for, so I wrote to the general managers of some leading building societies drawing their attention to this article and asking for their Society's policy.

The replies were illuminating and justified Mr. Langton's scepticism. In fact, there is no common policy among the Societies I wrote to although, to their credit, one or two are prepared to abide by the recommendations (not instructions) of the BSA.

Extracts of the replies I received are reproduced, and you will notice that some appear to have been written by building politicians—the authors have that ability to put together two or three paragraphs without managing to say anything at all!!

I do not propose to comment on each letter received, but I think it is fair to spotlight the Alliance Building Society. Their reply is unequivocal, and they are to be congratulated for the clear-cut attitude they have to this matter. What a pity more societies are unwilling to adopt this refreshing approach.

I hope the reply from the Provincial Building Society represents a change in official policy. My personal experience of their local branch is in direct conflict with the claims made by Mr. Mason.

As recently as the 27th September, one of my colleagues offered a mortgage application to the Ipswich Branch of this Society, only to be told that not only were they unwilling to share the commission they would only accept the application if they had it all!

Some months ago, a client who had been a long-term investor with the Provincial approached the local branch for a mortgage, and when he said I would be arranging the insurance, he was informed that, in that case, I could place the mortgage as well—elsewhere!

I am sure you all agree with the Nationwide, who strongly deprecate the practice of mortgage applicants having to pay a procurement or commitment fee. I cannot envisage any circumstance where this practice can be justified by a life assurance agent, nor do I condone the policy of insisting on life assurance as a requirement for placing the loan.

Certainly, our responsibility as life assurance salesmen is to draw our client's attention to his life assurance needs, and to persuade him to cover his liabilities and commitments. If we cannot persuade him, then we should take the long-term view that one day he will come back to us, and we will do business for him.

I have always followed this policy, and it works. Yes, it means that there have been times when I have placed a mortgage and earned nothing—or at least earned no money; but I believe I have gained the respect of the applicant, and this has been justified in referred leads, or in writing business for the client himself in subsequent years.

The Association would be very interested to learn of your experiences with the local Branches of the Societies we approached, because we are still building up our portfolio of information on this subject to present to the Department of Trade. Should you experience difficulties with the societies in your area, you might find it helpful to have copies of the original letters we received.

You can obtain a complete set by writing to Keith Williams at Headquarters, enclosing a cheque or postal order for £2 to cover the costs of copying and postage.

There is one further point: if we can introduce investment funds to a building society, it will clearly help to establish a working relationship with the local manager which must operate to our ultimate benefit. We should seek to do this, because it will then be much less likely that we shall be faced with demands for an excessive share of our commission.

We shall continue to build up our file of correspondence on this subject and a pro-forma is enclosed for your use, which refers to banks as well as building societies. We do know that the Office of Fair Trading is taking a close look at both these institutions, and it may be that an announcement will appear in the papers shortly.
6th Annual Life Insurance Sales Congress

25th & 26th November, 1976
Odeon Leicester Square, London

Thursday and Friday. Main Platform Speakers

- George R. Merchant
  Speaker How to Sell Million
  George Merchant is well known among insurance and salesmen for his method of selling life insurance. He is a man whose ideas and techniques make him one of the outstanding sales producers.

- Lyle L. Blessman
  The Challenge of Successful Salesmanship
  Unquestionably one of the industry's top sales producers, Lyle has a unique ability for creating sales opportunities that produce enormous cases in the business and most successfully.

- Betty Packard
  The Ultimate Gift
  Betty is one of the industry's top sales producers. She has a unique ability for creating sales opportunities that produce enormous cases in the business and most successfully.

- Mun Charn-Wong, CLU
  Men, Method, Motivation
  One of the most exciting underwriters in the Western hemisphere. His dynamic ideas have set thousands of men on a successful career pattern.

Moderator:
- Delwyn Dennis, OBE, F.Inst.M
- John West, ACII
- Jack Freedman
- Gordon Scott

Thursday afternoon. Concurrent Sessions
To be held at Piccadilly Hotel, London, W1

For further details contact your branch manager now or write to Irene Robertson, 6th Annual Life Insurance Sales Congress 7, Stratford Place, London W1A 4YU. Tel: 629 6618
Alliance Building Society

IT GIVES ME SOME PLEASURE TO INFORM YOU THAT IT IS THE POLICY OF THIS SOCIETY NOT TO CLAIM INSURANCE COMMISSION ON ANY LIFE POLICY LINKED TO A MORTGAGE WHERE IT HAS BEEN ARRANGED BY A BROKER.

This is a stated policy of the Alliance, and has received complimentary reference in the news media.

Signed: M. Leadley, Deputy Chief General Manager.

Anglia Building Society

I had in fact seen the article in the Evening Standard and was not impressed by the standard of journalism as it had every appearance of trying to stir things up, as is unfortunately the present tendency.

IT IS NOT THIS SOCIETY’S POLICY at the present time, nor has it been, TO CLAIM COMMISSION ON LIFE INSURANCE POLICIES ARRANGED BY A BROKER although we are prepared to accept part commission if this is offered by the broker.

Signed: P. W. Wilkinson, General Manager.

Bradford and Bingley Building Society

In response to your enquiry may I confirm that the Society will follow the practice which it has previously followed. Our practice is that where our staff introduce business directly to the Insurance Companies then we expect to receive commission on the business introduced.

Signed: Deputy General Manager and Secretary.

British Building Society

In reply to your enquiry, where a proposal is received from an applicant who requires a mortgage advance under the endowment plan and the life policy has already been arranged by a broker, then the Society does not insist on payment of commission in respect of the endowment policy.

Signed: Deputy Manager.

Gateway Building Society

I cannot trace that the Society has any connection with your Organisation nor is it clear to me who your Association represents.

The Society’s policy in this matter was recently conveyed to Mr. Robert Langton.

Signed: G. Neilson, Chief Mortgage Controller.

Halifax Building Society

The Building Societies Association have issued a circular to all Societies as to the acceptance of commission on life assurance policies issued with endowment mortgages. The Society’s instructions to its branches do not contain any requirements which would contravene the spirit of the advice offered by the Association. Our policy therefore remains unaltered although we propose to take this opportunity to remind branch managers of the requirement.

As the Society’s relationship with different brokers varies considerably it is LEFT TO OUR LOCAL MANAGERS TO DECIDE IN EACH CASE WHETHER THE SOCIETY IS ENTITLED TO CLAIM THE COMMISSION OR A SHARE OF THE COMMISSION and, as far as we are aware, this arrangement works satisfactorily.

Signed: E. L. Thompson, Assistant General Manager.

Hastings and Thanet Building Society

I should make it clear that it is the Society’s policy to pay careful attention to all Private and Confidential Circulars sent to us as Members of the Building Societies Association.

Signed: E. W. Argent, General Manager.

Leeds Permanent Building Society

I have seen the piece by Robert Langton, but if what you say is correct, then he appears to have relied upon information which is not entirely accurate. The Building Societies Association does not “instruct” its members how to conduct their affairs—it simply offers guidance and advice on matters of common and collective interest.

My own Society keeps its branch managers fully informed on matters of policy and procedures so that they can deal with each individual enquiry on its merits.

Signed: W. Leonard Hyde, Chief General Manager.

Leicester Building Society

I can advise you that any commission sharing arrangement which we would have with a broker would be an amicable one with the best interest of the borrower always being regarded as paramount.

Signed: B. N. Eckhard.

Nationwide Building Society

The Society’s policy in regard to commission on endowment life assurance policies has been in existence for many years and is well known to all our Branch Managers, and from which there is no deviation. IT IS RECOGNIZED THAT AN INSURANCE BROKER IS ENTITLED TO RECEIVE THE COMMISSION DUE IN RESPECT OF A LIFE ASSURANCE POLICY ARRANGED BY HIM. In furtherance of this, the Society strongly deprecates the practice of mortgage applicants having to pay a procurement or commitment fee.

Signed: D. W. Brewer, General Manager (Operations).

Provincial Building Society

I can assure you that it is the intention of THIS SOCIETY NOT TO ACCEPT SHARED COMMISSION FROM BROKERS. I can certainly say that this is not asked for by this Society, but we do nevertheless find there are occasions when a share of the commission is offered and where we feel justified in accepting it. I can, however, reassure you that I would much PREFER A SITUATION WHERE THE COMMISSION WAS NOT OFFERED.

Signed: Mr. Mason.

Walthamstow Building Society

I confirm that on the very few occasions we deal with Brokers WE ALLOW THEM TO ARRANGE THE NECESSARY LIFE COVER FOR OUR APPLICANTS AND WE MAKE NO ATTEMPT TO SHARE THE COMMISSION.

Signed: General Manager.

Woolwich Equitable Building Society

No rules have been laid down in respect of endowment mortgage business introduced by brokers. It has been left to the individual Managers concerned to negotiate commission terms, as obviously some adjustments may be necessary due to the nature of the business carried out by your members.

Signed: Alan A. Moore, Marketing Manager.
Part II

THE BUILDING SOCIETIES AND THE OFFICE OF FAIR TRADING

Since I completed the article, there has been considerable press publicity over the voluntary agreement reached between the Office of Fair Trading and the Building Societies’ Association. At first sight, it seemed to be a satisfactory agreement, which would be welcomed by the life insurance industry, but all the press comment I have seen failed to bring out the full story.

Let me first quote from the press release issued by the Office of Fair Trading:

New arrangements about endowment mortgages have been agreed between the Office of Fair Trading and the Building Societies’ Association. This was revealed today (Tuesday, 19 October, 1976) by Mr. Glaves-Smith, Deputy Director General of Fair Trading.

In June last year, the Office of Fair Trading and the Building Societies’ Association agreed that new applicants for building society mortgages should be given some choice of insurer for the insurance on their property and an opportunity to nominate insurers of their own choice. This provoked a considerable volume of correspondence and many complaints were made to the OFT about the way that some building society offices had acted in connection with endowment mortgages and, in particular, about commission earned on the sale of life insurance policies.

Addressing the annual conference of the Metropolitan Association of Building Societies in Eastbourne today, Mr. Glaves-Smith said:

“I have discussed these complaints with the BSA which has now issued guidelines to its members. The new arrangements should ensure that applicants can use suitable existing endowment policies as security for endowment mortgages or can use the life insurance companies of their own choice, provided certain safeguards are met. It would also provide a check on the arrangements which may have been used by all the branches of building societies to all the endowment method of repayment in the policies of particular companies.

“Concerning commissions, building societies should not expect to share in endowment policy applications when an applicant for a mortgage has arranged an endowment policy independently of, and prior to, the mortgage application. In other circumstances, the sharing of commissions may be permissible.

Mr. Glaves-Smith added: “This agreement holds out the prospect of more flexible arrangements for mortgage applicants. I hope that building societies will give full effect to the arrangements quickly; I shall certainly be interested to see how well the new arrangements work.”

Details

The detailed arrangements—which are voluntary—are:

—when an applicant has an existing endowment policy before approaching a society, the society should take the policy as additional security, provided that the policy itself is suitable and the company writing the policy is acceptable; —when an applicant nominates a particular life insurance company which is not usually recommended by the society, the society should accept the company, provided the policy and company are satisfactory, and should not put pressure on the applicant to deal with one of the companies it normally recommends; —societies should not refuse to accept policies from companies solely because the companies do not pay commission; —societies should not put applicants under pressure to accept endowment mortgages and, where appropriate, should offer applicants a choice of an endowment or repayment mortgage. A society should never insist on an endowment mortgage as a condition of making an advance and should not offer a larger advance on an endowment mortgage than on a repayment one (unless the endowment policy has a cash surrender value); —staff in a building society branch office should be trained to offer advice in general terms or at least to seek advice on insurance questions from their head office. Staff should always caution borrowers that an insurance company’s past bonus record cannot be guaranteed to continue; —when a society itself arranges an endowment policy (whether or not with a company nominated by an applicant) or when a society introduces an applicant directly to an insurance company, the society is entitled to claim commission; —where an acceptable endowment policy is arranged independent of and prior to a mortgage application, societies should not normally expect to share the commission earned on the endowment policy. In circumstances where an endowment policy is arranged in connection with a mortgage application, the building society may be justified in sharing the endowment commission earned by another intermediary (e.g. a solicitor, a bank or a broker). If commission is shared, the building society will need to take account of individual circumstances (e.g. a professional relationship between the intermediary and the applicant) and the best interests of the applicant will be paramount.

Acceptable

The Building Societies’ Association have pointed out that where a would-be borrower arranges an endowment policy with the intention of linking it to a building society mortgage in due course, he and his adviser should always make sure that the proposed policy is acceptable for building society purposes before the policy is concluded with the insurance company.

Applicants for building society mortgages should always ensure that any intermediary used when arranging an endowment policy is reputable, and that any policy which is claimed to be acceptable to building societies is indeed acceptable to them (e.g. by contacting a society or by ensuring that the intermediary’s advice is set out in writing).

Individual complaints about possible non-observance of the arrangements should be addressed to the head office of the building society concerned.

Just what has this so called voluntary agreement achieved?

Firstly I think it has given building societies carte blanche to set up their own insurance division, by referring to the training of staff in building society branch offices to offer advice on insurance questions. I do not need to stress that advice on life assurance should only be given by people who are experienced and fully trained. The press release refers to the best interests of the applicant and
We cannot accept a situation where professional life insurance men trained and equipped to handle complicated technical matters have to compete with unskilled competitors who have been given a seal of approval by a government department.

There is another part of this press release that disturbs me considerably. We read that where an acceptable endowment is arranged independent of and prior to a mortgage application, the society should not normally expect to share the commission earned on the endowment policy.

What will happen? The unscrupulous "intermediary" will persuade young couples to take out an endowment policy regardless of their circumstances, rather than advise them to invest the maximum sum they can manage with a building society as a form of savings for their deposit. The insurance division of the building society may themselves start selling endowment policies to new investors to make sure they secure their share of the commission when ultimately a mortgage is required.

It is interesting that societies are told that they should not refuse to accept policies from companies solely because the companies do not pay commission, and yet they are allowed to demand a share of the insurance commission from a broker who has arranged an endowment policy.

I am told that this agreement was made solely between the Building Societies Association and the Office of Fair Trading. It seems incredible to me that the life insurance industry was not represented at these discussions. Responsible life insurance men should be extremely concerned at this development because clearly the interests of the public have not received any real consideration.

The agreement relates only to the interest of the building societies, creating close on a monopoly situation, and surely a potential breach of Article 86 of the Treaty of Rome dealing with the abuse of a dominant position in the market place.

Finally, there is no mention of the rate of commission that building societies will enjoy when they arrange endowment policies themselves. Many of you will know that the societies receive anything up to 60% commission on fire insurance premiums which is considerably in excess of normal commission scales, and many wonder whether they will not now claim a similar heavy commission on life assurance policies.

### ANALYSIS of an ENDOMENT (continued from page 24)

The Maturity Value of the policy applied to an annuity at age 65 would produce £4,855 at current rates each year for the rest of the policyholder's life, although an annuity is not always the best thing to go for. There would be no Paid-up Value or Cash Surrender Value during the first two years and this upsets some people. It is interesting to note, however, that in the event of a death during this period, the beneficiaries would prefer to have the Sum Assured rather than a return of premiums.

### MAN AGED 35 NEXT BIRTHDAY. £10,000 ENDOWMENT WITH PROFITS

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Maturity Value £24,194 + Terminal Bonus £3,848 = Total Maturity Value £27,742
What's a successful professional like you doing reading a recruitment advertisement?

Could it be that you are not allowed to be as successful as you would like in your chosen field?

If this is so then come on over to the Transinternational side.

The reason is, we've got the most flexible range of insurance products and more and more customers are opting for them because we are continually up-dating them to meet changing needs.

Our attitude to our own team members is just as advanced. We expect and encourage everyone to be motivated to enjoy as much annualised commission as they can generate—and we expect them to revel in being truly professional.

Nobody is held back. We encourage people to progress to a stage of greater financial independence and personal satisfaction than is possible within any traditional organisation.

If first impressions of us interest you, write or telephone in confidence to one of the Regional Development Managers listed below:

North London/Essex Beds/Oxford
Len Smith,
North London Development Centre,
Broadway Chambers,
1 Cranbrook Road,
Ilford, Essex.
Tel. No. 01-553 1822/3/4

Midlands and the North
Ivan Coward,
Northern Development Centre,
4th Floor, Warwickgate House,
Warwick Road,
Stretford, Manchester, M16 0QQ
Tel. No. 061-872 3283

South London/Surrey/Sussex/Kent
David Hall,
Southern Development Centre,
Rawplug House,
147 London Road,
Kingston-upon-Thames,
Surrey.
Tel. No. 01-549 5977/8/9

Avon/Glos/W. Country/S. Wales
Terry Elwick,
South West Development Centre,
41 Corn Street,
Bristol, BS1 1HT
Tel. No. 0272-290 121/2/3

For other areas, please write in to Mr. V. P. MacCormac, Director of Sales and Marketing to the address below:

Transinternational Life

Insurance Company Ltd.
Head Office & Regd. Office—
2 Brown's Buildings, London EC4A 1NU
Tel. 01-405 6457

A member of Transamerica Corporation.
It could be 50 years get another clara
Exactly 50 years ago, a man called Hans Wilsdorf perfected the Rolex Oyster, the first case ever to provide wrist-watch mechanisms with complete protection against water, dust, dirt, and shock.

Since then, Rolex have gone on to pioneer virtually every major breakthrough in watch technology.

And Rolex owners themselves have made history in their particular fields; men like Lord Hunt, Sir Francis Chichester, Jackie Stewart and Yehudi Menuhin.

The Rolex Awards for Enterprise.

Now, to mark the 50th anniversary of the Oyster case, Rolex have created the Awards for Enterprise. Their aim, to finance projects which display the same spirit of enterprise shown by Rolex, and Rolex owners, over the last fifty years.

Entries are invited for projects involving Exploration and Discovery, Applied Science and Invention or The Environment.

250,000 Swiss Francs.

The Rolex Awards for Enterprise consist of just five awards, amounting to 250,000 Swiss Francs. In October 1977, the five award-winners will be invited to Geneva, where they will each receive a cheque for 50,000 Swiss Francs.

They will also be presented with a specially inscribed Rolex chronometer, which together with the Award may prove helpful to the successful completion of their project.

How to apply.

Please submit your entry as soon as possible, but in any event it must be received by 31st March, 1977.

A special booklet is available, which more fully describes the Awards for Enterprise, and the background to them.

This booklet can be obtained from selected Rolex dealers, the Rolex office in your country or by writing to: The Secretariat, The Rolex Awards for Enterprise, PO Box 695, 1211 Geneva 1, Switzerland.

Simply enclose your name, address and a brief description of your intended project.

But do it soon.

It could be 50 years before you get the chance again.
M.D.R.T. NEWS

by KEN CLARK

It always seems to me we are hardly back from one annual meeting of the Million Dollar Round Table before we are deep in preparation and planning for the next one.

For those of you who want to be in Atlanta in June 1977, the first step is clearly to qualify for membership of the 1977 Table and you have until the 31st December to do just that.

Qualifying members and provisional applicants from the 1976 Table will be receiving application kits from MDRT in the next week or so and you will know the final date for submission is the 1st March. [Please make a special note of that because every year there are some qualifiers who leave it too late—and with the MDRT, too late is too late.—Editor]

People applying for the first time should write to the Million Dollar Round Table enclosing a remittance for 15 dollars and asking for an application kit. The easiest way to make your remittance is to ask your Bank for an International Money Order which they will prepare for you and debit the sterling equivalent to your account.

LIA Membership

This year, for the first time, all United Kingdom applicants for the Million Dollar Round Table must be paid-up members of the Life Insurance Association. All applications will therefore need to be sent to Chorleywood for certification by the Executive Officer on behalf of the LIA and you must allow for this in your planning.

Persistence

You will not have to prove persistence this year because, as a result of the ballot among members, the requirement has been suspended for a period of two years. We all had considerable trouble in the United Kingdom last year meeting this requirement, and it is a relief not to have to do it this time.

Conversion Rate

I had hoped to tell you of a change in policy relating to the conversion rate, which this year is 2.02 dollars to the pound. Many of us feel we are suffering unfairly compared with those applicants who use dollar currency.

When MDRT first increased the qualification requirement to $1½ million, our conversion rate was $2.27. By January 1st, 1977, it could be one dollar to the pound.

Even at today's rate of $1.65 (12th October) the requirements for next year would be £760,000 an effective 39% increase over what it was two years ago.

However, it seems that the Executive have decided against a change of policy, which is very disappointing. Both Clive Holmes and I will be expressing our views to the Executive on this problem, and I will announce any variation in the rate should one be agreed.

Let me make one thing clear: the figure you are working on this year is $2.02 equal to £618,812.

Travel Arrangements

We are hoping, early in the New Year, to announce details of a charter flight, although our experience in the past has been quite disastrous. So many people seem to make their own arrangements involving an extended stay in the United States, and it is extremely difficult to put together a programme that will attract enough participants. However, we will try again in 1977 and, as our membership increases, we may find it easier to put together an attractive package.

Tax Relief

Annual membership subscriptions to the Million Dollar Round Table are eligible for tax relief. Should you have any difficulty with your local Inspector of Taxes, please ask me for further details.

MDRT Literature

I am often asked whether literature published by the Million Dollar Round Table can be purchased by non-members.

It most certainly can, and the cassettes recorded at the annual meetings are also available.

I think everybody who listens to the cassettes finds them a marvellous source of re-motivation, re-rededication and sales ideas. Even if you have listened to the talk previously, it is surprising how much more you hear the second and third and fourth time. An idea that had no application to your business when you first heard it might now be just the thing you are looking for to solve a current problem or to set you off on a new track.

If you have never heard an MDRT tape, then believe me you are missing a tremendous opportunity to share knowledge and ideas with some of the greatest Life Assurance salesmen in the world.

If you write to me, I can let you have a list of the publications and tapes that are available and you can place your order direct with the Million Dollar Round Table.

MDRT Lunch

During the 6th Annual Life Insurance Sales Congress which is being held on the 25th and 26th November, a special luncheon will take place for members of the Million Dollar Round Table and Fellows of the Life Insurance Association. We had a full house last year and many people were disappointed, particularly when they heard of the talk given by Ron Barbaro.

We have another mystery speaker this year and, if you do not want to be disappointed, then I suggest you complete the booking form enclosed with this issue of PROSPECT and return it to me without delay. This year we will not be selling any tickets at the door, therefore pre-bookings are essential. We are limited to numbers and I shall deal with applicants on a first-come first-served basis.

A Little Extra Effort

I am convinced that many of you reading this column could qualify for membership of the Million Dollar Round Table if you increased your effort and went that little bit harder. I know the goal looks gigantic when it stretches ahead of you, but as you get nearer the qualifying figure you will find yourself carried along by a momentum that will take you over your target. In the second year, the goal does not seem quite so large and if you set your sights high enough and believe that you can do it, you'll find that you will.

I remain convinced we should have more than 500 members from the United Kingdom and, during 1976, the total was 212, if we include the provisional applicants. If you have any doubts as to the value of membership, talk to anybody who has been to an annual meeting. You will find members very willing to share their knowledge and experience with you and their enthusiasm will be catching.

You will get an impression of an annual meeting from the 6th Annual Life Insurance Sales Congress and hear many references to the debt members owe to the organisation. It is truly a way of life as well as a measure of achievement in your chosen profession; each and every one of you has the capability of meeting the qualification requirements and you will be denying yourselves the chance of a life-time if you do not take advantage of the opportunities available to you.
LIFE
INSURANCE ASSOCIATION

Roll of Honour

The Association is pleased to announce that, since publication of the last issue of PROSPECT, the following have qualified to use the designatory letters F.L.I.A.

G. HUNT
D. HALE
J. HUMPHREY
J. HAZELL
J. HANDAAR
D. HALL
C. JONES
J. JOLLY
G. KESHEISHIAN
R. KYLE
D. KERALON
B. KENDALL
J. KENNEDY
B. LADD
T. LONG
C. LINSDELL
J. LESSING
M. LOFTHOUSE
M. LAWSON
B. LOPEZ
A. LOTHIAN
B. LAWSON
R. LEVITT
K. McCARTNEY
G. MCCOURT
R. MILLER
Mrs. Amy MITCHELL
A. McCOLVILLE
B. K. MONAGHAN
G. MOWBRAY
G. MEPPEN-WALTER
R. MACINTYRE
M. MCCRELAIN
E. McDEVITT
B. MAYNARD
J. McKECHNIE
R. MASON
A. MATALIA
B. MERRYMAN
P. MOTSON
R. NASH
B. G. PARSONS
D. PREECE-JONES
S. PINNOCK
V. PARRY-JONES
D. PRITCHARD
N. QUILLEY
D. RAJA
M. ROSENWEIG
A. REES
T. RUSBRIDGE
R. STEPHENSON
J. STAFFORD-HAWORTH
D. SHAFAR
J. SMITH
M. STACEY
A. SPRIGGS
P. STANNARD
G. S. STONEY
G. TEMPERLEY
A. TAREHANE
P. TEMPLEMAN
J. WALKER
D. L. WILLIAMS
B. WATTER
R. WITIKIN
J. WAKE
L. WEBB

The following have qualified to use the designatory letters A.L.I.A.

D. GUGGJARI
R. GILL
D. GREENHILL
S. HOLT
P. G. HARROLD
K. HOLDSWORTH
J. HUNT
D. JACKSON
M. JETHWA
P. JOSLYN
R. KENNEDY
C. LODER
G. MOWBRAY
H. MORRISON
A. MILES
C. MORRIS
M. PINTO
D. POWELL
G. POUYER
F. POVEY
M. RACE
A. RIMELL
F. RANDALL
E. REDWOOD
R. RATRAY
J. STEKES
J. SAXON
Miss B. SCOTT
F. TOWERS
L. WARWICK
A. WARMINGTON
A. S. ZUBIEL
"THERE ARE TEN STRONG THINGS—
IRON is strong but FIRE melts it:
FIRE is strong but WATER quenches it:
WATER is strong but CLOUDS evaporate it:
CLOUDS are strong but the WIND drives them away.
MAN is strong but FEAR casts him down:
FEAR is strong but SLEEP overcomes it:
SLEEP is strong yet DEATH is stronger,
But LOVING KINDNESS survives even DEATH."

From "The Talmud"

HLVC—
Human Life Value Concept

by Vincent P. MacCormac
Director of Sales and Marketing, Transinternational Life

This article originated as a talk to LIA members in Liverpool.
It is one of those articles that abundantly repay repeated re-reading. It is written by a man whose heart is in his business and in his pen, whose heart comes, through his words, onto his sleeve.
It is a perceptive, sensitive, almost tender, development of the theme of the worth of a human life in the different contexts that concern our Industry. In it the Author pleads powerfully for a more imaginative approach to the development of term insurance as the indispensable instrument of family protection; for highly-trained salesmen as the advocates of the widow and orphan; and he emphasizes the importance to the salesman of developing his own essential professionalism by associating with fellow-professionals.

The principles behind the Human Life Value Concept (HLVC) are not new. The term was coined by the founder of the American College of Life Underwriters, Dr. S. S. Huebner, some 20 years ago, and is contemporary with the idea of Needs Selling. To understand how they are destined to have a profound effect on your future careers—assuming that those careers continue in the life insurance industry and that they are destined to last longer than just a couple of years—you need to see both in a broader and more meaningful way.

First let us examine the natural development of life insurance in any society.

The "product" follows the trend: "Burial Insurance" to "Investment Insurance" to "Protection Insurance".

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This is understandable when you consider that the first need is for death insurance, but to present the client with the prospect of his own untimely demise is an unpleasant act, very hard to swallow, and affects both buyer and seller. There was an understandable reluctance on the part of the public to discuss insurance, and naturally a reluctance on the part of salesmen to broach the subject.

An alternative approach was required, and the happily obvious one that presented itself was that of “cash value” insurance, from which sprang a veritable host of policies based on the idea of investment, savings and the idea of saving for the day, and guaranteeing that you might, the day, the final goal would be achieved in any acceptable way.

Let me state right away that I am a firm believer in the value of “Cash Value Insurance”. Any comment I make critical of this type of insurance is based purely on the prominence it achieved at the expense of low-cost term insurance and, more importantly, the way attitudes were created which, to the detriment of the public, helped and played down the true value and use of imaginatively designed term products to the point that the wonderfully thick, mysterious agent’s rate book was only opened at one or two pages. (I don’t mean the agent was mysterious or thick—just the rate book.)

The value of the approach, however, was that the presentation was less harsh, the acceptability more obvious and, in that respect, nearly everyone gained.

Nearly everyone? Remember, the alternative was considered in the heyday of investment when inflation was virtually unknown, with the result, certainly, that more people owned some insurance, but most people owned too little insurance—the 1975 average adult owned £1,962 of life insurance. And too many people owned no insurance, either because they could not afford the “cash value” insurance premiums, or because there was no one to tell them of any alternatives; and there was no salesman to tell them because companies did not train anyone to tell them, or make it worthwhile for the salesman to learn to tell them. Apart from which, who wanted to tell them, when it was already accepted that it was certainly more acceptable not to present a man with the picture of the inevitability of his own death?

But more than one force acts on society. Two other factors bear close consideration. One is that, as a society develops, a trend occurs in the family unit that demands a change in approach and an opportunity for the sale of “protective insurance”. There is a move away from the idea prevalent in older cultures (say European) that family security is a family matter.

How often do you find grandparents living with offspring and grandchildren? How responsible would your mother’s husband feel for your well-being? Money, appropriately, replaces people as the instrument of family security, and the vital switch occurs in that the responsibility for providing that security of money moves from dependants or remaining family, and devolves squarely on the shoulders of the breadwinner, be the breadwinner father, mother or, as is most likely, a combination of both!

The true worth of the mother, as wife, helpmate and counsellor to the family, is distressingly underestimated. In a sale, we may argue that no wife can truly see herself as a widow, or that no widow disbelieves in life insurance, but how often do we argue that no man and no child can truly visualise the calamity and void created by the loss of the wife and mother? Certainly, as the stresses of Society grow and the need for income and efficiency becomes more critical, the contribution of the wife and her need to protect her true human life value for the benefit of her loved ones becomes vital.

The second factor is Inflation. The sword of inflation is double edged—it not only eats inexorably into the distributable income in the wallet, it also vastly increases the need for larger amounts of insurance cover payable at death to meet the soaring demands of the dependants. What possible use can £1,962 be to any family, other than in the year 1876? And if inflation halves the value of money every ten years, what real value is there in a £10,000 policy 20 years from now? Two companies have demonstrated imagination in developing Index-Linked Term Insurance to combat the possibility of health hazards preventing effective action to replace the lost value in the future—but notice the number of companies and notice that the product could not be a “cash value” one.

So what of the Human Life Value Concept now? The problem is, the breadwinner NEEDS a large amount of death cover, yet we have already admitted the reluctance to discuss DEATH. The real use of the HLVC is now evident. By stripping the man of his emotional involvement in his future (or lack of it!), we evaluate his capacity to create an estate in terms of the income he would expect to earn in his lifetime. Instead of avoiding the issue of a man’s true value FROM HIS FAMILY’S POINT OF VIEW, we accept it, but present the man as a money-making machine, and adjust his life to consider promotions and inflation in a normal working lifetime.

As I said, this concept is not new—it was invented some 20 years ago as an alternative method of presenting the man’s Death Insurance Value without the pain of emotional confrontation, and without ducking the issue as to how much insurance that really represented.

It accepts that Life Insurance is not bought because someone will die, but because others will live and need desperately the security of a guaranteed adequate income!

How then does this impinge on you and your careers? The “triangle of responsibility” comprises the Public, the Salesman, and the Company. We have seen that, in order satisfactorily to protect the family, a breadwinner must fully insure his Human Life Value—because of inflation and despite inflation. Sheer economic necessity decrees that there is no way that he can do this without the use of large amounts of realistic, flexible, renewable or adjustable Term Insurance. The fact that such products may not be readily available in the UK is a matter that should concern all of us—they are available in the US and Canada.

It was once disparagingly remarked at a conference that European capitals were besieged by blue-rinsed wealthy American widows spending the insurance money. How apt, and how dreadful, that British widows are not so much in evidence anywhere except the Women’s Guild’s monthly tea party! And there is no way the client can get this (as part of an overall plan of tailor-made insurance) without the presence of a large, active,
articulate and highly-trained body of men dedicated to seek out, educate and persuade the reluctant to face the facts of life—and of death.

So what is the Human Life Value Concept of the salesman? How can he be motivated to market, as opposed to "flog", life insurance if no-one listens to his assessments of what the public needs and is demanding? How can he volunteer to enter the wilderness preaching love and concern and "insure as you must" if, when he returns home, his compensation is so unrealistically low that it threatens his own security?

And how can a company hope to encourage the sort of man who thrives on challenge, drives through obstacles, seeks to change, and needs to pioneer, if it stifles initiative, directs policy from the back rather than the front, always knows best and is never—ever—willing to risk a mistake and will therefore never willingly act on an inspired opinion? In short, it can't!

But the salesman is not without responsibility—he is the advocate of the widow and the orphan. He cannot take the "soft" option without hurting the innocent who depend on him. There are two kinds of people in the world: those who want to be something and those who want to do something. You will find there is far less competition in the second category!

I believe in the salesman—it is no accident or coincidence that those countries that enjoy the highest levels of life insurance per capita are also those with the most highly trained and effective sales forces. It is no coincidence that the most effective sales forces have developed in those nations where encouragement of individuals and private enterprise exists and where the "possible dream" is a reality for those who strive successfully. Those who have's" and "have nots" find their origins in the "haves" and "did nots". No-one should be afraid of dreaming big dreams—they have a funny habit of coming true as often, even, as little dreams.

unswerving determination

But you can't dream yourself into being a professional. Professionals are not born—they work at being professional. Horn-rimmed glasses do not make a professional, nor does a gold ball-point pen! Integrity, concern, learning and an unswerving determination to attend to detail mark the professional. Most importantly, however, it is the professional, not the amateur, who influences events to favour his client. He is demanding of others for the well-being of his client, and he questions and probes, never accepting anything as inevitable when the care and comfort of his client is concerned. And he associates with professionals, so that they may, in concert, exert influence and effect changes.

And what of the Companies? If the companies only pay lip service to the development of the agent, to supporting him and compensating him, to encouraging him and listening to him, to urging him and believing in him, then companies will retain the salesmen they deserve and lose continuously the salesmen who might have made them great and kept them great. And by "company", I do not mean just insurance company, but anyone who has the management and direction of salesmen, be he agency manager, branch manager or entrepreneurial broker.

You ignore the Human Life Value of the client at your peril. He ignores it at the peril of all who depend on him. You ignore the Human Life Value in your salesman at your peril—the dignity of human worth is deep in him too, remember. Be you manager or salesman, you ignore the Human Life Value in yourself at your peril.

If you do not see the choice that faces you of meeting real needs with real solutions, if you do not demand of those in authority the correct tools for the job, with realistic compensation to do a thoroughly professional job, if you underestimate your real value to the community, then in the end you devalue human life in all its assessable forms—loving father will be unable to provide total security, beloved wife will always remain undervalued! Imaginative salesman will be forever stifled, and his true worth to the community never realised.

But you may say, "Professionals deal 'up market'!". Here we might look at the businessman. The only difference between a businessman and the employed father is that the sources of income are more complicated, and may be adversely affected by external events, not least of which may be the death of a third party. In other words, the HLVC of the businessman is the same, the solution is more complicated—in terms, not of what policies should be written, but HOW they should be effected.

If you as a professional do not demand service, attention and the unbiased ear of the company, then that vast reservoir of knowledge at Head Office—where so much information is poured in and so little dispensed outward—will remain untapped when its benefits could be felt throughout the land.

We have looked at the "triangle of responsibility". Perhaps our first positive act should be to change it from a triangle to a sphere! Have you noticed that triangles always have points to make and customer, salesman and company inevitably polarise? Yet a sphere encompasses many view-points and allows free movement without losing perspective.

Secondly, we may examine our own attitudes and recognise that often we are prejudiced against term insurance in our planning for reasons that lie in the shortcomings of our product and our training rather than in the concept itself. We should demand change for our customers, and we should not accept inertia as an excuse not to change.

Thirdly, we should examine our roles within the organisations we support. If you are worthy of your hire, then you are worthy of respect in this the most respectable industry in the world. And that respect will have to be earned in terms of your clientele and how you protect their loved ones. If you are not worthy of your hire, then for pity's sake begone, and stop clouding the waters of the industry with your murky presence. If you cannot get into the business with honour, then stop lurking on the fringes, clouding the issues and confusing the public—begone—and leave the protection to those qualified to perform the task.

Finally, if, perhaps, before we act, we truly do attempt to see the other's view, to accept change as not necessarily good or bad but discussable, and to see a value in the humans in our life rather than affect postures and stands on personal prejudice, we may truly bring a more effective solution to those who trust us to help them.